

Interim Report - First Half 2018



REALKREDIT
Danmark

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Interim Report – First Half 2018 is a translation of the original report in the Danish language (Delårsrapport – 1. halvår 2018). In case of discrepancies, the Danish version prevails.

Financial highlights – Realkredit Danmark Group

NET PROFIT FOR THE PERIOD (DKK millions)	First half 2018	First half 2017	Index 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Administration margin	3,115	3,075	101	1,556	1,559	1,560	1,551	1,537	6,186
Net interest income	73	6	1,217	35	38	35	18	-1	59
Net fee income	-311	-280	111	-151	-160	-158	-163	-148	-601
Income from investment portfolios	386	350	110	155	231	184	128	104	662
Other income	67	105	64	33	34	36	39	69	180
Total income	3,330	3,256	102	1,628	1,702	1,657	1,573	1,561	6,486
Expenses	348	362	96	165	183	192	182	185	736
Profit before loan impairment charges	2,982	2,894	103	1,463	1,519	1,465	1,391	1,376	5,750
Loan impairment charges	-191	122	-	-108	-83	54	-29	85	147
Profit before tax	3,173	2,772	114	1,571	1,602	1,411	1,420	1,291	5,603
Tax	698	610	114	345	353	313	312	284	1,235
Net profit for the period	2,475	2,162	114	1,226	1,249	1,098	1,108	1,007	4,368

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	7,116	10,040	71	7,116	24,222	30,072	29,575	10,040	30,072
Mortgage loans	794,178	773,959	103	794,178	788,200	788,765	786,207	773,959	788,765
Bonds and shares	54,038	63,993	84	54,038	51,008	54,851	52,105	63,993	54,851
Other assets	3,068	3,587	86	3,068	3,966	3,202	2,991	3,587	3,202
Total assets	858,400	851,579	101	858,400	867,396	876,890	870,878	851,579	876,890
Due to credit institutions etc.	1,513	9,530	16	1,513	4,083	4,294	9,654	9,530	4,294
Issued mortgage bonds	799,313	779,312	103	799,313	804,777	810,050	797,741	779,312	810,050
Issued senior debt	5,952	10,722	56	5,952	5,951	6,616	9,896	10,722	6,616
Other liabilities	3,877	4,334	89	3,877	6,053	6,039	4,799	4,334	6,039
Shareholders' equity	47,745	47,681	100	47,745	46,532	49,891	48,788	47,681	49,891
Total liabilities and equity	858,400	851,579	101	858,400	867,396	876,890	870,878	851,579	876,890

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	10.1	8.9		10.4	10.4	8.9	9.2	8.5	8.8
Impairment charges as % p.a. of mortgage lending	-0.05	0.03		-0.05	-0.04	0.03	-0.01	0.04	0.02
Cost/income ratio (%)	10.5	11.1		10.1	10.8	11.6	11.6	11.9	11.3
Total capital ratio (%)	28.9	28.4		28.9	28.6	28.3	28.5	28.4	28.3
Tier 1 capital ratio (%)	28.6	27.9		28.6	28.3	28.1	28.2	27.9	28.1
Full-time-equivalent staff (end of period)	230	235		230	232	232	233	235	232

Throughout the Management's report, Realkredit Danmark's performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to management. The financial highlights are alternative performance measures which deviate from the presentation according to IFRS. See note 2 for an explanation of the differences and a reconciliation between these measures and IFRS.

Overview, first half 2018

- The Realkredit Danmark Group recorded a net profit of DKK 2,475 million in the first half of 2018, against DKK 2,162 million in the first half of 2017. The profit for the first half of 2018 was supported by a larger loan portfolio.
- Impairments amounted to an income of DKK 191 million in the first half of 2018, against an expense of DKK 122 million in the first half of 2017.
- There is still strong customer demand for the new mortgage loan product FlexLife®. FlexLife® accounted for 19% of all new loans to personal customers, and in the 60+ age group the figure is 48%.
- In the first half of 2018, borrower demand centred primarily on fixed-rate loans and FlexLån® loans with refinancing intervals of five years.
- Realkredit Danmark complies with all threshold values of the supervisory diamond for mortgage credit institutions.
- Realkredit Danmark still expects the profit for 2018 to be at the same level as in 2017.

Homeowners across Denmark have welcomed FlexLife®

Danish homeowners have really taken to FlexLife® and its possibilities for up to 30-year interest-only periods and, not least, the option of much greater individual flexibility compared with other mortgage loan products. Since they were launched in September 2017, FlexLife® loans have accounted for nearly one in five new loans disbursed to Danish homeowners, and by the end of June Realkredit Danmark had disbursed loans for DKK 12 billion.

Homeowners across Denmark have welcomed the new loan options, and Realkredit Danmark has disbursed FlexLife® loans in each of Denmark's 98 municipalities. The largest urban areas of Copenhagen, Aarhus, Odense and Aalborg together account for a little over 25% of FlexLife® loan disbursements, which is in line with the population distribution.

In addition, the fair amounts of home equity among FlexLife® loan homeowners are reflected in their average loan-to-value ratio of 55%. Nearly eight in ten borrowers have a loan-to-value ratio of less than 60%.

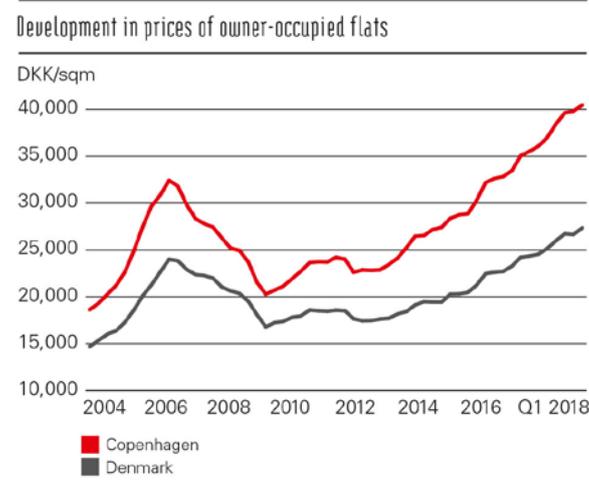
One of the principal innovations of FlexLife® is the possibility of fixing the monthly payment according to the borrower's own needs and financial position. Borrowers are thus no longer forced to choose between interest-only loans and ordinary loans with repayment. Instead, homeowners of all age groups with home equity have a unique possibility of adapting their mortgage loan to their situation and needs and are able regularly to adjust their loans within agreed limits. For example, they can choose to make changes when their interest-only period expires, during periods of large fluctuations in income or expenses, during periods of home investment savings or as part of planning their pension savings.

Mortgage credit market

The Danish economy is a few years into an economic recovery which has continued into 2018 with moderate GDP growth and rising employment levels. The buoyant trend has positively affected the housing market and the market for commercial property.

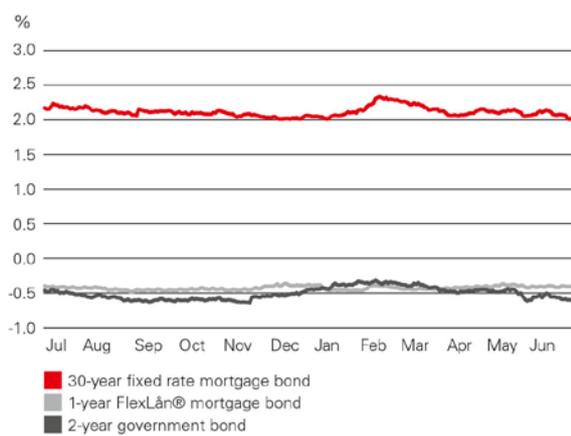
House prices continued their upward trend in the first half of 2018, both in terms of the individual housing segments and across Denmark. Prices of single-family detached houses are expected to rise by roughly 4% in 2018. Prices of holiday houses have also trended upward, driven, among other factors, by the new lending regulations enacted in May 2017, which allow borrowers to mortgage a holiday home at up to 75% of its value. Prices are expected to continue to trend upward in the Danish market for holiday houses in 2018.

Trading activity in the housing market is slightly lower than it was in 2017. The slowdown is primarily due to softer activity in the market for owner-occupied flats, especially in Copenhagen. The rate of price increases in the Copenhagen market for owner-occupied flats has declined in 2018 after strong increases in the preceding years.



Following rising rates early in the year, mortgage rates again dipped to record-lows in the second quarter, driven in particular by concerns about an Italian debt crisis, slightly weaker economic data for the European economy and persistently low underlying inflationary pressure. The market is now pricing in a first rate hike by the European Central Bank (ECB) in the second half of 2019 instead of H1 2019.

Trend in interest rates past 12 months



The favourable economic climate seems to have pushed down vacancy rates in the commercial property market.

At 1 July 2018, the new Danish act on state guarantee, guarantee commission and payment commission in connection with financing of subsidised housing entered into force. This means that the Danish State will fully guarantee loans and the mortgage bonds financing loans in the subsidised housing area. In return for the guarantee, the mortgage credit institutions must pay commission to the State at 0.12% of the loan principal.

Results

For the first half of 2018, Realkredit Danmark's net profit was DKK 2,475 million, against DKK 2,162 million in the same period of 2017. The results for the period are exclusive of a DKK 400 million transition effect of IFRS 9 and tax hereof in the amount of DKK 88 million, for a net amount of DKK 312 million, which is included in the IFRS financial statements of the Realkredit Danmark Group.

The profit performance was driven by the reversal of previous provisions for bad debts as well as lending growth and a resulting rise in administration margin income. Remortgaging activity was at the same level as in the first half of 2017.

The administration margin income rose DKK 40 million, driven by a larger loan portfolio.

Other income rose DKK 34 million in the first half of 2018.

Total income was on a level with the first half of 2017.

Expenses amounted to DKK 348 million in the first half of 2018, against DKK 362 million in the first half of 2017.

Impairments totalled an income of DKK 191 million in the first half of 2018, compared with an expense of DKK 122 million in the same period of 2017. In the first halves of both 2017 and 2018, net provisions for bad debts were reversed, primarily on business customers. In addition, the new impairment principles of IFRS 9 have resulted in a transition effect of DKK 400 million in the first half of 2018. This has been expensed in the IFRS financial statements of the Realkredit Danmark Group, but recognised as a reduction of equity at 1 January 2018 in the financial highlights to show the actual activity during the half-year period.

The Danish agricultural sector continues to struggle with low grain prices. Pork and milk prices started at lower levels in 2018 than last year, when prices reached their peak in the current cycle. We expect the low price level to continue. Unfortunately, the period of high selling prices was relatively short-lived, and as the sector remains challenged by the current low price level and high debts, it has proven necessary to maintain impairment levels.

Impairments equalled -0.05% p.a. of total mortgage lending, which was on a level with 2017. The delinquency rate at 30 June 2018 was unchanged from the level at end-2017.

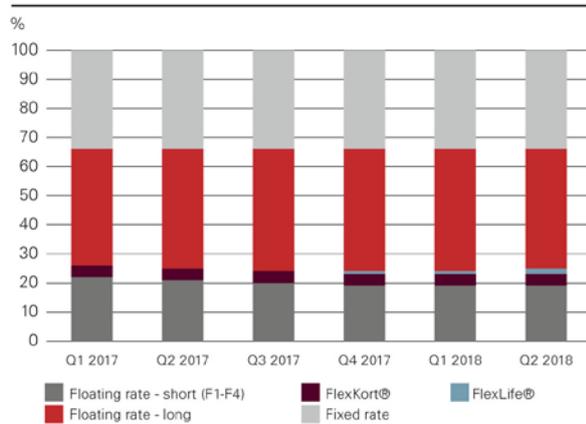
The tax charge totalled DKK 698 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 62 billion, against DKK 56 billion in the first half of 2017. Mortgage lending at fair value rose DKK 5 billion to DKK 794 billion in the first half of 2018. The development in mortgage lending at fair value is composed of an increase in the nominal outstanding bond debt of DKK 7 billion and a DKK 2 billion decline in the market value adjustment in the same period.

There is still strong customer demand for the new mortgage loan product FlexLife®. FlexLife® accounted for 19% of all new loans to personal customers, and in the 60+ age group the figure is 48%.

In the first half of 2018, fixed-rate loans accounted for approximately 40% of all disbursed loans, while about 75% of all floating-rate loans were disbursed with refinancing intervals of five years.

Development in loan portfolio by loan type (%)


Low interest rates have made more customers lock-in the interest rate on their loan for a longer period.

At 30 June 2018, the average loan-to-value (LTV) ratio stood at 61%, which was on a level with the end of 2017. An increase in loans calculated at market value was offset by rising property prices.

The number of new foreclosures was 21 in the first half of 2018. The number of foreclosures was unchanged from year-end 2017, standing at 27, of which 24 were owner-occupied dwellings and 3 were commercial properties. The value of the foreclosures was DKK 26 million.

Capital and solvency

At the end of June 2018, shareholders' equity stood at DKK 47.7 billion, against DKK 49.9 billion at end-2017. The ordinary dividend payment of DKK 4.3 billion and the consolidation of the net profit for the period accounted for the change.

Realkredit Danmark's total capital amounted to DKK 45.8 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 28.9%. At 31 December 2017, the corresponding figures were DKK 45.9 billion and 28.3%, respectively.

Realkredit Danmark uses the internal ratings-based (IRB) approach to calculate the risk exposure amount for credit risks. The total risk exposure amount (REA) was DKK 158.5 billion at 30 June 2018, against DKK 161.9 billion at the end of 2017.

The binding capital requirement is the solvency need ratio plus the combined buffer requirement. At 30 June 2018, the capital requirement was calculated at DKK 23.1 billion and 14.6% of the REA. Realkredit Danmark thus has a capital buffer of DKK 22.7 billion.

Under Danish law, Realkredit Danmark must publish its total capital and solvency need on a quarterly basis. The rd.dk site provides further information.

Supplementary collateral

Realkredit Danmark issues mortgage-covered bonds. Under Danish law, it must provide supplementary collateral to the bondholders when the LTV ratio exceeds predefined limits, which are 80% for residential property and 60% for commercial property. At the end of June 2018, the requirement for supplementary collateral for mortgage-covered bonds was DKK 19.6 billion, against DKK 22.7 billion at end-2017.

Liquidity Coverage Ratio

The effective requirement for Realkredit Danmark's buffer of liquid assets resulting from the Liquidity Coverage Ratio is 2.5% of total mortgage lending. At the end of June 2018, this corresponded to approximately DKK 20 billion. Realkredit Danmark has liquid assets of DKK 41 billion after haircuts and thus has a buffer of DKK 21 billion relative to the requirement.

Rating

Realkredit Danmark's mortgage bonds and mortgage-covered bonds issued from capital centres S and T and under the Other reserves series continue to hold a AAA rating from S&P Global.

Ratings assigned by Fitch Ratings to capital centres S and T are also unchanged at AAA and AA+, respectively.

Realkredit Danmark holds an issuer rating of A from Fitch Ratings.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Threshold value	Q2 2018	Limit
Growth in lending¹		
Owner-occupied dwellings and holiday homes	1.0%	15%
Residential rental property	1.6%	15%
Agriculture	-1.4%	15%
Other	0.7%	15%
Borrower interest-rate risk²		
Properties for residential purposes	9.0%	25%
Interest-only option³		
Owner-occupied dwellings and holiday homes	8.2%	10%
Loans with short-term funding⁴		
Refinancing, annually	13.9%	25%
Refinancing, quarterly	0.3%	12.5%
Large exposures⁵		
Loans relative to shareholders' equity	43%	100%

¹ Annual growth must be lower than 15% unless the size of the segment is smaller than the institution's total capital.

² The proportion of loans for which the loan-to-value ratio is at least 75% of the statutory maximum loan limit and for which the interest rate has been locked for up to two years must not represent more than 25% of the total loan portfolio.

³ The proportion of interest-only loans for which the loan-to-value ratio is more than 75% of the statutory maximum loan limit must represent less than 10% of the total loan portfolio.

⁴ The proportion of lending to be refinanced must be less than 12.5% per quarter and less than 25% of the total loan portfolio.

⁵ The sum of the 20 largest exposures must be less than core equity tier 1 capital.

Management

On 26 April 2018, Lars Mørch, chairman of the Board of Directors, resigned from the Board of Directors of Realkredit Danmark. The Board of Directors elected Jesper Nielsen as chairman and Jacob Aarup-Andersen as vice chairman. At an extraordinary general meeting held on 23 May 2018, Jakob Groot, Carsen Rasch Egeriis and Christian Baltzer (the latter with effect from 15 October 2018) were elected as members of the Board of Directors.

Outlook for 2018

Realkredit Danmark expects that low interest rates will continue to characterise the Danish economy in 2018 with moderately rising growth relative to the past few years. Low interest rates will continue to support the upward trend in house prices and general housing market activity.

Realkredit Danmark expects income to be at the same level as in 2017, as income will be supported by moderate growth in the average loan portfolio, while a decline in income from remortgaging activity and lower returns on the bond portfolios will have downward effect.

Through a persistent focus on cost control in 2018, Realkredit Danmark aims to curb its expenses.

Loan impairment charges are expected to remain at a low level in 2018.

Overall, Realkredit Danmark therefore expects net profit to be at the same level in 2018 as in 2017.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	First half 2018	First half 2017	Q2 2018	Q2 2017	Full year 2017
	Income statement					
	Interest income	8,827	9,229	4,403	4,541	18,206
	Interest expense	5,410	5,842	2,690	2,828	11,266
	Net interest income	3,417	3,387	1,713	1,713	6,940
	Dividends from shares	-	-	-	-	-
	Fee and commission income	260	264	116	116	572
	Fee and commission expense	571	544	267	264	1,173
	Net fee and commission income	3,106	3,107	1,562	1,565	6,339
	Value adjustments	157	45	33	-73	-32
	Other operating income	67	105	33	69	180
	Staff costs and administrative expenses	347	361	165	185	733
	Impairment, depreciation and amortisation charges	1	1	-	-	3
3	Loan impairment charges	209	122	-108	85	147
	Income from associates and group undertakings	-	-1	-	-	-1
	Profit before tax	2,773	2,772	1,571	1,291	5,603
	Tax	610	610	345	284	1,235
	Net profit for the period	2,163	2,162	1,226	1,007	4,368
	Comprehensive income					
	Net profit for the period	2,163	2,162	1,226	1,007	4,368
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	-12	-36	-17	-19	-30
	Tax	3	8	4	4	6
	Total other comprehensive income	-9	-28	-13	-15	-24
	Total comprehensive income for the period	2,154	2,134	1,213	992	4,344

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2018	31 December 2017	30 June 2017
ASSETS				
	Cash in hand and demand deposits with central banks	134	273	3
	Due from credit institutions and central banks	6,982	29,799	10,037
	Bonds at fair value	22,489	23,626	33,531
	Bonds at amortised cost	31,547	31,223	30,460
4	Mortgage loans at fair value	794,178	788,765	773,959
4	Loans and other amounts due at amortised cost	606	627	774
	Shares etc.	2	2	2
	Holdings in associates	-	-	-
	Other tangible assets	7	7	8
	Current tax assets	512	13	559
	Deferred tax assets	-	-	-
	Assets temporarily taken over	26	38	64
4	Other assets	1,877	2,509	2,136
	Prepayments	40	8	46
Total assets		858,400	876,890	851,579
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	1,513	4,294	9,530
	Issued mortgage bonds at fair value	799,313	810,050	779,312
5	Issued bonds at amortised cost	5,952	6,616	10,722
	Current tax liabilities	-	-	-
	Deferred tax liabilities	38	41	51
	Other liabilities	3,839	5,998	4,283
	Deferred income	-	-	-
Total amounts due		810,655	826,999	803,898
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Other reserves			
	Reserves in series	43,171	43,171	44,611
	Other reserves	3,944	1,790	2,440
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,745	49,891	47,681
Total liabilities and equity		858,400	876,890	851,579

Statement of capital – Realkredit Danmark Group

CHANGES IN SHAREHOLDERS' EQUITY (DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2018	630	43,171	1,790	4,300	49,891
Net profit for the period	-	-	2,163	-	2,163
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-12	-	-12
Tax	-	-	3	-	3
Total comprehensive income for the period	-	-	2,154	-	2,154
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2018	630	43,171	3,944	-	47,745
Shareholders' equity at 1 January 2017	630	44,611	306	3,800	49,347
Net profit for the period	-	-	2,162	-	2,162
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-36	-	-36
Tax	-	-	8	-	8
Total comprehensive income for the period	-	-	2,134	-	2,134
Dividends paid	-	-	-	-3,800	-3,800
Shareholders' equity at 30 June 2017	630	44,611	2,440	-	47,681

At 30 June 2018, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen.

TOTAL CAPITAL AND TOTAL CAPITAL RATIO (DKK millions)	30 June 2018	31 December 2017	30 June 2017
Shareholders' equity	45,591	49,891	45,578
Revaluation of domicile property at fair value	-	-	-
Tax effect	-	-	-
Total equity calculated in accordance with the rules of the Danish FSA	45,591	49,891	45,578
Proposed/expected dividends	-	-4,300	-
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Prudent valuation	-10	-7	-17
Defined benefit pension fund assets	-164	-138	-133
Common equity tier 1 capital	45,417	45,446	45,428
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,417	45,446	45,428
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	394	428	854
Total capital	45,811	45,874	46,282
Risk exposure amount	158,547	161,902	162,892
Common equity tier 1 capital ratio (%)	28.6	28.1	27.9
Tier 1 capital ratio (%)	28.6	28.1	27.9
Total capital ratio (%)	28.9	28.3	28.4

At 30 June 2018, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Directive (CRR/CRD IV).

From 1 January 2017, the profit for the period will not be recognised in the statement of total capital and total capital ratio until in connection with the audited full-year financial statements. The statement of total capital and total capital ratio will therefore be based on shareholders' equity at 1 January reduced by the dividend distributed in March.

The solvency need calculation is described in more detail on rd.dk.

Cash flow statement – Realkredit Danmark Group

(DKK millions)	First half 2018	First half 2017	Full year 2017
Cash flow from operations			
Profit before tax	2,773	2,772	5,603
Tax paid	-1,109	-1,182	-1,274
Adjustment for non-cash operating items	-124	-81	-275
Cash flow from operating capital	-20,196	-17,168	319
Total	-18,656	-15,659	4,373
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-
Total	-	-	-
Cash flow from financing activities			
Dividends	-4,300	-3,800	-3,800
Total	-4,300	-3,800	-3,800
Cash and cash equivalents at 1 January	30,072	29,499	29,499
Change in cash and cash equivalents	-22,956	-19,459	573
Cash and cash equivalents, end of period	7,116	10,040	30,072
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	134	3	273
Amounts due from credit institutions and central banks within 3 months	6,982	10,037	29,799
Total	7,116	10,040	30,072

Notes – Realkredit Danmark Group

Note

1 Significant accounting policies

and critical accounting estimates and assessments

The Group's interim report for the first half of 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and additional Danish disclosure requirements for interim reports of issuers of listed bonds.

Implementation of IFRS 9 and IFRS 15

On 1 January 2018, the Group implemented IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers.

Under IFRS 9, financial assets, including loans, are classified on the basis of the business model adopted for managing the assets and on their contractual cash flow characteristics (including embedded derivatives, if any) into one of the following measurement categories:

- Amortised cost if the assets are held exclusively for the purpose of collecting contractual cash flows and if the cash flows are payments of principal and interest on the principal amount outstanding solely.
- Fair value through other comprehensive income if the assets are held for the purpose of both collecting contractual cash flows and selling and if cash flows are payments of principal and interest on the principal amount outstanding solely.
- Fair value through profit or loss for all other financial assets.

Implementation of the classification principles of IFRS 9 has not resulted in reclassifications between amortised cost and fair value in the Realkredit Danmark Group, and no financial assets are recognised at fair value through other comprehensive income. Accordingly, there are no changes to the valuation of financial liabilities. As a result, mortgage loans and issued mortgage bonds are still recognised at fair value through profit or loss. However, there is a knock-on effect from IFRS 9 on the calculation of the fair value of credit risk on mortgage loans (see below).

Also, the fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds adjusted for changes in the fair value of the credit risk on borrowers. As previously, such adjustment is made on the basis of the IFRS impairment principles that apply to loans at amortised cost. From 1 January 2018, the fair value of this credit risk is thus measured on the basis of the expected credit loss approach of IFRS 9, including the allocation of the loans between stage 1, stage 2 and stage 3.

Stage 1: If the credit risk has not increased significantly, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months.

Stage 2: If the credit risk has increased significantly, the loan is transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognised. A significant credit risk increase is considered to occur when the following increase in the probability of default (PD) is observed:

- For loans originated below 1% in PD: An increase in the loan's 12-month PD of at least 0.5 percentage points since origination and a doubling of the loan's lifetime PD since origination
- For loans originated above 1% in PD: An increase in the loan's 12-month PD of 2 percentage points since origination or a doubling of the loan's lifetime PD since origination
- Further, loans that are more than 30 days past due are moved from stage 1 to stage 2. Finally, customers subject to forbearance measures are placed at stage 2, if the Group, in the most likely outcome, expects no loss or the customers are in the 2-year probation period for performing forborne exposures.

Stage 3: If a loan is in default or otherwise credit-impaired, it is transferred to stage 3, which is the same as stage 2, except that interest income on loans recognised at amortised cost must be recognised at the net carrying amount. The Realkredit Danmark Group has opted to continue to recognise interest income on mortgage loans measured at fair value on the basis of the contractual interest rates.

The major change from IAS 39 is the calculation of expected credit losses (either as 12 months expected credit losses or lifetime expected credit losses depending on whether loans are at stage 1, 2 or 3) and the inclusion of forward-looking elements.

The expected credit loss is calculated for all individual loans as a function of the probability of default (PD), the exposure at default (EaD) and the loss given default (LGD). In general, the Group's IFRS 9 models and parameters draw on the Realkredit Danmark Group's existing internal models in order to ensure alignment of models across the Group. New models and calculations have been developed especially for IFRS 9 purposes, including models for lifetime PD, prepayment and forward-looking LGD.

The lifetime expected credit losses cover the expected remaining lifetime of the loan. For most loans, the expected lifetime is limited to the remaining contractual maturity and adjusted for expected prepayment. For exposures with weak credit quality, the likelihood of prepayment is not included.

Notes – Realkredit Danmark Group

Note

1 **Significant accounting policies
and significant accounting estimates and assessments**

cont'd

The forward-looking elements of the calculation reflect the current unbiased expectations of the management. The process consists of the creation of macroeconomic scenarios (base case, upside and downside), including an assessment of the probability for each scenario, by the Danske Bank Group's independent macroeconomic research unit in FICC, the review and sign-off of the scenarios (throughout the organisation) and a process for adjusting scenarios given new information during the quarter. Management's approval of scenarios can include adjustments to the scenarios, probability weighting and management overlays to cover the outlook for particular high-risk portfolios, which are not provided by the Group's macroeconomists. The approved scenarios are used to calculate the impairment levels. Technically, the forward-looking information is used directly in the PDs through an estimate of general changes to the PDs and the LGDs in the expected credit loss calculation. However, for significant exposures at stage 3, an individual assessment of the scenarios, changes to expected credit losses and the related probabilities are performed by senior credit officers.

On top of the calculation of expected credit losses according to the principles of IFRS 9, some adjustments are made to reflect the measurement basis being fair value and not amortised cost. The recognition of 12 months' expected credit losses at initial recognition is inconsistent with fair value and is therefore not recognised. On the other hand, increases in lifetime credit losses are considered for the purpose of fair value even if an increase in credit risk is insignificant.

The implementation of the new method for measuring the fair value of credit risk on mortgage loans has increased the allowance account by DKK 400 million at 1 January 2018. This increase is recognised as a change of an accounting estimate in the IFRS income statement in the first quarter of 2018 and results in a DKK 312 million reduction of the net profit for the period.

The implementation of IFRS 15 has not resulted in any significant changes. However, income and expenses are offset when Realkredit Danmark acts as agent and handles the re-invoicing of expenses incurred. In the first half of 2018, this led to a DKK 17 million reduction in Other operating income and Staff costs and administrative expenses.

Other than this, the Group has not changed its significant accounting policies from those followed in Annual Report 2017, which provides a full description of the Group's significant accounting policies. The interim report has not been reviewed or audited.

Significant accounting estimates and assessments

Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the Group's consolidated financial statements. The amount most influenced by critical estimates and assessments is the fair value measurement of mortgage loans.

The estimates and assessments are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The premises may be incomplete, unexpected future events or situations may occur, and other parties may arrive at other estimated values.

Fair value measurement of mortgage loans

The fair value of mortgage loans is based on the fair value of the underlying issued mortgage bonds. As described above, adjustments are made for changes in the fair value of the credit risk on borrowers using the new impairment model in IFRS 9, which is based on expected credit losses.

The expected credit loss is calculated for all individual loans as a function of PD, EaD and LGD and includes forward-looking elements. The forward-looking elements reflect management's expectations and involve the creation of scenarios (base case, upside and downside), including an assessment of the probability of each scenario. On the basis of these assessments, the fair value adjustment of credit risk on mortgage loans is calculated at DKK 3,008 million at 30 June 2018. The fair value adjustment would increase to DKK 3,375 million if the downside scenario was weighted at 100%. On the other hand, if the upside scenario was weighted at 100%, the fair value adjustment would decrease to DKK 2,875 million.

The Group's principal risks and external factors that may affect the Group are described in more detail in Annual Report 2017.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
First half 2018					
Administration margin	3,115	-	3,115	-	3,115
Net interest income	-104	177	73	229	302
Dividends from shares	-	-	-	-	-
Net fee income	-311	-	-311	-	-311
Income from investment portfolios	292	94	386	-386	-
Value adjustments	-	-	-	157	157
Other income	67	-	67	-	67
Total income	3,059	271	3,330	-	3,330
Expenses	345	3	348	-	348
Profit before loan impairment charges	2,714	268	2,982	-	2,982
Loan impairment charges	-191	-	-191	400	209
Income from associates	-	-	-	-	-
Profit before tax	2,905	268	3,173	-400	2,773
Tax	-	-	698	-88	610
Net profit for the period			2,475	-312	2,163
Total assets	807,315	51,085	858,400	-	858,400
First half 2017					
Administration margin	3,075	-	3,075	-	3,075
Net interest income	-170	176	6	306	312
Dividends from shares	-	-	-	-	-
Net fee income	-280	-	-280	-	-280
Income from investment portfolios	273	77	350	-350	-
Value adjustments	-	-	-	45	45
Other income	105	-	105	-	105
Total income	3,003	253	3,256	1	3,257
Expenses	359	3	362	-	362
Profit before loan impairment charges	2,644	250	2,894	1	2,895
Loan impairment charges	122	-	122	-	122
Income from associates	-	-	-	-1	-1
Profit before tax	2,522	250	2,772	-	2,772
Total assets	794,931	56,648	851,579	-	851,579

Mortgage finance encompasses property financing services provided in Denmark, Sweden and Norway to personal and business customers. The mediation of property financing services is made through Danske Bank's branch network and finance centres and through Corporate & Institutional Mortgage Finance at Realkredit Danmark. The segment also includes mediation of real estate transactions in Denmark offered through the "home" real-estate agency chain. Own holdings comprise the net return on the part of the securities portfolio not relating to the mortgage finance business. Under the Danish Financial Business Act, at least 60% of the total capital of a mortgage credit institution must be invested in bonds, etc.

Realkredit Danmark has no branch offices or subsidiaries outside Denmark.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity
cont'd

Fees and other income

Fee income relates to mortgage credit activities and primarily concern income from the establishment and change of loans. These are recognised at the date of transaction as the loans are measured at fair value through profit or loss. In the business segment reporting and internal management, fees are presented as net figures, i.e. fee income and fee expenses are offset. Other income include franchise income, which is recognised over the term of the franchise agreement.

Alternative performance measures

Financial highlights and reporting for the two business segments correspond to the information incorporated in the Management's report, which is regularly sent to management. The presentation in the financial highlights deviates in certain areas from the financial statements prepared under IFRS and therefore represents alternative performance measures. There are generally no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS financial statements. However, in 2018 there is one adjusting item deriving from the implementation of IFRS 9. Mortgage loans are recognised at fair value (both under IAS 39 and under IFRS 9). After the implementation of IFRS 9, the measurement of the fair value of the credit risk will continue to be based on the same approach as that used for impairment of loans recognised at amortised cost. In the IFRS income statement, the effect of the new impairment principles is recognised as a change of an accounting estimate. To better reflect current earnings in 2018, the effect in the financial highlights and reporting for the two business segments is recognised as a reduction in shareholders' equity at 1 January 2018. As a result, the profit for the period is DKK 312 million higher in the financial highlights than in the IFRS income statement.

The reclassification column shows the reconciliation between the presentation in the highlights and in the IFRS financial statements. Other than the above-mentioned adjusting item concerning the fair value of the credit risk on mortgage loans in 2018, the difference between the presentation in the financial highlights and in the IFRS financial statements is due to the fact that income from trading activities in mortgage credit activities and income from own holdings, except for interest on bonds at amortised cost, is carried in the consolidated highlights as income from investment portfolios, while in the income statement according to IFRS it is carried under net interest income, value adjustments, etc.

As the distribution of income between the various income line items in the IFRS income statement can vary considerably from one year to the next, depending on the underlying transactions and market conditions, the net presentation in the financial highlights is considered to better reflect income in those areas.

Notes – Realkredit Danmark Group

Note	(DKK millions)	First half 2018	First half 2017
3	Loan impairment charges		
	IFRS 9 transitional impact on implementation, 1 January 2018	400	-
	ECL on new assets	43	-
	ECL on assets derecognised	144	-
	Impact of remeasurement	-96	-
	Impairment charges etc. during the period	-	453
	Reversals of impairment charges etc. for previous years	-	534
	Losses incurred	32	233
	Received on claims previously written off	26	30
	Total	209	122

4 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,008 million at 30 June 2018, against DKK 3,072 million at the beginning of the year.

Of total loan charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 95 million at 30 June 2018, against DKK 155 million at the beginning of the year.

Reconciliation of total impairment charges

	Stage 1	Stage 2	Stage 3	Total
Collective and individual impairment charges under IAS 39				3,227
Transition effect (ECL at 1 January), incl. impact on loans	551	412	2,664	400
Transferred to stage 1 during the period	120	-82	-38	-
Transferred to stage 2 during the period	-24	126	-102	-
Transferred to stage 3 during the period	-19	-23	42	-
ECL on new assets	5	7	31	43
ECL on assets derecognised	16	29	99	144
Impact of remeasurement	-39	4	-61	-96
Write-offs, allowance account	5	4	318	327
Impairment charges at 30 June 2018	573	411	2,119	3,103

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2017	2,690	815	3,505
Impairment charges during the period	602	143	745
Reversals of impairment charges for previous periods	934	89	1,023
Impairment charges at 31 December 2017	2,358	869	3,227

Value adjustments of assets taken over amounted to DKK 5 million at 30 June 2018, against DKK -2 million at end-2017.

Notes – Realkredit Danmark Group

Note	(DKK millions)				
5	Issued bonds at amortised cost				
			30 June 2018	31 December 2017	
	Nominal value of issued bonds		5,952	6,617	
	Premium/discount		-	-1	
	Total issued bonds		5,952	6,616	
		1 January 2018	Issued	Redeemed	30 June 2018
	Nominal value				
	Total issued bonds	6,617	-	665	5,952

Issued bonds at amortised cost consist of issued senior debt.

6 Assets deposited as collateral

At 30 June 2018, Realkredit Danmark had deposited securities worth DKK 9,904 million (end-2017: DKK 13,271 million) as collateral with the Danish central bank.

In connection with repo transactions, which involve selling securities to be repurchased at a later date, the securities remain on the balance sheet, and amounts received are recognised as due to credit institutions and central banks. Repo transaction securities are treated as assets provided as collateral for liabilities. At 30 June 2018, the carrying amount of such securities totalled DKK 2,027 million (end-2017: DKK 4,289 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2018, mortgage lending totalling DKK 794,178 million and other assets totalling DKK 19,588 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2017: DKK 788,765 million and DKK 22,665 million).

Notes – Realkredit Danmark Group

Note	(DKK millions)				
7	Financial instruments at fair value				
	30 June 2018	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	15,515	6,974	-	22,489
	Mortgage loans at fair value	-	794,178	-	794,178
	Shares	-	-	2	2
	Derivatives	-	19	-	19
	Total	15,515	801,171	2	816,688
	Issued mortgage bonds at fair value	799,313	-	-	799,313
	Derivatives	-	7	-	7
	Total	799,313	7	-	799,320
	31 December 2017				
	Bonds at fair value	17,327	6,299	-	23,626
	Mortgage loans at fair value	-	788,765	-	788,765
	Shares	-	-	2	2
	Derivatives	-	64	-	64
	Total	17,327	795,128	2	812,457
	Issued mortgage bonds at fair value	810,050	-	-	810,050
	Derivatives	-	10	-	10
	Total	810,050	10	-	810,060

Negative interest income and interest expenses due to negative interest rates were insignificant during the first six months of 2018. The amounts are offset against interest income and interest expenses, respectively.

Note 35 to Annual Report 2017 provides a description of the valuation techniques used for financial instruments. Financial market developments did not result in reclassification of bonds between listed prices and observable input during the first six months of 2018.

Notes – Realkredit Danmark Group

Note (DKK millions)

8 **Contingent liabilities**

Owing to its size and business volume, Realkredit Danmark Group is continually a party to various disputes. The Group does not expect the outcomes of the disputes pending to have any material effect on its financial position.

As the sponsoring employer, Realkredit Danmark is liable for the pension obligations of Kreditforeningen Danmarks Pensionsafvklingskasse. The pension fund and the Group's defined benefit plan have not accepted new members since 1971.

In connection with implementation of the EU Bank Recovery and Resolution Directive, a Danish resolution fund has been established. The resolution fund must amount to 1% of the covered deposits of all Danish credit institutions by 31 December 2024. The first contribution to the fund was made at 31 December 2015. The individual institution must make contributions to the fund on the basis of its size and risk relative to other credit institutions in Denmark. The intention is that losses should be covered by the annual contributions made by the participating credit institutions. If sufficient means are not available in the resolution fund, extraordinary contributions can be required of up to three times the latest annual contribution. Realkredit Danmark pays an annual contribution to the resolution fund.

The company is registered jointly with all major Danish subsidiaries of the Danske Bank Group for financial services employer tax and VAT, for which it is jointly and severally liable.

The company is jointly taxed with all Danish companies in the Danske Bank Group and are jointly and severally liable for their Danish income tax, withholding tax, etc.

Realkredit Danmark operates out of leased premises. Leases are concluded by the parent company. Realkredit Danmark pays monthly rent to the parent company.

Guarantees and indemnities issued by the Group, irrevocable loan commitments regarding reverse mortgages and other commitments not recognised in the balance sheet amount to:

(DKK millions)	30 June 2018	31 December 2017	30 June 2017
Other contingent liabilities			
Irrevocable loan commitments regarding reverse mortgages	2	6	6
Other commitments	33	46	89
Total	35	52	95

In addition to credit exposure from lending activities, loan offers made by the Group amounted to DKK 39,181 million (end-2017: DKK 37,470 million). These items are included in the calculation of the total risk amount in accordance with the CRR/CRD IV.

Notes – Realkredit Danmark Group

Note

9 Risk management

The Board of Directors defines Realkredit Danmark's risk management framework, while the Executive Board monitors Realkredit Danmark's risks and ensures compliance with the framework. The principal risk faced by Realkredit Danmark is the credit risk on mortgage loans. Realkredit Danmark has only limited exposure to market risk.

Credit risk

As a mortgage credit institution, Realkredit Danmark provides loans secured on real property. The credit risk on a mortgage loan basically derives from two factors; the risk that the borrower is unable to repay the loan and the expected loss if the customer does not repay the loan. The latter depends largely on the value of the mortgaged property. The table below shows a breakdown of the loan portfolio on customer classification by creditworthiness (rating categories) and loan-to-value (LTV) ratios. Loans to customers with an LTV ratio of more than 80% in the four lowest rating categories total DKK 3 billion, which corresponds to 0.4% of the total loan portfolio.

Portfolio broken down by LTV ratio and rating category
30 June 2018

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	8	5	2	-	-	15
3	76	51	28	11	7	173
4	91	69	41	15	5	221
5	65	57	37	14	3	176
6	38	32	24	9	2	105
7	24	21	15	6	1	67
8	7	7	5	2	1	22
9	1	1	1	-	-	3
10	3	3	2	1	1	10
11	1	1	1	1	1	5
Total	314	247	156	59	21	797

Portfolio broken down by LTV ratio value and rating category
31 December 2017

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	7	5	2	1	-	15
3	70	47	27	11	6	161
4	85	66	39	15	6	211
5	64	56	39	15	3	177
6	39	33	23	10	2	107
7	25	23	17	7	2	74
8	8	7	6	3	1	25
9	1	1	1	1	-	4
10	3	3	2	2	1	11
11	2	2	1	1	1	7
Total	304	243	157	66	22	792

In the financial statements, mortgage loans, and thus the associated credit risk, are recognised at fair value. Calculating the fair value of credit risk involves significant estimates and assumptions. This is described in detail in note 1. The total fair value adjustment of credit risk is described in note 4.

Notes – Realkredit Danmark Group

Note

9 Risk management

Cont'd

In the table below, mortgage loans and the fair value of credit risk is broken down by 11 rating categories and stages 1, 2 and 3 of IFRS 9 (DKK billions):

Rating category	PD level		Gross Exposure			Expected Credit Loss			Net Exposure		
	Lower	Upper	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0.00	0.01	1	-	-	-	-	-	1	-	-
2	0.01	0.03	16	-	-	-	-	-	16	-	-
3	0.03	0.06	177	1	-	-	-	-	177	1	-
4	0.06	0.14	223	1	-	-	-	-	223	1	-
5	0.14	0.31	171	2	1	-	-	-	171	2	1
6	0.31	0.63	96	3	-	-	-	-	96	3	-
7	0.63	1.90	55	9	1	-	-	-	55	9	1
8	1.90	7.98	13	7	1	1	-	-	12	7	1
9	7.98	25.70	1	2	-	-	-	-	1	2	-
10	25.70	100.00	-	-	10	-	-	1	-	-	9
11	100.00	100.00	-	-	6	-	-	1	-	-	5
Total			753	25	19	1	-	2	752	25	17

Market risk

Market risk comprises interest rate, equity market and exchange rate risks and, to a very limited extent, liquidity risk and operational risk. In addition, the Group is exposed to some degree to pension risk on defined benefit plans for current and/or former employees.

However, the statutory principle of balance eliminates most of the interest rate, exchange rate and liquidity risks on Realkredit Danmark's loans. Realkredit Danmark's other assets and liabilities involve some degree of market risk, mainly in the form of interest rate risk. Realkredit Danmark uses derivatives to hedge the interest rate risk on some of the bonds in the proprietary portfolio and on fixed-rate liabilities in the form of issued senior debt. The derivatives and the hedged bonds are recognised at fair value, and fair value hedge accounting is used to the effect that the hedged interest rate risk on the issued senior debt is also recognised at fair value in the financial statements. Realkredit Danmark has placed DKK 31,547 million of its proprietary portfolio in fixed-rate bonds, which are recognised in the financial statements as held-to-maturity investments and are thus measured at amortised cost. As a result, Realkredit Danmark knows the return on the portfolio until maturity, and the fixed-rate held-to-maturity portfolio is therefore not considered to entail an interest rate risk that needs to be hedged through derivatives.

The Group's management of credit risk and market risk is described in detail in the risk management note in Annual Report 2017.

Interim financial statements – Realkredit Danmark A/S

Note (DKK millions)

The financial statements of the parent company, Realkredit Danmark A/S, have been prepared in accordance with the Danish Financial Business Act and the Danish FSA's Executive Order no. 281 dated 26 March 2014 on Financial Reports of Credit Institutions and Investment Companies, etc. as amended by Executive Order no. 707 of 1 June 2016 and Executive Order no. 1043 of 5 September 2017.

The rules are consistent with the Group's measurement principles under IFRS with the exception that

- Domicile properties are valued at estimated fair value (revalued amount) through Other comprehensive income

The estimated fair value of domicile properties is determined in accordance with the Danish FSA's Executive Order on Financial Reports of Credit Institutions and Investment Companies, etc. Available-for-sale financial assets are measured at fair value through profit or loss.

The format of the parent company's financial statements is not identical to the format of the consolidated financial statements prepared in accordance with IFRSs.

The table below shows the differences in net profit and shareholders' equity between the IFRS consolidated financial statements and the parent company's financial statements presented in accordance with Danish FSA rules.

(DKK millions)	Net profit First half 2018	Net profit First half 2017	Shareholders' equity 30 June 2018	Shareholders' equity 31 December 2017
Consolidated financial statements (IFRS)	2,163	2,162	47,745	49,891
Domicile property	-	-39	-	-
Tax effect	-	8	-	-
Consolidated financial statements (Danish FSA rules)	2,163	2,131	47,745	49,891

Income statement and Comprehensive income – Realkredit Danmark A/S

Note	(DKK millions)	First half 2018	First half 2017
Income statement			
	Interest income	8,827	9,229
	Interest expense	5,410	5,842
	Net interest income	3,417	3,387
	Dividends from shares	-	-
	Fee and commission income	260	264
	Fee and commission expense	571	544
	Net fee and commission income	3,106	3,107
1	Value adjustments	157	45
	Other operating income	6	-
	Staff costs and administrative expenses	310	318
	Impairment, depreciation and amortisation charges	-	-
	Loan impairment charges	209	122
	Income from associated and group undertakings	18	16
	Profit before tax	2,768	2,728
	Tax	605	597
	Net profit for the period	2,163	2,131
Comprehensive income			
	Net profit for the period	2,163	2,131
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	-12	-36
	Fair value adjustment of domicile property	-	-
	Tax	3	8
	Total comprehensive income	-9	-28
	Total comprehensive income for the period	2,154	2,103

Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 June 2018	31 December 2017	30 June 2017
ASSETS				
	Cash in hand and demand deposits with central banks	134	273	3
	Due from credit institutions and central banks	6,933	29,717	9,984
	Bonds at fair value	22,489	23,626	33,531
	Bonds at amortised cost	31,547	31,223	30,460
2	Mortgage loans at fair value	794,178	788,765	773,959
2	Loans and other amounts due at amortised cost	577	598	742
	Holdings in associates	-	-	-
	Holdings in group undertakings	117	139	121
	Other tangible assets	5	5	5
	Current tax assets	511	16	557
	Deferred tax assets	-	-	-
	Assets temporarily taken over	26	38	64
2	Other assets	1,828	2,468	2,091
	Prepayments	39	6	44
Total assets		858,384	876,874	851,561
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	1,513	4,294	9,530
	Issued mortgage bonds at fair value	799,313	810,050	779,312
	Issued bonds at amortised cost	5,952	6,616	10,722
	Current tax liabilities	-	-	-
	Other liabilities	3,792	5,951	4,230
	Deferred income	-	-	-
Total amounts due		810,570	826,911	803,794
PROVISIONS				
	Deferred tax	41	43	53
	Reserves in early series subject to a reimbursement obligation	28	29	33
Total provisions		69	72	86
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Revaluation reserve	-	-	-
	Reserves in series	43,171	43,171	44,611
	Other reserves	3,944	1,790	2,440
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,745	49,891	47,681
Total liabilities and equity		858,384	876,874	851,561

Statement of capital – Realkredit Danmark A/S

CHANGES IN SHAREHOLDERS' EQUITY (DKK millions)	Share capital	Revaluation reserve	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2018	630	-	43,171	1,790	4,300	49,891
Net profit for the period	-	-	-	2,163	-	2,163
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-12	-	-12
Realised fair value adjustment of domicile property	-	-	-	-	-	-
Tax	-	-	-	3	-	3
Total comprehensive income for the period	-	-	-	2,154	-	2,154
Dividends paid	-	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2018	630	-	43,171	3,944	-	47,745
Shareholders' equity at 1 January 2017	630	31	44,611	306	3,800	49,378
Net profit for the period	-	-	-	2,131	-	2,131
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	-	-	-	-36	-	-36
Realised fair value adjustment of domicile property	-	-39	-	39	-	-
Tax	-	8	-	-	-	8
Total comprehensive income for the period	-	-31	-	2,134	-	2,103
Dividends paid	-	-	-	-	-3,800	-3,800
Shareholders' equity at 30 June 2017	630	-	44,611	2,440	-	47,681

At 30 June 2018, the share capital was made up of 6,300,000 shares of DKK 100 each. All shares carry the same rights; there is thus only one class of shares. The company is wholly-owned by Danske Bank A/S, Copenhagen. Realkredit Danmark A/S and group undertakings are included in the consolidated financial statements of Danske Bank A/S, Copenhagen.

The revaluation reserves relate to fair value adjustment of domicile property.

Notes - Realkredit Danmark A/S

Note	(DKK millions)	First half 2018	First half 2017
1	Value adjustments		
	Mortgage loans	-1,618	2,842
	Bonds	-103	-189
	Currency	-	-
	Derivatives	-1,179	-1,655
	Other assets	6	6
	Issued mortgage bonds	3,052	-982
	Other liabilities	-1	23
	Total	157	45

2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 3,008 million at 30 June 2018, against DKK 3,072 million at the beginning of the year.

Of total loan charges for the credit risk on loans and other amounts due at amortised cost, charges were recognised as an expense of DKK 92 million at 30 June 2018, against DKK 151 million at the beginning of the year.

Reconciliation of total impairment charges

	Mortgage loans			Other loans			Loan commitments			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Collective and individual impairment charges under IAS 39										3,223
Transition effect (ECL at 1 January), incl. impact on loans transferred to stage 1 during the period	531	400	2,585	15	11	71	2	1	7	400
Transferred to stage 2 during the period	117	-80	-37	3	-2	-1	-	-	-	-
Transferred to stage 3 during the period	-24	123	-99	-	3	-3	-	-	-	-
ECL on new assets	-18	-23	41	-1	-	1	-	-	-	-
ECL on assets derecognised	5	7	30	-	-	1	-	-	-	43
Impact of remeasurement	16	28	96	-	1	3	-	-	-	144
Write-offs, allowance account	-38	4	-59	-1	-	-2	-	-	-	-96
	5	4	308	-	-	9	-	-	-	326
Impairment charges at 30 June 2018	552	399	2,057	16	11	55	2	1	7	3,100

Other loans comprise the balance sheet items "Due from credit institutions and central banks", "Loans and other amounts due at amortised cost" and "Other assets". These loans are valued at amortised cost.

	Loans, individual impairment	Loans, collective impairment	Total
Impairment charges at 1 January 2017	2,685	815	3,500
Impairment charges during the period	602	143	745
Reversals of impairment charges for previous periods	933	89	1,022
Impairment charges at 31 December 2017	2,354	869	3,223

Value adjustment of assets taken over amounted to DKK 5 million at 30 June 2018, against DKK -2 million at end-2017.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Half 2018 of Realkredit Danmark Group.

The consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the Parent Company's interim financial statements have been prepared in accordance with the Danish Financial Business Act. Furthermore, the interim report has been prepared in accordance with Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the consolidated interim financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, shareholders' equity and financial position at 30 June 2018 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the period starting on 1 January 2018 and ending on 30 June 2018. Moreover, in our opinion, the management's report includes a fair review of developments in the Group's and the Parent Company's operations and financial position and describes the significant risks and uncertainty factors that may affect the Group and the Parent Company.

Copenhagen, 18 July 2018

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Jesper Nielsen
Chairman

Jacob Aarup-Andersen
Vice Chairman

Kim Andersen

Henriette Fenger Ellekrog

Jakob Groot

Carsten Rasch Egeriis

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Sonia Khan

Supplementary information

Financial calendar

- Interim Report – First Nine Months 2018:
1 November 2018
- Annual Report 2018:
1 February 2019
- Annual General Meeting:
7 March 2019
- Interim Report – First Quarter 2019:
30 April 2019
- Interim Report – First Half 2019:
18 July 2019
- Interim Report – First Nine Months 2019:
1 November 2019

Contact

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