

Interim Report - First Half 2019



REALKREDIT
Danmark

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Financial highlights – Realkredit Danmark Group

INCOME STATEMENT (DKK millions)	First half 2019	First half 2018	Index 19/18	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Full year 2018
Administration margin	3,057	3,115	98	1,522	1,535	1,552	1,555	1,556	6,222
Net interest income	61	73	84	39	22	35	34	35	142
Net fee income	-291	-311	94	-137	-154	-156	-150	-151	-617
Income from investment portfolios	410	386	106	187	223	169	22	155	577
Other income	56	67	84	29	27	30	28	33	125
Total income	3,293	3,330	99	1,640	1,653	1,630	1,489	1,628	6,449
Expenses	397	348	114	207	190	183	172	165	703
Profit before loan impairment charges	2,896	2,982	97	1,433	1,463	1,447	1,317	1,463	5,746
Loan impairment charges	287	-191	-	153	134	11	-24	-108	-204
Profit before tax	2,609	3,173	82	1,280	1,329	1,436	1,341	1,571	5,950
Tax	574	698	82	282	292	308	295	345	1,301
Net profit for the period	2,035	2,475	82	998	1,037	1,128	1,046	1,226	4,649

BALANCE SHEET (END OF PERIOD) (DKK millions)

Due from credit institutions etc.	57,150	7,116	803	57,150	28,421	21,446	15,356	7,116	21,446
Mortgage loans	803,966	794,178	101	803,966	801,409	796,045	794,573	794,178	796,045
Bonds and shares	44,832	54,038	83	44,832	46,661	51,158	55,215	54,038	51,158
Other assets	4,581	3,068	149	4,581	4,029	2,568	2,964	3,068	2,568
Total assets	910,529	858,400	106	910,529	880,520	871,217	868,108	858,400	871,217
Due to credit institutions etc.	7,220	1,513	477	7,220	12,175	778	1,732	1,513	778
Issued mortgage bonds	848,707	799,313	106	848,707	810,608	809,091	807,214	799,313	809,091
Issued senior debt	3,182	5,952	53	3,182	5,346	5,952	5,952	5,952	5,952
Other liabilities	3,777	3,877	97	3,777	5,734	5,481	4,420	3,877	5,481
Shareholders' equity	47,643	47,745	100	47,643	46,657	49,915	48,790	47,745	49,915
Total liabilities and equity	910,529	858,400	106	910,529	880,520	871,217	868,108	858,400	871,217

RATIOS AND KEY FIGURES

Net profit for the period as % p.a. of average shareholders' equity	8.3	10.1		8.5	8.6	9.1	8.7	10.4	9.3
Impairment charges as % p.a. of mortgage lending	0.07	-0.05		0.08	0.07	0.01	-0.01	-0.05	-0.03
Cost/income ratio (%)	12.1	10.5		12.6	11.5	11.2	11.6	10.1	10.9
Total capital ratio (%)	30.2	28.9		30.2	29.9	30.6	30.0	28.9	30.6
Tier 1 capital ratio (%)	29.8	28.6		29.8	29.7	30.3	29.8	28.6	30.3
Full-time-equivalent staff (end of period)	230	230		230	228	229	228	230	229

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 2019

- The Realkredit Danmark Group recorded a net profit of DKK 2,035 million in the first half of 2019, against DKK 2,475 million in the first half of 2018. The profit was affected by higher impairments.
- Impairments amounted to an expense of DKK 287 million in the first half of 2019, against an income of DKK 191 million in the first half of 2018. The development was due to an update and specification of statistical loss models.
- With interest rates falling to all time low levels borrowers have remortgaged their loans on an activity level not seen since 2005.
- In the first half of 2019, borrower demand centred primarily on fixed-rate loans, FlexLån® loans with 5-year refinancing intervals and FlexLife® loans, which resulted in a small drop in administration margin income.
- Realkredit Danmark has launched green funding for commercial property.
- Realkredit Danmark complies with all threshold values of the supervisory diamond for mortgage credit institutions.
- Realkredit Danmark expects net profit for 2019 to be at a lower level than in 2018.

Green funding of commercial property

In April Realkredit Danmark launched our first green covered bond in Denmark for large business customers for the funding of eco-friendly property such as new office buildings, residential rental property or wind farms. Named RD Cibor6® Green, the bond is issued to fund properties with documentation of energy efficiency.

With the launch of the green bonds Realkredit Danmark aims to contribute to the green transition in Denmark. Customer responses have been very positive, and investors have welcomed our green initiative by pricing the bonds slightly better than similar non-green bonds.

The first loan offers were made in April 2019, and loans with a total value of DKK 580 millions have been disbursed to date.

Mortgage credit market

The Danish economy expanded at a modest rate in 2018, but in spite of growth of 1.4%, Denmark remains in a moderate economic expansion. We expect the moderate recovery to continue, albeit at a lower pace than in previous years.

The slowdown in both the Chinese and European economies and the increased uncertainty about both Brexit and the US/China trade war are some of the risk factors that could adversely affect the Danish expansion in 2019.

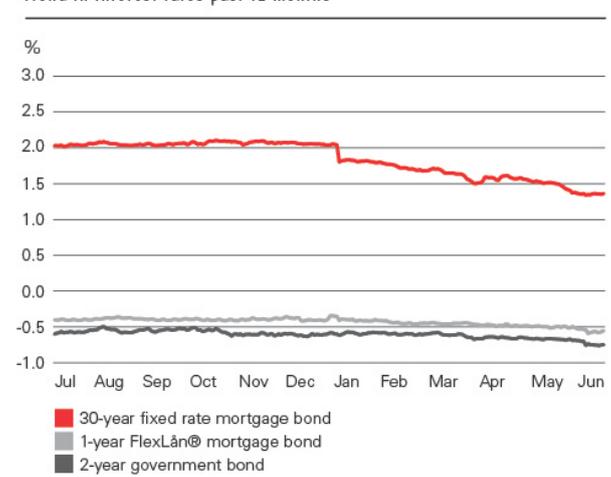
While the expansion in consumer spending remains modest, recent months' financial market turmoil and geopolitical events have weighed on consumer confidence, which, nevertheless, remains in positive territory. The labour market remains buoyant, and employment continues to rise and has surpassed previous peaks. However, concerns about the labour market overheating have subsided as the number of companies reporting a shortage of labour has declined somewhat lately, in both the manufacturing and construction sectors. However, the risk of bottleneck problems and,

by extension, a potential soft patch in the economic recovery, persists.

The favourable macroeconomic climate of rising employment, higher household incomes and mortgage loan rates repeatedly falling to new record lows continues to contribute to housing market improvements, albeit at a somewhat more moderate pace. Trading activity remains high in a historical context, although it has declined slightly since 2017 on a national level. House prices broadly based across Denmark are expected to rise by between 2.5% and 4% in 2019 relative to 2018.

With interest rates falling to all-time low levels borrowers have remortgaged their loans on an activity level not seen since 2005. Loans with a total value of DKK 110 billion have been remortgaged across all mortgage banks. We expect the high remortgaging activity to continue for the months to come as the interest rates are projected to stay low. The effect on earnings in Realkredit Danmark has been modest.

Trend in interest rates past 12 months



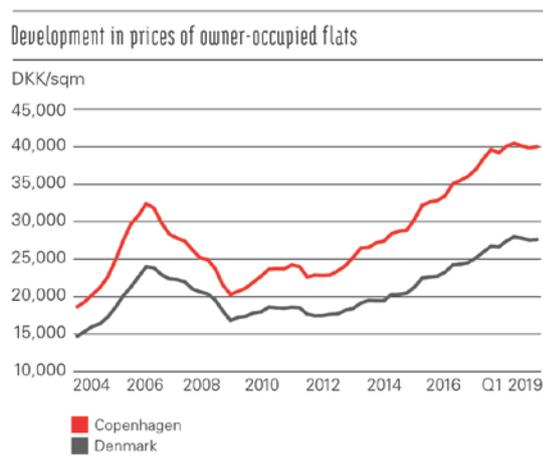
Recent years' large variations in price developments of residential property across Denmark, with the country's most expensive areas experiencing the largest relative price increases, have reversed. During the past year, the most expensive housing areas of Denmark, notably the market for owner-occupied flats in Copenhagen, have in fact seen prices slide, and trading activity for owner-occupied flats in Copenhagen fell 18% in 2018 relative to the year before.

Despite the new trends in the Copenhagen market for owner-occupied flats, trading activity remains at a reasonable level in a historical context, the housing supply is not particularly high, time on market is at a low level and price reductions are still relatively small.

New regulations implemented in the recent years have undoubtedly had an influence on the activity level in the Copenhagen market. With limitations on choice of loan type and stress tests on home buyer wealth if debt to income is above four, many potential buyers have turned their backs on the most expensive housing markets and thus the demand in these areas have fallen.

The impact of the newer regulations has been discussed broadly in the media. Realkredit Danmark believes the regulations ensure a more sound development of the housing market.

We expect the large cities to continue to see unchanged to slightly falling prices of residential property through 2019.



In the market for commercial property, transaction volumes remain high, although not record-high. In the Copenhagen area, demand centres on office properties and residential rental properties, and vacancy rates on offices continue to decline and are now at their lowest level since 2009. Aarhus is also witnessing strong

demand for office property and low, but not record-low, vacancy rates. In the rest of Denmark, however, investors have been less keen to buy office property, focusing instead on residential rental properties. The strong interest in office and residential rental properties in and around Copenhagen is expected to continue throughout the year, but retail properties may be challenged.

Foreign investors remain very active in the commercial property market, accounting for approximately 36% of the transaction volume. However foreign investor interest in Copenhagen is higher, accounting for as much as 60% of the transactions.

Results

For the first half of 2019, Realkredit Danmark's net profit was DKK 2,035 million, against DKK 2,475 million in the same period of 2018. In the IFRS financial statements, the net profit for the first half of 2018 is DKK 2,163 million. The net profit in 2018 is exclusive of a DKK 312 million transition effect of IFRS 9.

Developments in the net profit for the period were primarily due to higher loan impairments.

Administration margin income fell DKK 58 million, especially due to lower average administration margins because an increasing number of customers opt out of interest-only loans and into loans with longer refinancing intervals.

Other income rose DKK 21 million in the first half of 2019.

Total income was on a level with the first half of 2018.

Expenses amounted to DKK 397 million, against DKK 348 million in the first half of 2018.

Impairments totalled an expense of DKK 287 million in the first half of 2019, compared with an income of DKK 191 million in the same period of 2018. The higher impairments were mainly due to an update and specification of the statistical loss models used to calculate expected credit losses. The underlying credit quality remains strong with low delinquencies and good collateral.

In 2018, the impairment principles of IFRS 9 resulted in a transition effect of DKK 400 million, which amount was expensed in the IFRS financial statements but recognised as a reduction of equity at 1 January 2018 in the financial highlights. In the IFRS financial statements, the impairments amounted to DKK 209 million in the first half of 2018.

After a challenging year in 2018 with drought, low pork prices, lower self-supply of feed and high feed prices, Danish agriculture, and pig farmers in particular, remained under pressure in the first quarter of 2019 due to low pork prices and high feed prices. In the second quarter, higher exports of pork to China and Japan and a small decrease in EU pig stocks has increased pork prices significantly. This increase is primarily due to a severe outbreak of African swine fever in China, which is expected to last for some time. Still, the risk of African swine fever spreading to the large pork-producing nations in Europe persists and could aggravate the situation for Danish pig farmers, and the situation is therefore being monitored closely.

Dairy farmers experienced stable milk prices close to the long-term average in the first half year based on a balanced supply and demand on the global market, and the stable prices are expected to continue for some time yet.

Grain prices are still higher than they were before the drought but are expected to gradually decline to a lower level given normal weather conditions, as global grain stocks remain high. Other things being equal, that will reduce feed prices for producers of animal products, but it will not necessarily reduce plant breeders' earnings from the upcoming harvest if yields normalise and are not affected by drought.

The agricultural sector is in general vulnerable to fluctuations due to its high debt, but the positive outlook for the pig sectors earnings has lowered the need for additional impairments.

Impairments equalled 0.07% p.a. of total mortgage lending, against -0.03% at end-2018.

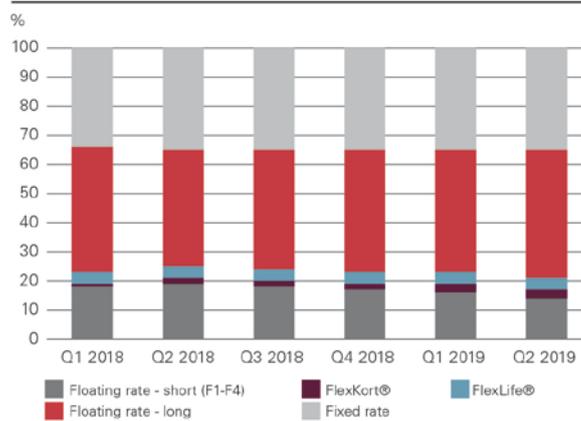
The tax charge totalled DKK 574 million. The effective tax rate for the period was 22.0%.

Balance sheet

Gross lending amounted to DKK 81 billion, against DKK 62 billion in the first half of 2018. Mortgage lending at fair value rose DKK 8 billion to DKK 804 billion. The development in mortgage lending at fair value is composed of a fall in the nominal outstanding bond debt of DKK 4 billion and a DKK 12 billion increase in the market value adjustment in the same period.

In the first half of 2019, fixed-rate loans accounted for approximately 57% of all disbursed loans, while about 83% 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 2019, the average loan-to-value (LTV) ratio stood at 61%, which was on a level with the end of 2018. An increase in loans calculated at market value was offset by rising property prices.

The number of new foreclosures was 11 in the first half of 2019. The number of foreclosures fell from year-end 2018, standing at 22, of which 18 were owner-occupied dwellings and 4 were commercial properties. The value of the foreclosures was DKK 19 million. The delinquency rate at 30 June 2019 was unchanged from the level at end-2018, and at a persistently low level.

Capital and solvency

At the end of June 2019, shareholders' equity stood at DKK 47.6 billion, against DKK 49.9 billion at end-2018. 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 46.1 billion, and the total capital ratio calculated in accordance with the Capital Requirements Regulation and Directive (CRR/CRD IV) was 30.2%. At 31 December 2018, the corresponding figures were DKK 45.8 billion and 30.6%, 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 152.4 billion at 30 June 2019, against DKK 149.8 billion at the end of 2018.

The binding capital requirement is the solvency need ratio plus the combined buffer requirement. At end-June 2019, the capital requirement was calculated at DKK 25.0 billion and 16.4% of the REA. Realkredit Danmark thus has a capital buffer of DKK 21.1 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 2019, the requirement for supplementary collateral for mortgage-covered bonds was DKK 14.6 billion, against DKK 16.7 billion at end-2018.

Liquidity Coverage Ratio

The Danish Financial Supervisory Authority has set a floor of 2.5% of total mortgage lending for the buffer needed to comply with the Liquidity Coverage Ratio. This corresponds to approximately DKK 20 billion. Realkredit Danmark has liquid assets of DKK 33 billion after haircuts and thus has a buffer of DKK 13 billion relative to the requirement.

Rating

The European rating agency Scope Ratings, Fitch Ratings and S&P Global all rate Realkredit Danmark's mortgage-covered bonds.

Scope Ratings and S&P Global have both assigned the bonds issued from capital centres S and T their highest rating, AAA. The bonds issued from capital centre S are rated AAA by Fitch Ratings, while the bonds issued from capital centre T have been assigned a rating of AA+.

S&P Global further rates the bonds issued from the Other reserves series, which also hold the highest rating of AAA.

Realkredit Danmark has an A+ issuer rating from Scope Ratings, with Fitch Ratings assigning an A rating.

Realkredit Danmark continues to pursue a strategy of having its issues rated by at least two rating agencies.

Supervisory diamond for mortgage credit institutions

Realkredit Danmark complies with all threshold values.

Threshold value	Q2 2019	Limit
Growth in lending¹		
Owner-occupied dwellings and holiday homes	-0.7%	15%
Residential rental property	5.6%	15%
Agriculture	-1.4%	15%
Other	-4.8%	15%
Borrower interest-rate risk²		
Properties for residential purposes	8.2%	25%
Interest-only option³		
Owner-occupied dwellings and holiday homes	7.6%	10%
Loans with short-term funding⁴		
Refinancing, annually	15.8%	25%
Refinancing, quarterly	2.7%	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

Jesper Nielsen, chairman of the Board of Directors, resigned from the Board of Directors of Realkredit Danmark. On 15 July the Board of Directors elected Jacob Aarup-Andersen as chairman and Carsten Rasch Egeriis as vice chairman.

Outlook for 2019

Realkredit Danmark expects that the Danish economy will continue to see moderate growth in 2019 relative to the past few years. Low interest rates will continue to support house prices.

In 2019, Realkredit Danmark expects income to be at a lower level than in 2018 due to lower average administration margins.

Through a persistent focus on cost control in 2019, Realkredit Danmark aims to keep expenses at a low level.

Loan impairment charges are expected to be at a higher level in 2019 than in 2018.

Realkredit Danmark therefore expects net profit to be at a lower level than in 2018.

Income statement and Comprehensive income – Realkredit Danmark Group

Note	(DKK millions)	First half 2019	First half 2018	Q2 2019	Q2 2018	Full year 2018
	Income statement					
	Interest income	8,531	8,827	4,249	4,403	17,578
	Interest expense	5,133	5,410	2,567	2,690	10,570
	Net interest income	3,398	3,417	1,682	1,713	7,008
	Dividends from shares	-	-	-	-	-
	Fee and commission income	305	260	189	116	512
	Fee and commission expense	596	571	326	267	1,129
	Net fee and commission income	3,107	3,106	1,545	1,562	6,391
	Value adjustments	130	157	66	33	-67
	Other operating income	56	67	29	33	125
	Staff costs and administrative expenses	396	347	206	165	702
	Impairment, depreciation and amortisation charges	1	1	1	-	1
3	Loan impairment charges	287	209	153	-108	196
	Income from associates and group undertakings	-	-	-	-	-
	Profit before tax	2,609	2,773	1,280	1,571	5,550
	Tax	574	610	282	345	1,213
	Net profit for the period	2,035	2,163	998	1,226	4,337
	Comprehensive income					
	Net profit for the period	2,035	2,163	998	1,226	4,337
	Other comprehensive income					
	Items that will not be reclassified to profit or loss					
	Actuarial gains/losses on defined benefit plans	-9	-12	-16	-17	-17
	Tax	2	3	4	4	4
	Total other comprehensive income	-7	-9	-12	-13	-13
	Total comprehensive income for the period	2,028	2,154	986	1,213	4,324

Balance sheet – Realkredit Danmark Group

Note	(DKK millions)	30 June 2019	31 December 2018	30 June 2018
ASSETS				
	Cash in hand and demand deposits with central banks	151	161	134
	Due from credit institutions and central banks	56,999	21,285	6,982
	Bonds at fair value	13,956	19,375	22,489
	Bonds at amortised cost	30,874	31,781	31,547
4, 9	Mortgage loans at fair value	803,966	796,045	794,178
4	Loans and other amounts due at amortised cost	594	549	606
	Shares etc.	2	2	2
	Holdings in associates	-	-	-
	Other tangible assets	6	7	7
	Current tax assets	636	1	512
	Deferred tax assets	-	-	-
	Assets temporarily taken over	19	26	26
4	Other assets	3,290	1,978	1,877
	Prepayments	36	7	40
Total assets		910,529	871,217	858,400
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	7,220	778	1,513
	Issued mortgage bonds at fair value	848,707	809,091	799,313
5	Issued bonds at amortised cost	3,182	5,952	5,952
	Current tax liabilities	-	-	-
	Deferred tax liabilities	39	41	38
	Other liabilities	3,738	5,440	3,839
	Deferred income	-	-	-
Total amounts due		862,886	821,302	810,655
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,654	44,654	43,171
	Other reserves	2,359	331	3,944
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,643	49,915	47,745
Total liabilities and equity		910,529	871,217	858,400

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 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	2,035	-	2,035
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-9	-	-9
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	2,028	-	2,028
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2019	630	44,654	2,359	-	47,643
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

At 30 June 2019, 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 2019	31 December 2018	30 June 2018
Shareholders' equity	45,615	49,915	45,591
Tax effect	-	-	-
Total equity calculated in accordance with the rules of the Danish FSA	45,615	49,915	45,591
Proposed/expected dividends	-	-4,300	-
Revaluation reserve	-	-	-
Deferred tax assets	-	-	-
Prudent valuation	-2	-5	-10
Defined benefit pension fund assets	-156	-162	-164
Common equity tier 1 capital	45,457	45,448	45,417
Difference between expected losses and impairment charges	-	-	-
Tier 1 capital	45,457	45,448	45,417
Reserves in series subject to a reimbursement obligation	-	-	-
Revaluation reserve	-	-	-
Difference between expected losses and impairment charges	600	320	394
Total capital	46,057	45,768	45,811
Risk exposure amount	152,401	149,772	158,547
Common equity tier 1 capital ratio (%)	29.8	30.3	28.6
Tier 1 capital ratio (%)	29.8	30.3	28.6
Total capital ratio (%)	30.2	30.6	28.9

At 30 June 2019, the total capital and the total risk exposure amount is calculated in accordance with the Capital Requirements Directive (CRR/CRD IV).

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 2019	First half 2018	Full year 2018
Cash flow from operations			
Profit before tax	2,609	2,773	5,550
Tax paid	-1,209	-1,109	-1,197
Adjustment for non-cash operating items	141	-124	-363
Cash flow from operating capital	38,463	-20,196	-8,315
Total	40,004	-18,656	-4,325
Cash flow from investing activities			
Acquisition/sale of tangible assets	-	-	-1
Total	-	-	-1
Cash flow from financing activities			
Dividends	-4,300	-4,300	-4,300
Total	-4,300	-4,300	-4,300
Cash and cash equivalents at 1 January	21,446	30,072	30,072
Change in cash and cash equivalents	35,704	-22,956	-8,626
Cash and cash equivalents, end of period	57,150	7,116	21,446
Cash and cash equivalents, end of period			
Cash in hand and demand deposits with central banks	151	134	161
Amounts due from credit institutions and central banks within 3 months	56,999	6,982	21,285
Total	57,150	7,116	21,446

Notes – Realkredit Danmark Group

Note

1 Significant accounting policies

and significant accounting estimates and assessments

The Group's interim report for the first half of 2019 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.

Changes to significant accounting policies

On 1 January 2019, the Group implemented the following amendments to IFRS: IFRS 16, Leases, amendments to various standards (IFRS 9, Prepayment Features with Negative Compensation, Annual Improvements to IFRS Standards Cycle 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23), IAS 19, Plan Amendment, Curtailment or Settlement and IAS 28, Long-term Interests in Associates and Joint Ventures) and IFRIC 23, Uncertainty over Income Tax Treatments. The implementation of changes to IFRS 2 not mentioned below had no impact on the Group's financial statements.

IFRS 16, Leases

As a result of the implementation of IFRS 16, at 1 January 2019 lease assets and lease liabilities were recognised in the amount of DKK 132 million. The implementation has no impact on shareholders' equity at 1 January 2019, and the net profit for the first half of 2019 is unaffected. In accordance with transitional provisions, comparative figures have not been restated. Lease liabilities are recognised under Other liabilities, while lease assets are recognised under Other tangible assets, except for assets deriving from financial sub-leases, which are recognised under Other assets.

From 2019, lease contracts in which the Group acts as lessee are recognised in the balance sheet, except for leases of low value assets and contracts with terms of 12 months or less. On initial recognition of a lease agreement, future lease payments are recognised as a lease liability and a lease asset at the present value using the Group's borrowing rate. The lease liability is subsequently adjusted to reflect accrued interest, instalments and correction due to modification or reassessment. The lease asset is measured at cost less depreciation and impairment charges. Lease assets are depreciated on a straight-line basis over the lease term. However, for sub-lease contracts classified as finance leases, the future lease payments are made up by interest and instalments.

IFRS 9, Prepayment Features with Negative Compensation
 Under IFRS 9, compensation in connection with the exercise of a prepayment option is consistent with the SPPI test if the compensation, positive or negative, reflects changes to the relevant benchmark interest rate.

The amendment does not change the fact that the prepayment option included in mortgage loans continues to be inconsistent with the cash flow test as changes in the fair value of the underlying bonds reflect other factors than interest rate developments. Consequently, implementation of the standard has no effect.

Other than this, the Group has not changed its significant accounting policies from those followed in Annual Report 2018, which provides a full description of the Group's significant accounting policies. The interim report has not been reviewed or audited.

Notes – Realkredit Danmark Group

Note

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

cont'd

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. Adjustments are made for changes in the fair value of the credit risk on borrowers using the impairment model in IFRS 9, which is based on expected credit losses.

The expected credit loss is calculated for all individual facilities as a function of PD, EaD and LGD and incorporates forward-looking information. The forward-looking information reflects management's expectations and involves the creation of scenarios (base case, upside and downside), including an assessment of the probability for each scenario. In addition to the expected credit losses, a collective assessment determines the need for adjustments to reflect other components in the fair value measurement, such as an assessment of an investor's risk premium, compensation for administrative costs related to the loans and the possibility to increase the credit margin if the credit risk increases.

At the end of the first half of 2019, the fair value adjustment of the credit risk on mortgage loans was calculated at DKK 2,919 million (end 2018: DKK 2,792 million.), which has reduced the value of mortgage loans. The base case scenario enters with a probability of 65%, the downside scenario with a probability of 20% and the upside scenario with a probability of 15%. If the base case scenario was assigned a probability of 100%, the fair value adjustment would be DKK 2,790 million (end-2018: DKK 2,750 million). The fair value adjustment would increase to DKK 3,525 million (end 2018: DKK 3,575 million) if the downside scenario was assigned a probability of 100%. If instead the upside scenario was assigned a probability of 100%, the fair value adjustment would decrease to DKK 2,780 million (end-2018: DKK 2,700 million). It should be noted that the expected credit losses in the individual scenarios do not reflect forecasts of the Group's expected credit losses.

The Group's principal risks and the external factors that may affect the Group are described in greater detail in Annual Report 2018.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity

First half 2019	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
Administration margin	3,057	-	3,057	-	3,057
Net interest income	-72	133	61	280	341
Dividends from shares	-	-	-	-	-
Net fee income	-291	-	-291	-	-291
Income from investment portfolios	358	52	410	-410	-
Value adjustments	-	-	-	130	130
Other income	56	-	56	-	56
Total income	3,108	185	3,293	-	3,293
Expenses	395	2	397	-	397
Profit before loan impairment charges	2,713	183	2,896	-	2,896
Loan impairment charges	287	-	287	-	287
Income from associates	-	-	-	-	-
Profit before tax	2,426	183	2,609	-	2,609
Tax	-	-	574	-	574
Net profit for the period			2,035	-	2,035
Total assets	863,043	47,486	910,529	-	910,529
First half 2018	Mortgage finance	Own holdings	Highlights	Reclassi- fication	IFRS
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

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.

Notes – Realkredit Danmark Group

Note (DKK millions)

2 Profit broken down by activity
 cont'd

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). However, the IFRS 13 measurement of the fair value of the credit risk on mortgage loans, which is required by IFRS 9, should from 1 January 2018 be made on the basis of the models prepared by the Danske Bank Group in connection with the implementation of the model in IFRS 9. This has caused a change to the estimate of the fair value of the credit risk on mortgage loans at 1 January 2018, leading to a reduction of the fair value of mortgage loans of DKK 400 million. 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 in 2018 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 2019	First half 2018
3	Loan impairment charges		
	IFRS 9 transitional impact on implementation, 1 January 2018	-	400
	ECL on new assets	67	43
	ECL on assets derecognised	165	144
	Impact of remeasurement	386	-96
	Losses incurred	22	32
	Received on claims previously written off	23	26
	Total	287	209

4 **Loans etc.**

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 2,919 million at 30 June 2019, against DKK 2,792 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 74 million at 30 June 2019, against DKK 63 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 2019 amounted to DKK 11 million, against DKK 8 million at the beginning of the year.

Reconciliation of total allowance account

	Stage 1	Stage 2	Stage 3	Total
ECL at 1 January 2018 incl. impact at mortgage loan	552	412	2,663	3,627
Transferred to stage 1 during the period	238	-159	-79	-
Transferred to stage 2 during the period	-66	350	-284	-
Transferred to stage 3 during the period	-36	-36	72	-
ECL on new assets	25	12	43	80
ECL on assets derecognised	43	66	349	458
Impact of remeasurement	6	29	147	182
Write-offs, allowance account	10	8	550	568
Impairment charges at 31 December 2018	666	534	1,663	2,863
Transferred to stage 1 during the period	91	-70	-21	-
Transferred to stage 2 during the period	-370	440	-70	-
Transferred to stage 3 during the period	-25	-141	166	-
ECL on new assets	9	35	23	67
ECL on assets derecognised	50	39	76	165
Impact of remeasurement	13	212	161	386
Write-offs, allowance account	2	6	139	147
Impairment charges at 30 June 2019	332	965	1,707	3,004

Value adjustments of assets taken over amounted to DKK 1 million at 30 June 2019, against DKK 0 million at end-2018.

Notes – Realkredit Danmark Group

Note	(DKK millions)				
5	Issued bonds at amortised cost				
			30 June 2019	31 December 2018	
	Nominal value of issued bonds		3,182	5,952	
	Premium/discount		-	-	
	Total issued bonds		3,182	5,952	
		1 January 2019	Issued	Redeemed	30 June 2019
	Nominal value				
	Total issued bonds	5,952	-	2,770	3,182

Issued bonds at amortised cost consist of issued senior debt.

6 Assets deposited as collateral

At 30 June 2019, Realkredit Danmark had deposited securities worth DKK 9,271 million (end-2018: DKK 10,522 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 2019, the carrying amount of such securities totalled DKK 7,220 million (end-2018: DKK 778 million). Counterparties are entitled to sell the securities or deposit them as collateral for other loans.

At 30 June 2019, mortgage lending totalling DKK 803,966 million and other assets totalling DKK 14,593 million were registered as security for issued mortgage bonds, including mortgage-covered bonds, and issued bonds at amortised cost (end-2018: DKK 796,045 million and DKK 16,675 million).

Notes – Realkredit Danmark Group

Note	(DKK millions)				
7	Financial instruments at fair value				
	30 June 2019	Quoted prices	Observable input	Non-observable input	Total
	Bonds at fair value	5,992	7,964	-	13,956
	Mortgage loans at fair value	-	803,966	-	803,966
	Shares	-	-	2	2
	Derivatives	-	13	-	13
	Total	5,992	811,943	2	817,937
	Issued mortgage bonds at fair value	848,707	-	-	848,707
	Derivatives	-	29	-	29
	Total	848,707	29	-	848,736
	31 December 2018				
	Bonds at fair value	13,016	6,359	-	19,375
	Mortgage loans at fair value	-	796,045	-	796,045
	Shares	-	-	2	2
	Derivatives	-	66	-	66
	Total	13,016	802,470	2	815,488
	Issued mortgage bonds at fair value	809,091	-	-	809,091
	Derivatives	-	68	-	68
	Total	809,091	68	-	809,159

Negative interest income and interest expenses due to negative interest rates were insignificant during the first six months of 2019. The amounts are offset against interest income and interest expenses, respectively.

Note 35 to Annual Report 2018 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 2019.

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 2019	31 December 2018	30 June 2018
Other contingent liabilities			
Irrevocable loan commitments	37,594	36,830	39,183
Other commitments	23	24	33
Total	37,617	36,854	39,216

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 2019

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	7	5	2	1	-	15
3	79	52	30	11	6	178
4	92	70	42	15	5	224
5	65	58	39	14	3	179
6	38	33	23	9	2	105
7	24	22	16	6	1	69
8	6	6	5	2	1	20
9	1	1	1	-	-	3
10	2	2	2	1	1	8
11	2	1	1	1	1	6
Total	316	250	161	60	20	807

Portfolio broken down by LTV ratio value and rating category
31 December 2018

Rating category	LTV ratio					Total DKK billions
	0-20%	20-40%	40-60%	60-80%	>80%	
1	-	-	-	-	-	-
2	7	4	2	-	-	13
3	77	52	29	10	6	174
4	90	69	42	14	4	219
5	65	57	38	14	3	177
6	39	34	23	9	2	107
7	24	23	16	7	1	71
8	7	6	5	2	1	21
9	1	1	1	-	-	3
10	2	2	2	1	1	8
11	2	1	1	1	1	6
Total	314	249	159	58	19	799

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):

30 June 2019											
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	344	-	-	-	-	-	344	-	-
2	0.01	0.03	14,301	4	1	1	-	-	14,300	4	1
3	0.03	0.06	178,039	357	82	13	1	3	178,026	356	79
4	0.06	0.14	224,599	541	127	38	2	9	224,561	539	118
5	0.14	0.31	177,537	1,173	211	63	7	7	177,474	1,166	204
6	0.31	0.63	97,667	6,712	191	56	20	10	97,611	6,692	181
7	0.63	1.90	49,982	18,371	299	103	133	8	49,879	18,238	291
8	1.90	7.98	6,727	12,741	271	37	494	23	6,690	12,247	248
9	7.98	25.70	317	2,179	103	4	220	11	313	1,959	92
10	25.70	100.00	310	3,212	4,312	-	56	578	310	3,156	3,734
11	100.00	100.00	187	164	5,824	-	6	1,016	187	158	4,808
Total			750,010	45,454	11,421	315	939	1,665	749,695	44,515	9,756

31 December 2018											
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	353	-	-	-	-	-	353	-	-
2	0.01	0.03	13,886	6	48	1	2	1	13,885	4	47
3	0.03	0.06	173,008	421	130	13	2	2	172,995	419	128
4	0.06	0.14	218,692	473	219	36	2	3	218,656	471	216
5	0.14	0.31	175,525	751	197	64	3	5	175,461	748	192
6	0.31	0.63	103,102	2,938	361	70	10	66	103,032	2,928	295
7	0.63	1.90	57,560	12,655	273	126	47	14	57,434	12,608	259
8	1.90	7.98	12,136	8,074	382	275	144	16	11,861	7,930	366
9	7.98	25.70	745	2,384	67	59	181	9	686	2,203	58
10	25.70	100.00	265	3,166	4,873	1	62	595	264	3,104	4,278
11	100.00	100.00	156	662	5,329	1	70	912	155	592	4,417
Total			755,428	31,530	11,879	646	523	1,623	754,782	31,007	10,256

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 30,874 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 2018.

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, Executive Order no. 1043 of 5 September 2017 and Executive Order no. 1441 of 3 December 2018.

The amendments to the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. included in the Executive Order no. 1441 of 3 December 2018 incorporate changes due to IFRS 16 Leases.

Note 1 to the financial statements for Realkredit Danmark Group provides further information on the impact from the implementation of IFRS 16. Except for these changes, Realkredit Danmark A/S has not changed its significant accounting policies from those applied in the Annual Report 2018.

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.

Income statement and Comprehensive income – Realkredit Danmark A/S

Note	(DKK millions)	First half 2019	First half 2018
	Income statement		
	Interest income	8,531	8,827
	Interest expense	5,133	5,410
	Net interest income	3,398	3,417
	Dividends from shares	-	-
	Fee and commission income	305	260
	Fee and commission expense	596	571
	Net fee and commission income	3,107	3,106
1	Value adjustments	130	157
	Other operating income	-	6
	Staff costs and administrative expenses	362	310
	Impairment, depreciation and amortisation charges	-	-
	Loan impairment charges	287	209
	Income from associated and group undertakings	16	18
	Profit before tax	2,604	2,768
	Tax	569	605
	Net profit for the period	2,035	2,163
	Comprehensive income		
	Net profit for the period	2,035	2,163
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
	Actuarial gains/losses on defined benefit plans	-9	-12
	Tax	2	3
	Total comprehensive income	-7	-9
	Total comprehensive income for the period	2,028	2,154

Balance sheet – Realkredit Danmark A/S

Note	(DKK millions)	30 June 2019	31 December 2018	30 June 2018
ASSETS				
	Cash in hand and demand deposits with central banks	151	161	134
	Due from credit institutions and central banks	56,945	21,207	6,933
	Bonds at fair value	13,956	19,375	22,489
	Bonds at amortised cost	30,874	31,781	31,547
2	Mortgage loans at fair value	803,966	796,045	794,178
2	Loans and other amounts due at amortised cost	564	520	577
	Holdings in associates	-	-	-
	Holdings in group undertakings	118	137	117
	Other tangible assets	5	5	5
	Current tax assets	633	3	511
	Deferred tax assets	-	-	-
	Assets temporarily taken over	19	26	26
2	Other assets	3,134	1,940	1,828
	Prepayments	35	6	39
Total assets		910,400	871,206	858,384
LIABILITIES AND EQUITY				
AMOUNTS DUE				
	Due to credit institutions and central banks	7,220	778	1,513
	Issued mortgage bonds at fair value	848,707	809,091	799,313
	Issued bonds at amortised cost	3,182	5,952	5,952
	Current tax liabilities	-	-	-
	Other liabilities	3,589	5,408	3,792
	Deferred income	-	-	-
Total amounts due		862,698	821,229	810,570
PROVISIONS				
	Deferred tax	42	44	41
	Reserves in early series subject to a reimbursement obligation	17	18	28
Total provisions		59	62	69
SHAREHOLDERS' EQUITY				
	Share capital	630	630	630
	Reserves in series	44,654	44,654	43,171
	Other reserves	2,359	331	3,944
	Proposed dividends	-	4,300	-
Total shareholders' equity		47,643	49,915	47,745
Total liabilities and equity		910,400	871,206	858,384

Statement of capital – Realkredit Danmark A/S

CHANGES IN SHAREHOLDERS' EQUITY (DKK millions)	Share capital	Reserves in series	Other reserves	Proposed dividends	Total
Shareholders' equity at 1 January 2019	630	44,654	331	4,300	49,915
Net profit for the period	-	-	2,035	-	2,035
Other comprehensive income					
Actuarial gains/losses on defined benefit plans	-	-	-9	-	-9
Tax	-	-	2	-	2
Total comprehensive income for the period	-	-	2,028	-	2,028
Dividends paid	-	-	-	-4,300	-4,300
Shareholders' equity at 30 June 2019	630	44,654	2,359	-	47,643
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

At 30 June 2019, 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.

Notes - Realkredit Danmark A/S

Note	(DKK millions)	First half 2019	First half 2018
1	Value adjustments		
	Mortgage loans	11,295	-1,618
	Bonds	-133	-103
	Currency	2	-
	Derivatives	29	-1,179
	Other assets	5	6
	Issued mortgage bonds	-11,068	3,052
	Other liabilities	-	-1
	Total	130	157

2 Loans etc.

Of the total fair value adjustment for the credit risk on mortgage loans, impairments were recognised as an expense of DKK 2,919 million at 30 June 2019, against DKK 2,792 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 72 million at 30 June 2019, against DKK 61 million at the beginning of the year.

For loan commitments, expected credit losses at 30 June 2019 amounted to DKK 11 million, against DKK 8 million at the beginning of the year.

Reconciliation of total allowance account

	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	
ECL at 1 January 2018 incl. impact at mortgage loan	535	400	2,585	11	11	71	2	1	7	3,623
Transferred to stage 1 during the period	233	-155	-78	5	-4	-1	-	-	-	-
Transferred to stage 2 during the period	-65	342	-277	-1	8	-7	-	-	-	-
Transferred to stage 3 during the period	-35	-35	70	-1	-1	2	-	-	-	-
ECL on new assets	20	12	42	-	-	1	5	-	-	80
ECL on assets derecognised	42	65	334	1	1	8	-	-	7	458
Impact of remeasurement	10	32	153	-2	-3	-6	-	-	-	184
Write-offs, allowance account	10	8	538	-	-	12	-	-	-	568
Impairment charges at 31 December 2018	646	523	1,623	11	10	40	7	1	-	2,861
Transferred to stage 1 during the period	88	-68	-20	3	-2	-1	-	-	-	-
Transferred to stage 2 during the period	-361	429	-68	-9	11	-2	-	-	-	-
Transferred to stage 3 during the period	-24	-138	162	-1	-3	4	-	-	-	-
ECL on new assets	7	33	22	-	1	1	2	1	-	67
ECL on assets derecognised	49	38	74	1	1	2	-	-	-	165
Impact of remeasurement	10	204	156	3	8	5	-	-	-	386
Write-offs, allowance account	2	6	136	-	-	3	-	-	-	147
Impairment charges at 30 June 2019	315	939	1,665	6	24	42	9	2	-	3,002

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.

Value adjustment of assets taken over amounted to DKK 1 million at 30 June 2019, against DKK 0 million at end-2018.

Statement by the management

The Board of Directors and the Executive Board (management) have considered and approved Interim Report – First Half 2019 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 2019 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 2019 and ending on 30 June 2019. 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 2019

Executive Board

Carsten Nøddebo Rasmussen
Chairman of the Executive Board

Klaus Kristiansen
Member of the Executive Board

Board of Directors

Jacob Aarup-Andersen
Chairman

Carsten Rasch Egeriis
Vice Chairman

Kim Andersen

Christian Baltzer

Jakob Groot

Sonia Khan

Lisbeth Sahlertz Nielsen

Majken Hammer Sløk

Supplementary information

Financial calendar

- Interim Report – First Nine Months 2019:
1 November 2019
- Annual Report 2019:
5 February 2020
- Annual General Meeting:
9 March 2020
- Interim Report – First Quarter 2020:
30 April 2020
- Interim Report – First Half 2020:
17 July 2020
- Interim Report – First Nine Months 2020:
4 November 2020

Contact

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and Chief Executive Officer
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