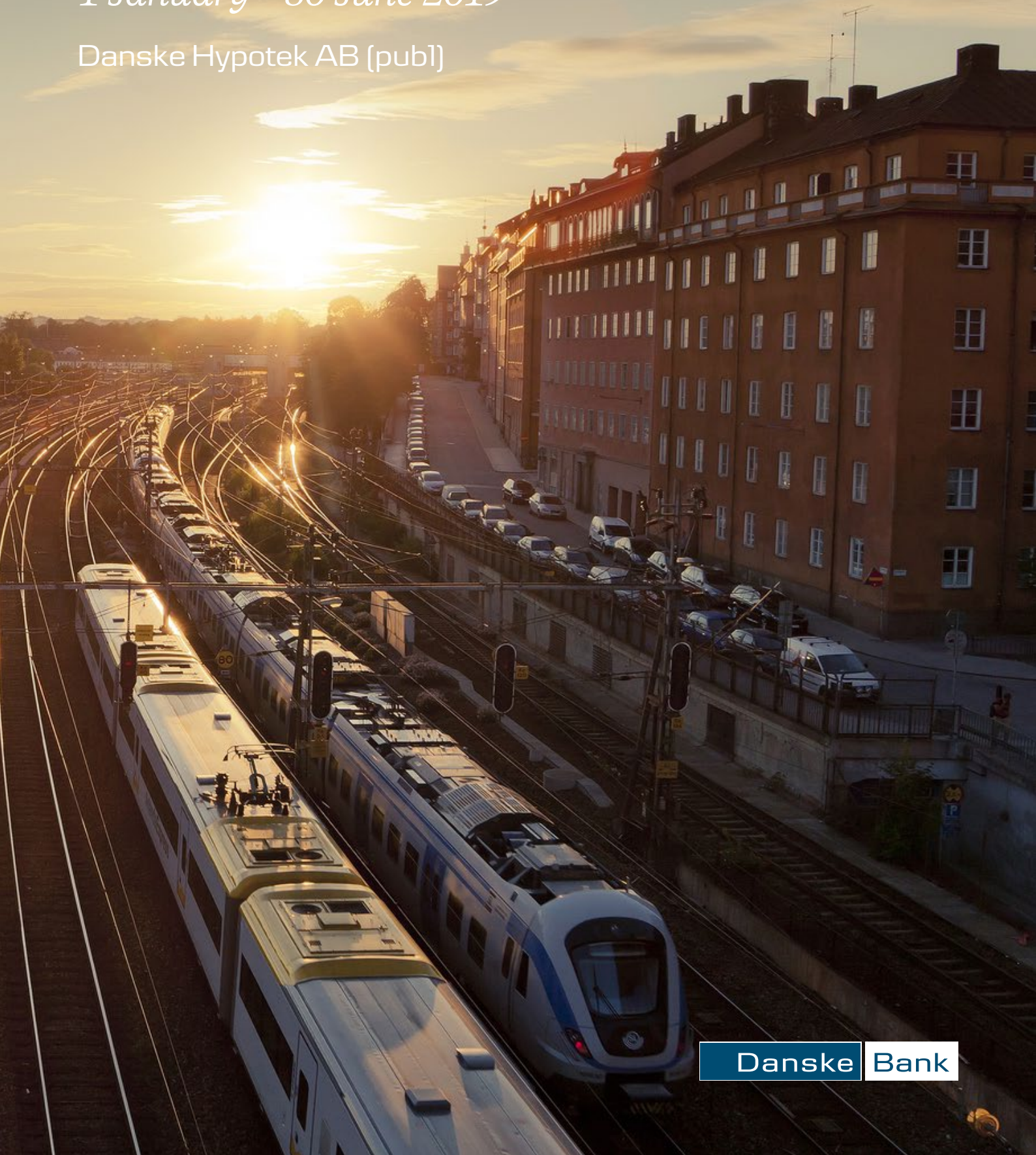


Interim Report

1 January - 30 June 2019

Danske Hypotek AB (publ)



First half-year in brief

January – June 2019 (comparison with January – June 2018 in parentheses)

- Operating profit was SEK 458 million (331 million).
- Net interest income amounted to SEK 513 million (365 million).
- Costs comprised SEK 50 million (28 million).
- There were no credit losses during the period and reversals amounted to SEK 19 million (SEK +13 million).
- Return on equity was 16.8 % (20.1 %).
- The CET1 capital ratio was 18.1 % (44.5 %).
- Danske Hypotek's covered bonds have the highest credit rating (AAA) from Standard & Poor's.

Operating profit/loss

SEK 458 million

Common Equity Tier 1 capital ratio

18.1 %

Net interest income/expense

SEK 513 million

Loans to the public

SEK 77 511 million

Operations

Danske Hypotek AB (publ) corp. ID no. 559001-4154 is a wholly owned subsidiary of Danske Bank A/S (CVR no. 61126228). The company's operations consist of acquiring mortgage loans from Danske Bank's Swedish branch, and issuing covered bonds with mortgage loans as collateral and thereby providing the Danske Bank Group with long-term access to competitive financing in Swedish kronor (SEK). This way, the best possible conditions are created for the Swedish branch to offer long-term competitive lending to Swedish mortgage loan customers and owners of residential properties in Sweden.

Operations are to be conducted in such a manner that they fulfil the requirements set in the Covered Bonds Issuance Act (2003:1223) and requirements set in the Swedish Financial Supervisory Authority's regulation FFFS 2013:1.

During 2018 the company was in the supervision category 3 but was upgraded to the Swedish Financial Supervisory Authority's more extensive supervision category 2.

Even though Danske Hypotek AB is not assessed to be a systemically important institution, the Swedish National Debt Office has made a decision on minimum requirement for own funds and eligible liabilities (MREL) for the company. Danske Hypotek AB is a subsidiary of Danske Bank, which has its domicile in Denmark. Therefore, the decision regarding MREL for the company has been made within the framework of Danish resolution procedures.

Financial development

Results overview

Amounts in SEK 000s	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Net interest income/expense	513,020	364,815	825,436
Net commission income	-10,597	-14,079	-28,746
Net income from financial transactions	-13,970	-5,033	-16,592
Total operating income	488,453	345,703	780,098
Costs	-49,946	-28,147	-60,787
Profit/loss before credit losses	438,507	317,556	719,311
Credit losses	19,107	13,180	-1,869
Operating profit/loss	457,614	330,736	717,442
Tax	-97,473	-72,762	-156,140
Net profit or loss for the period	360,141	257,974	561,302

Operating profit/loss

Operating profit for the first half of 2019 was SEK 458 million. The strong development in operating profit, compared with first half of 2018, is mainly explained by the close to 35% growth in lending.

Net interest income and commissions

For the first six month, Net interest income amounted to SEK 513 million (SEK 365 million) and net commissions amounted to an expense of SEK 11 million (SEK 14 million).

Net income from financial transactions

The net income from financial transactions at fair value amounted to an expense of SEK 14 million (SEK 5 million), see note 4.

Costs

Total costs were SEK 50 million (SEK 28 million). Costs consisted primarily of compensation to Danske Bank for services rendered according to applicable outsourcing agreements, resolution fee and the company's personnel costs. The increase in costs is explained by resolution fee and higher cost for outsourcing, see note 5.

Credit losses

Like first half of 2018, reversals of credit reserves led to a positive outcome. For the first half of 2019 the outcome was SEK 19 million (SEK 13 million), see note 6.

Lending

Danske Hypotek continuously acquires already granted and disbursed mortgage loans from Danske Bank. For these loans, a pledged mortgage deed in real estate intended for residential purposes or a pledged tenant-owner right has been provided. The purpose is that the acquired loans, in part or in whole, shall be included as collateral in the cover pool that constitutes the collateral for the issuance

of covered bonds. At the end of June 2019, Danske Hypotek's lending amounted to SEK 77 511 million. The increase is attributable to a large acquisition of mortgage loans in December of 2018, see note 8.

Information on Danske Hypotek's mortgage loans is published on the website www.danskehypotek.se

Borrowing

Danske Hypotek's primary source of funding is through covered bonds on the Swedish benchmark market. In addition to this, the company also has access to financing through Danske Bank A/S in the form of a loan facility.

During the first half of 2019, the company has launched its fourth bond, DH2412 (maturity 2024-12-18). As of June 30, the total outstanding nominal volume amounted to SEK 63.5 billion, see the list of bonds in note 11.

Capital adequacy

Danske Hypotek reports credit risk mainly in accordance with the advanced internal ratings-based (IRB) approach and operational risk and market risk according to the standardised method.

The company's total capital ratio and CET1 capital ratio on June 30, 2019 was 18.1% (44.5%). The profit for the period is not included in the capital base. The large change in this ratio is due to the fact that Swedish Financial Supervisory Authority decided to move the risk-weight floor on Swedish mortgages from Pillar 2 to Pillar 1. The effect of this regulatory change was that the risk exposure amount increases sharply. On June 30, 2019, internally assessed capital requirements (including Pillar 2 add-ons and buffer requirements) amounted to SEK 3 092 million (SEK 2 117 million), see page 10.

Other significant information

Risks and uncertainties

The company's operations have a low risk profile. The primary risks consist of credit risk, liquidity risk and market risk. Credit risk in the company's portfolio is low as the company only acquires mortgage loans of good quality, but the risk level can be affected by a deterioration of the Swedish economy and falling property prices.

Liquidity risk is currently very low since the maturity dates for the company's issued bonds is still far out in time; however, the liquidity risk can be negatively impacted in the future by generally deteriorating market conditions. However, through its liquidity portfolio, the company has access to liquid securities of high quality that can be used in a potential future stressed-liquidity situation.

Market risk primarily consists of interest-rate risk, which however is low because it is hedged through derivative agreements entered into with Danske Bank A/S

Events after the Reporting Period

After the end of the period, additional SEK 10 billion of mortgage loans have been acquired from Danske Bank.

At the Extraordinary General Meeting on 27 August 2019, Anneli Adler was elected new Board member in the company.

Former Board members Erik Åsbrink and Berit Behring have resigned from the Board. A recruitment process to appoint one new Board member will be initiated.

Income statement

Amounts in SEK thousands	Note	Jan.-June 2019	Jan.-June 2018	Jan.-Dec. 2018
Interest income calculated using the effective interest method	2	991,771	348,780	794,493
Other interest income	2	291,631	309,791	687,517
Interest expenses	3	-770,382	-293,756	-656,574
Net interest income/expense		513,020	364,815	825,436
Fee income		90	48	113
Fee expenses		-10,687	-14,127	-28,859
Net income from financial transactions	4	-13,970	-5,033	-16,592
Total operating income		488,453	345,703	780,098
General administrative expenses	5	-49,740	-28,083	-60,588
Other operating expenses		-206	-64	-199
Profit before impairment charges		438,507	317,556	719,311
Loan impairment charges	6	19,107	13,180	-1,869
Profit before tax		457,614	330,736	717,442
Tax for the period		-97,473	-72,762	-156,140
Net profit for the period		360,141	257,974	561,302
Items that will not be reclassified to profit or loss		-	-	-
Comprehensive income for the period		360,141	257,974	561,302

Balance sheet

Amounts in SEK thousands	Note	30 June 2019	30 June 2018	31 Dec. 2018
ASSETS				
Assets				
Due from credit institutions	7, 9	966,353	345,915	863,937
Lending to the public	8, 9	77,511,243	57,635,635	77,428,589
Bonds and other interest-bearing securities	10	2,670,718	1,745,907	2,264,563
Other assets		1,061,547	322,254	201,758
Prepaid expenses and accrued income		454,599	284,226	44,363
TOTAL ASSETS		82,664,460	60,333,937	80,803,210
LIABILITIES AND EQUITY				
Liabilities				
Due to credit institutions		12,200,024	17,200,022	28,300,120
Issued bonds, etc.	11	65,153,994	39,509,592	48,263,853
Tax liabilities		35,492	68,537	51,878
Other liabilities		111,780	39,578	23,119
Accrued expenses and deferred income		696,064	412,571	57,275
Total liabilities		78,197,354	57,230,300	76,696,245
Equity				
Share capital		50,000	50,000	50,000
Shareholders' contribution		3,400,000	2,700,000	3,400,000
Profit/loss brought forward		656,965	95,663	95,663
Profit/loss for the period		360,141	257,974	561,302
Total equity		4,467,106	3,103,637	4,106,965
TOTAL EQUITY AND LIABILITIES		82,664,460	60,333,937	80,803,210

Statement of changes in equity

Amounts in SEK thousands					
	Share capital	Shareholders' contribution	Profit/loss brought forward	Profit/loss for the year	Total equity
Opening balance 01/01/2019	50,000	3,400,000	95,663	561,302	4,106,965
Reversal of previous year's profit	-	-	561,302	-561,302	-
Shareholders' contribution	-	-	-	-	-
Profit/loss for the period	-	-	-	360,141	360,141
Closing balance 30/06/2019	50,000	3,400,000	656,965	360,141	4,467,106

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change occurred during the year.

Opening balance 01/01/2018	50,000	1,800,000	-7,005	123,944	1,966,939
Restatement as a result of changed accounting principles, after tax (IFRS 9)	-	-	-21,276	-	-21,276
Adjusted equity 01/01/2018	50,000	1,800,000	-28,281	123,944	1,945,663
Reversal of previous year's profit	-	-	123,944	-123,944	-
Shareholders' contribution	-	900,000	-	-	900,000
Profit/loss for the period	-	-	-	257,974	257,974
Closing balance 30/06/2018	50,000	2,700,000	95,663	257,974	3,103,637

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change occurred during the year.

Opening balance 01/01/2018	50,000	1,800,000	-7,005	123,944	1,966,939
Restatement as a result of changed accounting principles, after tax (IFRS 9)	-	-	-21,276	-	-21,276
Adjusted equity 01/01/2018	50,000	1,800,000	-28,281	123,944	1,945,663
Reversal of previous year's profit	-	-	123,944	-123,944	-
Shareholders' contribution	-	1,600,000	-	-	1,600,000
Profit/loss for the period	-	-	-	561,302	561,302
Closing balance 31/12/2018	50,000	3,400,000	95,663	561,302	4,106,965

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change occurred during the year.

Cash flow statement

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Operating activities			
Operating profit/loss	457 614	330 736	717 442
Adjustments for non-cash items, etc.	-1 730 873	-95 127	-178 874
Cash flow from operating activities before changes in working capital	-1 273 259	235 609	538 568
Change in operating activity assets			
Change in lending to the public	57 555	-24 346 545	-44 050 959
Change in other investment assets	-387 319	70 758	-430 292
Change in other assets	-451 079	-559 511	-199 152
Change in operating activity liabilities	-16 100 096	2 700 012	13 800 110
Change in due to/from credit institutions	17 643 022	20 409 405	29 121 172
Change in tax liabilities	-113 858	-39 720	-139 757
Change in other liabilities	727 450	152 918	-198 742
Cash flow from operating activities	1 375 675	-1 612 683	-2 097 620
Financing activities			
Shareholders' contributions received	-	900 000	1 600 000
Cash flow from financing activities	-	900 000	1 600 000
Cash flow for the period	102 416	-477 074	40 948
Cash and cash equivalents at the beginning of the year	863 937	822 989	822 989
Cash and cash equivalents at year-end	966 353	345 915	863 937

Reconciliation of liabilities attributable to financing activities

Amounts in SEK thousands	Closing balance 2018	Cash flow from financing activities	Effect of changed exchange rate*	Change in fair value*	Closing balance 2019-06
New issue	49,500	-	-	-	49,500
Shareholders' contributions received	3,400,000	-	-	-	3,400,000
Issued bonds	48,263,853	15,962,473	-	927,668	65,153,994
Total	51,713,353	15,962,473	-	927,668	68,603,494

Amounts in SEK thousands	Closing balance 2017	Cash flow from financing activities	Effect of changed exchange rate*	Change in fair value*	Closing balance 2018-06
New issue	49,500	-	-	-	49,500
Shareholders' contributions received	1,800,000	900,000	-	-	2,700,000
Issued bonds	19,316,870	20,409,405	-	-216,683	39,509,592
Total	21,166,370	21,309,405	-	-216,683	42,259,092

Amounts in SEK thousands	Closing balance 2017	Cash flow from financing activities	Effect of changed exchange rate*	Change in fair value*	Closing balance 2018
New issue	49,500	-	-	-	49,500
Shareholders' contributions received	1,800,000	1,600,000	-	-	3,400,000
Issued bonds	19,316,870	28,772,794	-	174,189	48,263,853
Total	21,166,370	30,372,794	-	174,189	51,713,353

*Non-cash changes.

Cash flow statement Continuation

Cash and cash equivalents	30 June 2019	30 June 2018	31 Dec. 2018
Cash and cash equivalents consist of loans to credit institutions	966,353	345,915	863,937
Total	966,353	345,915	863,937

Interest, etc.	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Interest received	843,520	453,194	1,437,760
Interest paid	-92,002	-226,506	-625,897
Total	751,518	226,688	811,863

Adjustment for non-cash items	30 June 2019	30 June 2018	31 Dec. 2018
Loan impairment charges	-59,568	-42,683	-75,360
Change in Accounting principle	-	-21,276	-21,276
Unrealised changes in value	-1,671,305	-31,168	-82,238
Total	-1,730,873	-95,127	-178,874

Capital

Amounts in SEK million	30 June 2019	30 June 2018	31 Dec. 2018
Total equity	4.107	2.846	3.546
CET1 capital before legislative adjustments	4.107	2.846	3.546
Further value adjustments	-17	-10	-11
Negative amounts as a result of calculation of expected loss amounts	-	-	-
Other legislative adjustments	-	-	-
CET1 capital	4.090	2.835	3.535
Tier 1 capital contribution: Instruments and provisions	-	-	-
Tier 1 capital contribution: Legislative adjustments	-	-	-
Tier 1 capital	4.090	2.835	3.535
Tier 2 capital	-	-	-
Positive amounts as a result of calculation of expected loss amounts	3	3	19
Other legislative adjustments	-	-	-
Total capital	4.093	2.838	3.554
Total risk-weighted assets	22.560	6.372	21.929
CET1 capital (as a percentage of the risk-weighted exposure amount)	18.1%	44.50%	16.1%
Tier 1 capital (as a percentage of the risk-weighted exposure amount)	18.1%	44.50%	16.1%
Total capital (as a percentage of the risk-weighted exposure amount)	18.1%	44.50%	16.2%

Risk exposure amounts and risk weights

Amounts in SEK million	30 June 2019		30 June 2018		31 Dec. 2018	
	Risk exposure amount	Average risk weight (%)	Risk exposure amount	Average risk weight (%)	Risk exposure amount	Average risk weight (%)
Credit risks						
Institutions	-	-	-	-	-	-
Corporate customers	-	-	-	-	-	-
Household exposure	19,180	25	4,586	8	19,205	25
Advanced IRC method, total	19,180	25	4,586	8	19,205	25
Standardised method for credit risk, total	867	21	377	16	701	20
Credit risk, total	20,047		4,963		19,906	
Counterparty risk, total	858	50	328	50	368	50
Market risk, total	-		-		-	
Operational risk, total	1655		1081		1655	
Total risk exposure amount, REA	22,560		6,372		21,929	

Capital requirement

Amounts in SEK million	30 June 2019	30 June 2018	31 Dec. 2018
Capital requirement (8% av REA)	1,805	510	1,754
Pillar 2 add-ons			
Credit Concentration risk add-on	104	68	85
Interest rate risk in banking book (IRRBB)	170	34	131
Swedish Risk weight floor	-	1,220	-
Total Pillar 2 add-ons	274	1,322	216
Buffer requirements, % of REA			
Capital conservation buffer	2.5%	2.5%	2.5%
Countercyclical capital buffer	2.0%	2.0%	2.0%
Combined buffer requirement	4.5%	4.5%	4.5%
Buffer requirements, SEK m	1,013	285	985
Capital requirement including combined buffer	3,092	2,117	2,955
Capital ratio including combined buffer	13.7%	33.2%	13.5%
Excess total capital, %	4.4%	11.3%	2.7%
Excess total capital, SEK m	1,001	721	599

Leverage ratio

Amounts in SEK million	30 June 2019	30 June 2018	31 Dec. 2018
Leverage ratio			
Total exposure for leverage ratio calculation	82,980	60,451	81,322
- of which derivatives	1,716	657	736
- of which securities	2,671	1,746	2,265
- of which items off the balance sheet		-	-
Tier 1 capital (transitional rules)	4,090	2,836	3,535
Tier 1 capital (fully phased in rules)	4,090	2,836	3,535
Leverage ratio (transitional rules), [%]	4.9%	4.7%	4.3%
Leverage ratio (fully phased in rules)	4.9%	4.7%	4.3%

Note 1 Accounting principles

Amounts in SEK thousands unless otherwise indicated

Danske Hypotek's interim report is prepared in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies (995:1559), the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 Annual Reports in Credit Institutions and Securities Companies, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board. In accordance with the Swedish Financial Supervisory Authority's general guidelines, Danske Hypotek applies so-called statutory IFRS. This means that the International Financial Reporting Standards and interpretations of these standards that have been adopted by the EU have been applied to the extent possible within the scope of national laws and regulations and the connection between accounting and taxation. The reporting currency is Swedish kronor (SEK).

REGULATORY AMENDMENTS INTRODUCED DURING THE YEAR

IFRS 16 Leases has been adopted for application by the EU. The standard will be applied as of the 2019 financial year. The primary effect of the new standard is that lessees to a significantly greater extent need to capitalise leases as assets and liabilities in the balance sheet, with the associated effect that the cost in the income statement will be distributed to depreciation in the income statement and interest expenses in net financial items. Danske Hypotek's assessment is that the new standard is not expected to have any significant impact on its financial statements, capital adequacy or large exposures. Other significant accounting principles and calculations are unchanged compared with the annual report for 2018.

UPCOMING REGULATORY CHANGES

Danske Hypotek's assessment is that new or amended Swedish or international accounting standards, that have been published but not yet been implemented, are not expected to have any significant impact on the financial statements.

Note 2 Interest income

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Lending to the public	558,549	310,120	727,873
Liabilities to foreign credit institutions – Group companies	433,223	40,288	66,620
Interest-bearing securities – bonds	104,983	60,649	137,124
Interest-bearing securities – underlying derivative instruments	186,470	247,400	550,024
Other interest income	177	114	369
Total	1,283,402	658,571	1,482,010

Note 3 Interest expenses

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Balances with foreign credit institutions – Group companies	-432,440	-12,565	-20,358
Interest-bearing securities – bonds	-277,145	-148,944	-361,771
Interest-bearing securities – underlying derivative instruments	-60,755	-131,937	-274,220
Other interest expenses	-42	-310	-225
Total	-770,382	-293,756	-656,574

Note 4 Net income from financial transactions

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Capital gains/losses			
Interest-bearing securities	-144	-	-
Other financial instruments, derivatives	-98,769	82,459	64,926
Currency	-1	3	3
	-98,914	82,462	64,929
Unrealised changes in value			
Interest-bearing securities	-734,357	-284,012	-257,942
Other financial instruments, derivatives	819,301	196,517	176,421
	84,944	-87,495	-81,521
Total	-13,970	-5,033	-16,592

Note 5 Administration expenses

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Personnel costs	-5,390	-4,795	-10,128
Consulting fees	-475	-1,624	-2,138
Legal fees	-	-226	-226
Purchase of administrative services	-19,812	-14,981	-34,595
Other expenses	-24,063	-6,457	-13,501
Total	-49,740	-28,083	-60,588
<i>Specification Personnel costs</i>			
Salaries and remuneration	-3,082	-3,075	-5,979
Social security contributions	-210	-	-
Pension expenses	-1,037	-991	-1,923
Other personnel costs	-986	-662	-2,097
Total	-75	-67	-129
Summa	-5,390	-4,795	-10,128

Note 6 Credit losses, net

Amounts in SEK thousands	1 Jan. 2019 – 30 June 2019	1 Jan. 2018 – 30 June 2018	1 Jan. 2018 – 31 Dec. 2018
Lending to the public and credit institutions			
Confirmed credit losses	-	-	-
Recovery of previously confirmed credit losses	-	-	-
Period's change in reserve, credit stage 1	19,514	-2,503	5,789
Period's change in reserve, credit stage 2	419	15,309	-4,938
Period's change in reserve, credit stage 3	-826	374	-2,720
Period's recoveries/credit losses, net	19,107	13,180	-1,869

Credit stage 1: Refers to expected loan impairment losses on possible defaults within the next 12 months.

Credit stage 2: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where there has been a significant increase of the credit risk since initial recognition.

Credit stage 3: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where repayment and interest have not been paid in more than 90 days, and loans deemed to be in default. Factors, individually or combined, such as the borrower's clear financial problems, breach of contract, or that it is probable that the borrower will enter bankruptcy also entail that the loan is transferred to stage 3.

Note 7 Due from credit institutions

Amounts in SEK thousands	30 June 2019	30 June 2018	31 Dec. 2018
Lending in SEK			
Foreign credit institutions, Group companies	966,353	345,915	863,937
Total	966,353	345,915	863,937
Average balance, loans to credit institutions, Group companies	1,745,609	1,391,734	7,783,212
Duration for amounts due from credit institutions			
Payable on demand	966,353	345,915	863,937
-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
More than 5 years	-	-	-
Total	966,353	345,915	863,937

The total amount Due from credit institutions refers to deposits with the Parent Company. Expected loan impairment charges have not been recognised as they are not considered to be material.

Note 8 Lending to the public

Amounts in SEK thousands	30 June 2019	30 June 2018	31 Dec. 2018
Lending in SEK			
Swedish households excl. sole proprietors	73,174,781	53,977,905	73,102,442
Swedish sole proprietors	4,336,462	3,657,730	4,326,147
Total	77,511,243	57,635,635	77,428,589
Loans at cost	77,570,811	57,678,318	77,503,949
Loan impairment charges for individually assessed loans	-	-	-
Reserve for expected loan impairment charges (credit stage 1-3)	-59,568	-42,683	-75,360
Total	77,511,243	57,635,635	77,428,589
Average balance, lending to the public	77,510,837	43,337,943	51,653,969
Duration for lending to the public			
Payable on demand	-	-	-
-3 months	49,140,144	51,302,514	55,637,707
3-12 months	293,523	256,164	111,025
1-5 years	27,260,983	5,964,103	21,022,479
More than 5 years	816,593	112,854	657,378
Total	77,511,243	57,635,635	77,428,589

Note 9 Lending to the public

Amounts in SEK thousands	30 June 2019	30 June 2018	31 Dec. 2018
Credit stage 1			
Recognised gross amount	72,480,236	53,656,771	72,608,418
Reserve for expected credit losses	-7,683	-5,023	-9,207
Book value	72,472,553	53,651,748	72,599,211
Credit stage 2			
Recognised gross amount	5,034,822	3,967,351	4,822,491
Reserve for expected credit losses	-47,770	-36,712	-61,822
Book value	4,987,052	3,930,639	4,760,669
Credit stage 3			
Recognised gross amount	55,753	54,196	73,040
Reserve for expected credit losses	-4,115	-948	-4,331
Book value	51,638	53,248	68,709
Recognised gross amount (credit stage 1-3)	77,570,811	57,678,318	77,503,949
Reserve for expected credit losses (credit stage 1-3)	-59,568	-42,683	-75,360
Total	77,511,243	57,635,635	77,428,589

Credit stage 1: Refers to expected loan impairment losses on possible defaults within the next 12 months.

Credit stage 2: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where there has been a significant increase of the credit risk since initial recognition.

Credit stage 3: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where repayment and interest have not been paid in more than 90 days, and loans deemed to be in default. Factors, individually or combined, such as the borrower's clear financial problems, breach of contract, or that it is probable that the borrower will enter bankruptcy also entail that the loan is transferred to stage 3.

Note 10 Bonds and other interest-bearing securities

Amounts in SEK thousands	30 June 2019		30 June 2018		31 Dec. 2018	
Current assets						
Swedish municipalities and county	1,075,955		659,656		859,637	
Other Swedish financial companies	1,594,763		1,086,251		1,404,926	
Total	2,670,718		1,745,907		2,264,563	
	Fair value	Nominal value	Fair value	Nominal value	Verkligt värde	Nominellt värde
Swedish municipalities and county	1,075,955	1,040,000	659,656	645,000	859,637	845,000
Other Swedish financial companies	1,594,763	1,560,000	1,086,251	1,030,000	1,404,926	1,360,000
Total	2,670,718	2,600,000	1,745,907	1,675,000	2,264,563	2,205,000

Note 11 Issued bonds, etc.

Amounts in SEK thousands	30 June 2019	30 June 2018	31 Dec. 2018
Bonds in SEK	63,489,000	38,851,000	47,589,000
Total nominal value	63,489,000	38,851,000	47,589,000
Bonds in SEK	65,153,994	39,509,592	48,263,853
Total carrying amount	65,153,994	39,509,592	48,263,853
of which at amortised cost	64,226,326	39,292,909	48,089,664
Average balance issued bonds in SEK	56,439,634	30,176,839	36,699,038
Issued bonds at the end of the period	47,589,000	19,101,000	19,101,000
Issued nominal value	15,900,000	19,750,000	28,488,000
Buy backs	-	-	-
Premium/discount	737,326	441,909	500,664
Hedging of interest-rate risk at market value	927,668	216,683	174,189
Issued bonds at the end of the period	65,153,994	39,509,592	48,263,853

Bond list, covered bonds in SEK

30 June 2019

Loan no.	Coupon rate, %	Loan date	Interest date	Maturity date	Outstanding amount, SEK 000s
DH2112	1%	2017-11-06	15 December	2021-12-15	17,188,000
DH2212	1%	2017-08-29	21 December	2022-12-21	24,451,000
DH2312	1%	2018-04-25	20 December	2023-12-20	15,650,000
DH2412	1%	2019-05-24	18 December	2024-12-18	6,200,000
					63,489,000

30 June 2018

Loan no.	Coupon rate, %	Loan date	Interest date	Maturity date	Outstanding amount, SEK 000s
DH2112	1%	2017-11-06	15 December	2021-12-15	11,500,000
DH2212	1%	2017-08-29	21 December	2022-12-21	19,051,000
DH2312	1%	2018-04-25	20 December	2023-12-20	8,300,000
					38,851,000

31 Dec. 2018

Loan no.	Coupon rate, %	Loan date	Interest date	Maturity date	Outstanding amount, SEK 000s
DH2112	1%	2017-11-06	15 December	2021-12-15	13,938,000
DH2212	1%	2017-08-29	21 December	2022-12-21	20,751,000
DH2312	1%	2018-04-25	20 December	2023-12-20	12,900,000
					47,589,000

Note 12 Effects of change in accounting principles

Restatement of balance sheet 31 December 2017 upon transition to IFRS 9 on 1 January 2018

Amounts in SEK thousands	IFRS 9 1 Jan. 2018	Transition to IFRS 9	IAS 39 31 Dec. 2017
ASSETS			
Assets			
Due from credit institutions	822,989	-	822,989
Lending to the public	33,274,994	-27,276	33,302,270
Bonds and other interest-bearing securities	1,749,800	-	1,749,800
Deferred tax assets	0	-	-
Other assets	5,589	-	5,589
Prepaid expenses and accrued income	41,380	-	41,380
TOTAL ASSETS	35,894,752	-27,276	35,922,028
LIABILITIES AND EQUITY			
Liabilities			
Due to credit institutions	14,500,010	-	14,500,010
Issued bonds, etc.	19,316,870	-	19,316,870
Tax liabilities	29,495	-6,000	35,495
Other liabilities	65,420	-	65,420
Accrued expenses and deferred income	37,294	-	37,294
Total liabilities	33,949,089	-6,000	33,955,089
Equity			
Share capital	50,000	-	50,000
Shareholders' contribution	1,800,000	-	1,800,000
Profit/loss brought forward	-28,281	-21,276	-7,005
Profit/loss for the period	123,944	-	123,944
Total equity	1,945,663	-21,276	1,966,939
TOTAL EQUITY AND LIABILITIES	35,894,752	-27,276	35,922,028

Contact

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The CEO assures that this year-end report provides a true and fair view of the company's operations, financial position and performance, and describes the significant risks and uncertainties that the company faces.

Stockholm, August 28, 2019

Per Tunestam
Chief Executive Officer

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