



Nykredit Realkredit Group

H1 Interim Report 2023

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Management Commentary



Foreword

"Nykredit's H1 Report 2023 presented today shows a highly satisfactory profit after tax of DKK 5,391 million. In June, we raised our guidance for profit for the year and now expect profit after tax of DKK 9.75-10.75 billion, which means we are heading for our best performance ever."

Michael Rasmussen
Group Chief Executive

Nykredit delivered a very satisfactory profit after tax of DKK 5,391 million for H1/2023 (H1/2022: DKK 4,057 million) and maintained a strong market position. In the first six months of 2023, we recorded business and customer growth across the board.

In June we raised our guidance for profit after tax for 2023 to about DKK 9.75-10.75 billion from the former DKK 9-10 billion. We expect 2023 to outperform 2022, which was Nykredit's best year ever.

Our results for the first half year were driven by underlying business growth, not least due to higher interest rates. We successfully managed our investment portfolio but also benefited from financial market tailwinds. We continued to benefit from long-standing strong credit quality, which led to a minor net reversal of loan impairments.

The strong credit quality also bears witness to the financial resilience in changeable times of our personal, business as well as agricultural customers.

Globally and domestically, volatility still prevails, and visibility is low. In Denmark, however, inflation as well as consumer and energy prices have dropped from a high starting point, which has a positive bearing on the finances of Danish households and businesses.

The Danish economy is generally robust with a sound business sector and high employment. We also find homeowners to be highly resilient, and many customers have benefitted from the increasing interest rates to reduce their mortgage debt.

The first half of the year saw tension in the financial systems in Europe and the US, which serves as a reminder of the importance of maintaining our strength as a financial institution. The latest stress test from the European Banking Authority (EBA) clearly shows that Nykredit still holds a robust capital position in

the event of severe downturns in the economy or the housing market.

Winning the Double 2.0.

Nykredit wants to be a predictable and enduring financial partner to customers across all the Group's business areas.

We maintain our strategy, Winning the Double 2.0, which guides us in everything we do. Our overarching strategic objectives are:

- We want to expand Nykredit's banking position by gaining more full-service customers
- We want to secure Totalkredit's future position as market leader in home financing in Denmark
- We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

Customer and business growth in Nykredit Bank

In the first six months, Nykredit Bank, which also includes Nykredit Wealth Management, continued to record business and customer growth. Many customers value our unique mutual structure, enabling us to offer them a suite of special benefits, including discounts on loan and investment fees.

Nykredit Bank further consolidated its market position with lending growth to the largest Corporates & Institutions clients.

In addition to being the first large Danish bank to offer all customers positive current account rates earlier this year, Nykredit has made it more attractive for customers to save up for a new home or a green initiative in 2023, offering favourable interest rates on our home and green savings accounts.

Nykredit Wealth Management also recorded growth in Nykredit Invest and Sparinvest. In May we entered into a new owner and

partnership agreement with the Sparinvest partners. 96% of the shareholders have adopted the agreement, which serves as the common foundation for continuing recent years' growth in and further development of the partnership for the benefit of the shareholders and the customers that invest through Sparinvest.

Earlier this year, Nykredit Invest and Sparinvest received Morningstar Fund Awards for the sixth consecutive year, taking home three of eight awards, including the award for best manager of equities and bonds. This ranks us among the best managers of equities in the Nordic region. Nykredit Wealth Management has also won two Lipper Fund Awards. We are proud of the fact that customers for a number of years now have recognised our value propositions in this way.

Strong Totalkredit alliance

Thanks to our mutual ownership structure we can offer customers a discount on administration margin payments through our benefits programme KundeKroner. This is part of the reason why the Danish Consumer Council recommends Totalkredit as the lender offering the overall lowest mortgage prices in the market.

Totalkredit's strong position is not least attributable to our alliance with the Totalkredit partner banks, which provide solid and local advisory services throughout the country. The Totalkredit partnership enables Denmark's small and medium-sized banks without mortgage banking operations to offer mortgage products at attractive prices and thus to compete with the largest banks.

We are in continued dialogue with the Danish Competition and Consumer Authority about the Totalkredit partnership model. Core to us is preserving a Danish mortgage system based on transparency and solidarity where all homeowners, regardless of their income, financial position, accounts volume or geographic location, pay the same loan rates and administration margins.

Today, more than 900,000 Danes have Totalkredit loans, and in the Danish rural districts we are by far the largest mortgage provider.

Moreover, average administration margin payments are the lowest since 2013, partly because many customers opt for secure fixed-rate repayment loans.

We contribute to the green transition

Nykredit wants to be the customer-owned, responsible financial provider for people and businesses all over Denmark, and as such it is important to us that we contribute to the green transition.

As the first financial institution in Denmark, Nykredit has set emissions targets for owner-occupied dwellings and other real estate we finance, which are important segments to Nykredit and the green transition of society. To support these targets, we have joined the Science Based Targets initiative, the Net Zero Banking Alliance and the Net Zero Asset Managers initiative. And in June, ESG rating provider MSCI raised Nykredit's ESG rating from AA to AAA. Nykredit is now among the highest rated financial businesses in the Nordic region.

Furthermore, Nykredit appeared on the Financial Times list of Europe's Climate Leaders 2023 as number 9 of 500 companies and was ranked best among the Nordic banks. The Financial Times ranks companies' performance in terms of operational emissions, climate targets and ESG rating.

However, our largest potential lies in supporting our customers' green choices. Today Nykredit offers a range of green personal banking, business banking, agricultural and investment products. This year Nykredit Bank launched new propositions for small and medium-sized business customers, for example, green transport

leasing, which makes it more affordable for businesses to lease electric and hydrogen-powered commercial vehicles.

Furthermore, we introduced green construction loans for new-builds and energy renovations and now also provide mortgage finance for solar panel parks to businesses looking to optimise energy use in their properties. Totalkredit launched a proposition to make it easier for customers to have a new heat pump installed.

The green products have been very well received by our customers. Nykredit got a top ranking in the latest EPSI sustainability index where customers are asked to rate banks' sustainability efforts.

We share our success with customers

Nykredit is owned by an association of customers, Forenet Kredit, and we are therefore in a unique position to share our success with customers of Totalkredit and Nykredit Bank. At the beginning of the year, we distributed dividend of DKK 4.65 billion for 2022 to our shareholders. Forenet Kredit, which owns 78.9% of Nykredit, received the largest share.

The Committee of Representatives of Forenet Kredit subsequently decided to return a large amount to Nykredit. And because of this contribution, Nykredit expects to be able to distribute about DKK 1.9 billion to customers through our customer benefits programmes in 2023. In connection with the presentation of the H1 Interim Report, the Board of Directors proposes that Nykredit distribute extraordinary dividend of DKK 1.85 billion.



Merete Eldrup
Board of Directors, Chair

Michael Rasmussen
Group Chief Executive

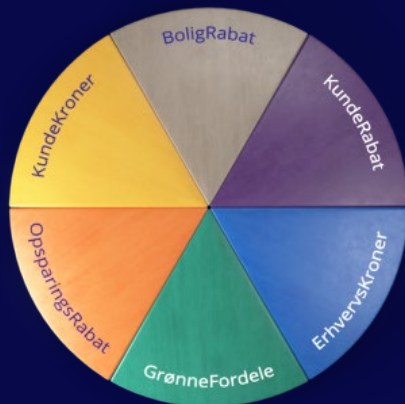
Together we are more

At Nykredit¹, we differ from our competitors in one key area; we are owned primarily by an association of customers, Forenet Kredit (78.9%). Our other owners are a consortium consisting of five of Denmark's leading pension companies (16.9%) as well as a group of other shareholders (4.2%). This makes for a stable and enduring ownership structure and enables us to incorporate our unique mutual ownership and corporate responsibility into specific activities, ultimately to the benefit of our customers.

Being owned by an association, we are in a unique position to share our success by offering a host of special customer benefits.

Forenet Kredit pursues three key priorities

- Danish mortgage lending – also in 200 years
- In all of Denmark
- We share our profits.



Mutual ownership

Nykredit's majority shareholder, Forenet Kredit, wants the dividend from Nykredit to benefit the Group, and with that, our customers through our customer benefits programme.

Since 2017 the programme has offered KundeKroner discounts to all personal customers with a Totalkredit mortgage loan and was later expanded to include ErhvervsKroner discounts to business customers with a Nykredit or Totalkredit mortgage loan. In addition, a number of discounts and grants are offered to full-service customers of Nykredit Bank as well as green solutions to both Nykredit and Totalkredit customers. Read more about our customer benefits at nykredit.com

Nykredit expects to distribute customer benefits equal to an amount of about DKK 1.9 billion for 2023.

Customer benefits

- **KundeKroner:** mortgage loan cash benefits
- **BoligRabat:** bank home loan discount
- **KundeRabat:** fee discount
- **ErhvervsKroner:** business mortgage loan discount
- **GrønneFordele:** discounts and cash grants for green solutions
- **OpsparingsRabat:** savings discount



¹ The Nykredit Realkredit Group comprises a number of companies, including Nykredit Realkredit A/S, the Nykredit Bank Group and Totalkredit A/S.

Financial highlights



Income
DKK **9,995m**
(H1/2022: DKK 7,213m)



Costs
DKK **3,210m**
(H1/2022: DKK 3,091m)



Profit for the period
DKK **5,393m**
(H1/2022: DKK 4,059m)

	DKK million					
Nykredit Realkredit Group	H1/ 2023	H1/ 2022	Q2/ 2023	Q1/ 2023	Q2/ 2022	2022
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	6,005	5,152	3,121	2,883	2,606	10,871
Net fee income	1,306	1,415	626	680	780	3,119
Wealth management income	1,197	1,171	614	583	579	2,279
Net interest from capitalisation	891	(292)	431	460	(155)	(740)
Net income relating to customer benefits programmes ¹	(215)	(192)	(99)	(117)	(110)	(443)
Trading, investment portfolio and other income	813	(41)	113	700	(447)	1,736
Income	9,995	7,213	4,806	5,189	3,253	16,822
Costs	3,210	3,091	1,573	1,637	1,545	6,320
Business profit before impairment charges	6,786	4,122	3,233	3,552	1,709	10,503
Impairment charges for loans and advances	(115)	(226)	(81)	(34)	(65)	(80)
Business profit	6,900	4,348	3,314	3,586	1,773	10,583
Legacy derivatives	32	670	43	(11)	341	931
Profit before tax	6,932	5,018	3,357	3,575	2,114	11,514
Tax	1,539	959	764	775	461	2,060
Profit for the period	5,393	4,059	2,592	2,800	1,653	9,454
Other comprehensive income, remaining items	15	(17)	(1)	15	(5)	(71)
Comprehensive income for the period	5,408	4,042	2,592	2,816	1,648	9,382
Interest on Additional Tier 1 capital charged against equity	76	76	38	38	38	153
Minority interests	28	27	13	15	12	61

¹"Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 39.

Balance sheet and financial ratios



Profit as % of average equity (RoE)
11.4%
(end-2022: 10.2%)



Cost/income ratio
32.1%
(end-2022: 37.6%)



People (FTE)
3,977
(end-2022: 4,076)

						DKK million
Nykredit Realkredit Group	H1/	H1/	Q2/	Q1/	Q2/	
SUMMARY BALANCE SHEET	2023	2022	2023	2023	2022	2022
Assets						
Receivables from credit institutions and central banks	56,841	47,274	56,841	54,298	47,274	61,242
Mortgage loans at fair value	1,300,275	1,298,081	1,300,275	1,306,435	1,298,081	1,292,119
Bank loans excluding reverse repurchase lending	92,023	86,022	92,023	92,075	86,022	86,735
Bonds and equities	100,765	95,989	100,765	99,889	95,989	100,117
Remaining assets	56,343	61,068	56,343	59,847	61,068	59,917
Total assets	1,606,247	1,588,434	1,606,247	1,612,544	1,588,434	1,600,129
Liabilities and equity						
Payables to credit institutions and central banks	16,529	22,865	16,529	21,305	22,865	27,851
Deposits excluding repo deposits	107,070	97,154	107,070	106,656	97,154	107,392
Bonds in issue at fair value	1,275,043	1,267,818	1,275,043	1,273,710	1,267,818	1,254,959
Subordinated debt	9,998	10,419	9,998	10,112	10,419	10,136
Remaining liabilities	100,189	97,066	100,189	105,767	97,066	102,962
Equity	97,418	93,111	97,418	94,995	93,111	96,829
Total liabilities and equity	1,606,247	1,588,434	1,606,247	1,612,544	1,588,434	1,600,129
FINANCIAL RATIOS						
Profit for the period as % pa of average equity ¹	11.4	8.9	11.0	11.9	7.2	10.2
Cost/income ratio (C/I), %	32.1	42.9	32.7	31.5	47.5	37.6
Total provisions for loan impairment and guarantees	9,147	9,322	9,147	9,332	9,322	9,391
Impairment charges for the period, %	(0.01)	(0.02)	(0.01)	(0.00)	(0.01)	(0.01)
Total capital ratio, %	23.5	23.7	23.5	23.8	23.7	23.3
CET1 capital ratio, %	19.7	19.8	19.7	20.0	19.8	19.5
Internal capital adequacy requirement, %	11.4	11.2	11.4	11.4	11.2	11.6
Average number of staff, full-time equivalent	3,977	4,042	3,937	4,017	4,053	4,076

Financial review

Performance highlights – H1/2023

Nykredit delivered a highly satisfactory profit after tax for H1/2023 of DKK 5,393 million (H1/2022: DKK 4,059 million) and a business profit of DKK 6,900 million (H1/2022: DKK 4,348 million).

We raised our guidance for profit after tax for the year on 29 June 2023 to DKK 9.75-10.75 billion from the former DKK 9.0-10.0 billion.

Results were positively impacted by higher net interest income, net interest from capitalisation, increased investment portfolio income as well as net reversal of impairments owing to the continued strong Danish economy and the high credit quality of our customers. We have seen increased customer growth across the Group during the first half of the year.

Bank lending rose to DKK 92.0 billion (end-2022: DKK 86.7 billion), marking a 6.1% rise. Mortgage lending increased by DKK 1.6 billion to nominally DKK 1,431.5 billion (end-2022: DKK 1,429.9 billion).

Lending amounted to DKK 107.0 billion (end-2022: DKK 107.4 billion), down DKK 0.4 billion.

Income

Income totalled DKK 9,995 million in H1/2023 (H1/2022: DKK 7,213 million), representing a 9.9% improvement in the core business areas compared with H1/2022.

Net interest income amounted to DKK 6,005 million (H1/2022: DKK 5,152 million). The increase in net interest income was positively impacted by rising interest rates in addition to an increase in nominal bank and mortgage lending compared with H1/2022.

Net fee income declined by 7.7% on H1/2022 to DKK 1,306 million (H1/2022: DKK 1,415 million), chiefly related to low mortgage activity compared with H1/2022 in the personal as well as the business segment. By contrast, net fee income was positively affected by the high activity level of corporate clients in Corporates & Institutions as well as high funding income reflecting the prevailing market conditions.

Wealth management income increased to DKK 1,197 million (H1/2022: DKK 1,171 million), mainly driven by income from Asset Management.

Net interest from capitalisation, which comprises return on equity and interest on subordinated capital, was a gain of DKK 891 million (H1/2022: charge of DKK 292 million). The increase compared to H1/2022 was due to higher interest rates.

Net income relating to the customer benefits programmes KundeKroner and ErhvervsKroner was a charge of DKK 215 million (H1/2022: charge of DKK 192 million). The amount includes contributions of DKK 687 million received from Forenet Kredit. For H1/2023 our benefits programmes came to DKK 902 million.

Trading, investment portfolio and other income, including value adjustment of the portfolio of bank equities and swaps etc, came to DKK 813 million (H1/2022: charge of DKK 41 million). Income in H1/2023 was mainly driven by capital gains on equities held for business purposes and lower credit spreads of short-dated Danish covered bonds. The increase in income was mainly related to a widening of short-dated Danish covered bond credit spreads in H1/2022, which led to negative value adjustments.

Costs

Total costs amounted to DKK 3,210 million (H1/2022: DKK 3,091 million). Wage rises and general price growth due to inflation increased the costs across the Group. Costs of IT and digitisation for the period also rose.

The average headcount declined 3,977 (H1/2022: 4,042).



Profit for the period
DKK 5,393m
(H1/2022: DKK 4,059m)

Impairment charges for loans and advances

Impairment charges for loans and advances were a net reversal of DKK 115 million (H1/2022: net reversal of DKK 226 million) owing to the continued strong Danish economy and the high credit quality of our customers.

	DKK million	
Nykredit Realkredit Group		
Impairment charges for loans and advances	H1/2023	H1/2022
Individual impairment provisions Stage 3	(1)	(439)
Model-based impairment provisions (stages 1, 2 and 3)	(114)	212
Total impairment provisions for mortgage lending	(115)	(226)

The geopolitical tensions are expected to affect the credit quality of some customers because of lower economic growth, rising prices and value and supply chain disruptions. Provisions based on stress tests have been taken to counter the worsened risk outlook. Nykredit increased this amount in H1 to DKK 2.1 billion.

General uncertainty about the impacts of the covid-19 pandemic has eased significantly. Customers' repayment of loans granted under government relief packages went better than expected, incurring no additional losses to Nykredit. Thus, the provision taken to cover covid-19 was released at end-H1/2023.

Provisions related to ESG were raised in H1/2023 as a result of a reassessment of ESG transition risks. Government efforts towards the green transition of heavy transport, new carbon taxes and new energy efficiency directives have been intensified, and new bills have been tabled. Conditions will further challenge customers' business models, increasing expected credit losses. For further information about the impacts of the geopolitical tensions, including the war in Ukraine, Nykredit's impairment

charges for loans and advances and our portfolio distribution, please refer to our Fact Book Q2 2023, which is available at nykredit.com

Income from other items

Legacy derivatives, which are not included in business profit, were DKK 32 million (H1/2022: DKK 670 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 1.0 billion (end-2022: DKK 1.0 billion).

Tax

Tax on profit for the year has been calculated at DKK 1,539 million (H1/2022: DKK 959 million). As a result of the new surtax imposed on companies in the financial sector, the tax rate has been raised from 22% to 25.2% in 2023, leading to an additional tax charge of DKK 190 million. The tax rate for 2024 will be 26%.

Results for Q2/2023

Profit after tax for Q2/2023 was DKK 2,592 million (Q1/2023: DKK 2,800 million).

Income amounted to DKK 4,806 million (Q1/2023: DKK 5,189 million). Net interest income and wealth management income were higher in Q2 than in Q1, whereas trading, investment portfolio and other income were down mainly due to high value adjustment of equities held for business purposes in Q1.

Costs amounted to DKK 1,573 million in Q2/2023 (Q1/2023: DKK 1,637 million): The drop in costs between quarters is mainly due to higher costs for IT in Q1.

Impairment charges for loans and advances were a net reversal of DKK 81 million (Q1/2023: net reversal of DKK 34 million).

Legacy derivatives resulted in a positive value adjustment of DKK 43 million (Q1/2023: negative value adjustment of DKK 11 million).



Business profit in Q2

DKK 3,314m

(Q1/2023: DKK 3,586m)

Balance sheet

Nominal mortgage lending was DKK 1,431.5 billion (end-2022: DKK 1,429.9 billion), primarily driven by mortgage lending to large corporate clients in the business area Corporates & Institutions.

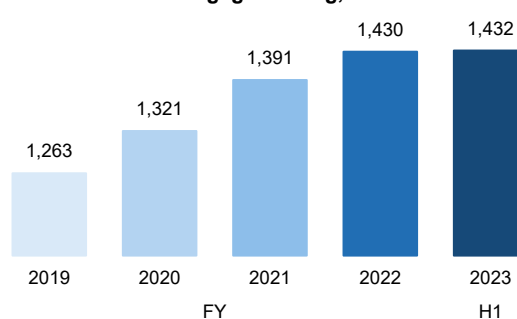
Totalkredit's nominal mortgage lending decreased in H1 to DKK 875.1 billion (end-2022: DKK 877.4 billion) mainly as a result of lower activity and a reduction in customers' mortgage debt in connection with remortgaging. Due to this lower activity, the number of homeowners with Totalkredit loans remains about 912,000, which is the same as at end-2022.

Nykredit Bank's lending went up by DKK 5.3 billion to DKK 92.0 billion (end-2022: DKK 86.7 billion). The increase in bank lending was driven by business customers served in the business area Corporates & Institutions. Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 101.7 billion (end-2022: DKK 94.9 billion). Secured homeowner loans transferred to Totalkredit amounted to DKK 9.7 billion (end-2022: DKK 8.2 billion).

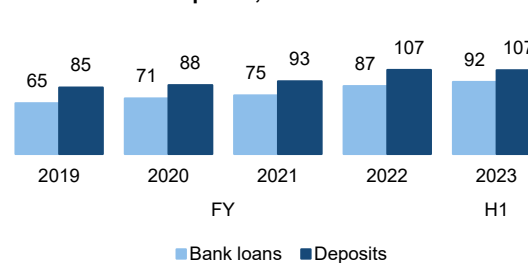
Equity

The Nykredit Group's equity stood at DKK 97.4 billion (end-2022: DKK 96.8 billion). In March 2023 ordinary dividend of DKK 4.65 billion was distributed to the Company's shareholder, equal to about 50% of profit after tax for 2022, adjusted for minority interests and AT1 capital.

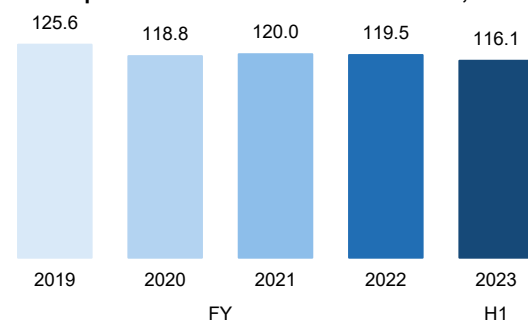
Nominal mortgage lending, DKK million



Bank lending excluding reverse repurchase lending and deposits excluding repo deposits, DKK million



Deposits relative to loans and advances, %



Outlook and guidance for 2023

On 29 June 2023 we raised our guidance for profit after tax for the year to DKK 9.75-10.75 billion from the former DKK 9.0-10.0 billion.

The upgrade was a result of higher-than-expected growth in the underlying business and investment portfolio income. H1 was also positively affected by high credit quality, which led to a net reversal of loan impairments.

Our full-year guidance for profit after tax is based on the following assumptions:

- Net interest income is expected to be at a higher level than in 2022 due to expectations of continued rising interest rates.
- We expect a decline in fee income due to reduced mortgage lending activity in 2023 compared with the exceptionally high activity in 2022.
- Investment portfolio income and income from derivatives are expected at a lower level following high income in 2022.
- Net interest from capitalisation is expected to increase because of higher interest rates.
- Costs are expected to increase due to general salary and price rises as well as expenses for our new headquarters.
- Impairments are expected to be low, albeit higher than the exceptionally low levels in 2021 and 2022.
- Our tax charge is expected to rise as a result of the new surtax imposed on the financial sector, implying an increase in taxation from 22% in 2022 to 25.2% in 2023.

Based on the above, we expect to meet the target of a return on equity exceeding 8% and a cost/income ratio of below 40% in 2023.

Special accounting circumstances

No significant accounting matters arose in H1/2023.

Other

At Nykredit Realkredit A/S's Annual General Meeting held on 23 March 2023, Hans-Ole Jochumsen resigned from the Board of Directors, and Torsten Hagen Jørgensen was elected new member of the Board of Directors.

Merete Eldrup, Preben Sunke, Michael Demsitz, Per W. Hallgren, Jørgen Høholt, Mie Krog and Vibeke Krag were re-elected to the Board of Directors.

In addition, the Board of Directors includes four staff-elected members: Olav Bredgaard Brusén, Allan Kristiansen, Inge Sand and Kristina Andersen Skiøld.

Immediately following the Annual General Meeting, the Board of Directors elected Merete Eldrup as Chair and Preben Sunke as Deputy Chair.

Uncertainty as to recognition and measurement

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

The areas in which assumptions and estimates significant to the Financial Statements have been made include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, including swaps, see note 1, accounting policies, to which reference is made.

Material risks

The Group's material risks are unchanged compared with the risks described in note 55 to the Annual Report for 2022, to which reference is made.

Events since the balance sheet date

At an extraordinary general meeting to be held on 31 August 2023, the Board of Directors will recommend that Nykredit distribute extraordinary dividend of DKK 1.85 billion.

No events have occurred in the period up to the presentation of the H1 Interim Report 2023 which materially affect the Group's financial position.

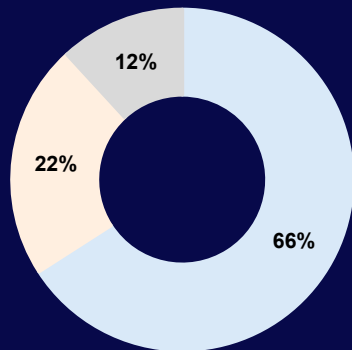


Business areas

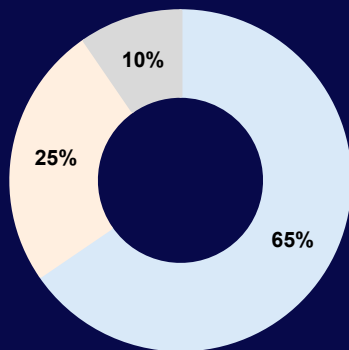
Nykredit's governance and organisational structure is based on these business areas:

- Banking
- Totalkredit Partners
- Wealth Management

Income



Business profit



Banking

Comprises Retail and Corporates & Institutions.

Retail offers mortgage lending and banking services to Nykredit's personal customers and SMEs, including agricultural customers and residential rental customers. Retail also includes estate agency and leasing activities.

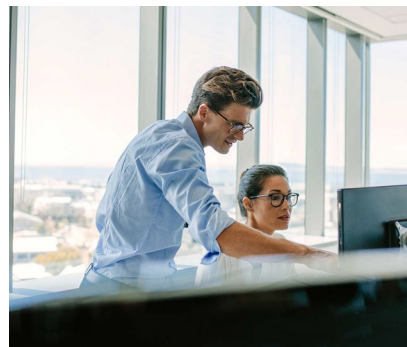
Corporates & Institutions comprises Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. The division is also responsible for Nykredit's activities within securities trading and financial instruments.



Totalkredit Partners

Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 42 Danish local and regional banks (excluding Nykredit Bank). Mortgage loans arranged by Nykredit are included in the business area Banking.

Totalkredit Partners supports and services Totalkredit's partner banks, optimising their capacity to help customers use our digital tools, products, training, etc.



Wealth Management

Comprises the Group's asset management propositions and activities as well as portfolio administration services to institutional clients, foundations, municipalities, businesses and high-net-worth clients.

Sparinvest collaborates with a long list of banks all over Denmark, offering customers the best wealth and investment products and advisory services.

Banking

The overarching ambition of the Banking area is to provide our personal and business customers with financial security.

To realise our ambition, Banking must deliver on a five-track strategy:

- Customers first
- Sustainable solutions
- Digitisation and simplicity
- Quality and integrity
- People who can, will and do make a difference.



H1/2023 in summary

In addition to being the first large Danish bank to offer positive current account rates, Nykredit has made it more attractive to save up for a new home or a green initiative. We offer an attractive interest rate on our home and green savings accounts.

Housing market activity was more moderate in H1/2023 than in 2022. Customers were more cautious given the changed market terms with higher interest rates and continued high inflation.

Customers with variable-rate loans experienced considerable interest rate increases during H1. Customers are generally financially robust, and credit-granting decisions allow for the increasing interest expenses. Still, many customers are affected by the situation and feel uncertain about the future. It is therefore essential that we remain close to our customers and help build financial security through enhanced customer support.

We offer a wide range of green products aimed at making it attractive for customers to consider green alternatives. For the second year running, Nykredit's green car loans were awarded Best in Test by the Danish Consumer Council. A green savings account introduced in early 2023 was well received by customers who use the attractive bonus terms to replace windows, install solar panels or buy heat pumps. Additional grants for replacement of oil and natural gas-fired boilers were offered in H1.

Nykredit wants to be a solid financial partner to business customers wishing to go green. In H1 a campaign was launched to help small and medium-sized enterprises make carbon footprint calculations and sustainability reports through a dedicated kickstart programme. In Q2, we also launched a new green transport leasing proposition for businesses wishing to introduce electric and hydrogen-powered commercial vehicles.

Business volumes with major corporate clients grew in H1. The increase in mortgage lending was mainly driven by property investors, large corporations and the public housing segment. Growth in bank lending was mainly driven by our largest clients.

Digital value propositions are a top priority, in tandem with Nykredit's focus on having a nationwide physical presence. We want to make it easier to bank with Nykredit, and therefore, we prioritise development and optimisation of digital tools. One of our most recent initiatives is the option for customers to see ESG key figures in their investment overview.

In H1/2023 Nykredit launched a new property financing tool in partnership with BEC, speeding up and improving property financing processes.

The positive feedback received on our mutual ownership structure, image and green commitment is seen in the still high satisfaction among personal and business customers in H1. Nykredit again welcomed many new homeowner and business customers.

Sustainability lies at the core of Nykredit's business. We have already reduced our own carbon footprint considerably and will strive to further reduce it. However, our largest potential impact lies in being a financial partner to our customers in their transition to a low-carbon future.

Sustainability is a matter of great concern to personal as well as business customers, and in support of this, Nykredit offers a suite of products which include green car and construction loans, green machinery leasing and green mortgage loans.

This year we will further strengthen advisory services and expand our range of green products. Advisers have been upskilled to help customers go green. Such expertise is currently most needed and in greatest demand in the agricultural, real estate and business sectors.

Moreover, we focus on providing finance and advisory services for customers in energy and infrastructure.

Performance highlights – H1/2023

Banking delivered a business profit of DKK 4,264 million (H1/2022: DKK 3,110 million).

Total income rose to DKK 6,300 million (H1/2022: DKK 5,060 million) and mainly comprised net interest income and net interest from capitalisation. The increase in net interest from capitalisation was mainly driven by higher interest rates.

Net interest income stood at DKK 4,202 million (H1/2022: DKK 3,444 million); an increase on H1/2022 mainly driven by the higher interest rate level, as well as an increase in nominal bank and mortgage lending.

Net fee income amounted to DKK 902 million (H1/2022: DKK 958 million).

Net interest from capitalisation was a gain of DKK 498 million (H1/2022: charge of DKK 178 million), driven by increased interest rate levels compared with 2022.

Costs amounted to DKK 2,239 million (H1/2022: DKK 2,173 million), driven by, for instance, general price increases due to inflation.

Impairment charges for loans and advances were a net reversal of DKK 203 million (H1/2022: net reversal of DKK 223 million) related to the continued good credit quality of our Banking customers.

Legacy derivatives saw a value adjustment of DKK 32 million (H1/2022: value adjustment of DKK 670 million).

	DKK million					
Results –	H1/	H1/	Q2/	Q1/	Q2/	
Banking	2023	2022	2023	2023	2022	2022
Net interest income	4,202	3,444	2,215	1,986	1,738	7,354
Net fee income	902	958	406	496	508	2,103
Wealth management income	368	364	188	180	177	694
Net interest from capitalisation	498	(178)	248	249	(93)	(439)
Trading, investment portfolio and other income	331	472	104	227	211	752
Income	6,300	5,060	3,162	3,138	2,541	10,464
Costs	2,239	2,173	1,118	1,121	1,076	4,361
Business profit before impairment charges	4,061	2,887	2,044	2,016	1,464	6,103
Impairment charges for mortgage lending	(213)	(493)	(154)	(59)	(317)	(477)
Impairment charges for bank lending	10	270	80	(70)	192	416
Business profit	4,264	3,110	2,118	2,146	1,590	6,164
Legacy derivatives	32	670	43	(11)	341	931
Profit before tax	4,296	3,780	2,161	2,135	1,931	7,095

Results for Q2/2023

Banking delivered a business profit of DKK 2,118 million in Q2/2023 (Q1/2023: DKK 2,146 million).

Income was DKK 3,162 million (Q1/2023: DKK 3,138 million). Net interest income was up on Q1, whereas fees and trading, investment portfolio and other income were lower than in Q1.

Impairment charges for loans and advances were a net reversal of DKK 74 million (Q1/2023: a net reversal of DKK 129 million).

Income from legacy derivatives was DKK 43 million (Q1/2023: loss of DKK 11 million).



Business profit in Q2

DKK 2,118m

(Q1/2023: DKK 2,146m)

Activities

Loan volumes totalled DKK 773.8 billion (end-2022: DKK 763.5 billion), of which nominal mortgage lending was DKK 678.8 billion (end-2022: DKK 675.4 billion). The increase in mortgage lending particularly stems from the largest Corporates & Institutions clients. Mortgage lending to this segment grew by 1.9% as a result of increased business volumes from property investors and large corporations and growth in the public housing segment.

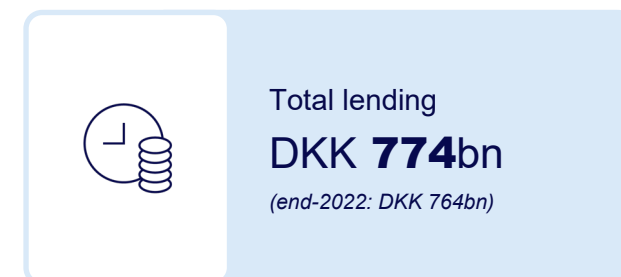
Bank lending in Retail Personal Banking came to DKK 9.4 billion (end-2022: DKK 9.2 billion). Bank deposits in Retail Personal Banking amounted to DKK 46.2 billion (end-2022: DKK 44 billion). Bank lending in Retail Business Banking came to DKK 30.3 billion (end-2022: DKK 28.8 billion), related primarily to small and medium-sized enterprises. Bank lending by Corporates & Institutions rose to DKK 43.2 billion (end-2022: DKK 39.4 billion), mainly driven by a number of large clients.

Arrears

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.20% against 0.23% at the same time in 2022. At end-2022, 75-day arrears for the September due date were 0.20%.

75-day mortgage loan arrears have declined compared with the same time in 2022 – this is positive and a testament to our customers' financial robustness.

	DKK million				
Selected balance sheet items	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Banking					
Retail Personal Banking					
Lending	178,269	178,852	179,287	183,256	184,325
- of which mortgage lending, nominal value	156,804	158,129	159,253	164,000	165,893
- of which secured homeowner loans	12,060	11,535	10,878	9,840	8,915
- of which bank lending	9,405	9,187	9,156	9,416	9,468
Deposits	46,245	44,180	44,077	43,761	41,670
Retail Business Banking					
Lending	251,295	250,848	249,431	249,212	249,410
- of which mortgage lending, nominal value	220,961	220,084	220,677	219,859	220,162
- of which bank lending	30,334	30,764	28,754	29,353	29,248
Deposits	28,054	27,978	27,540	27,596	26,379
Corporates & Institutions					
Lending	344,235	343,008	334,831	317,270	314,256
- of which mortgage lending, nominal value	301,017	300,333	295,474	277,521	275,554
- of which bank lending	43,218	42,674	39,357	39,749	38,702
Deposits	11,138	12,433	13,372	12,276	11,257



Totalkredit Partners

Totalkredit's strategic ambition is to secure its future position as market leader in property financing by continuing to

- strengthen the alliance between Totalkredit and its partner banks
- ensure joint development across the alliance.

A basic premise of our partnership is to prioritise joint solutions.

The ambition of the Totalkredit alliance is to offer customers particularly competitive mortgage prices. We believe that our customers are best served by local advisers who know them, their financial situation and the local area well, and we consider it our special responsibility to have a nationwide presence. Furthermore, we are committed to supporting sustainable development, for instance by supporting the replacement of customers' oil- and gas-fired boilers with heat pumps.



H1/2023 in summary

The high mortgage refinancing activity seen in H2/2022 lost momentum in H1/2023, which was characterised by low activity with declining remortgaging activity as a result of low refinancing activity. Mortgage lending measured at nominal value has decreased since the turn of the year due to falling housing prices.

More than 775,000 homeowners have loans via Totalkredit's partners (excluding loans arranged by Nykredit).

Totalkredit Partners is committed to offering customers the best loan propositions in the market as well as strengthening the alliance with its partner banks.

The Totalkredit alliance is continually working to develop the IT platform of the future to optimise the advisory tools and home financing options available to all members of the partnership and their customers. Most of the Totalkredit loans are produced in the new home finance universes made available via partner banks' IT providers, which offer better advisory tools and more efficient case management for the benefit of customers. They also get improved digital solutions via the "Mit Hjem", a digital platform where they can find information about their home and Totalkredit loans and also monitor local housing market developments, including home listings.

Totalkredit business mortgages are offered to the segments of office and retail, residential rental as well as industry and trades. A large number of our partner banks actively use our business mortgage propositions.

Since 2017 the Nykredit Group has awarded discounts sponsored by Forenet Kredit to mortgage customers (KundeKroner). This discount is subject to annual resolution by Nykredit.

To enhance customers' financial visibility, Nykredit has decided to maintain this discount at the current level of 0.15% of the loan principal, equal to DKK 1,500 pa per DKK 1 million borrowed, for the period up to and including 2024.

Including this discount, we generally offer the most attractive mortgage loans in the market. This is a unique strength of our mutual ownership structure, which is expected to benefit our customers in the coming years.

The alliance with the 43 Totalkredit partner banks is the foundation for our commitment to contribute to development and growth and offer attractive and secure loans all over Denmark at all times.

The Danish Consumer Council has recommended Totalkredit as the Danish mortgage lender offering the overall lowest mortgage prices in the market. In May 2022 the Danish Consumer Council once again renewed its recommendation of Totalkredit mortgage loans to finance holiday homes. The stamp of approval is based on a test of 27 different loan scenarios with Totalkredit loans having the lowest rates in 25 scenarios. Totalkredit obtained the same recognition in 2021.

Totalkredit offers a home energy check-up to customers interested in a visit from an energy consultant and having their home energy-labelled. The home energy check-up is one of the joint initiatives offered in concert with our Totalkredit partner banks.

Performance highlights – H1/2023

Totalkredit Partners delivered a business profit of DKK 1,625 million (H1/2022: DKK 1,470 million).

Income rose to DKK 2,126 million (H1/2022: DKK 1,888 million), driven by net interest from capitalisation due to higher interest rate levels compared with 2022.

Net interest income came to DKK 1,547 million (H1/2022: DKK 1,594 million). Net fee income was DKK 381 million (H1/2022: DKK 448 million), a DKK 67 million decrease, mainly driven by lower mortgage activity in both the personal and the business segment compared with H1/2022.

Costs were DKK 439 million (H1/2022: DKK 383 million), mainly due to inflation-driven wage increases and general price rises as well as increased costs of compliance.

Impairment charges for loans and advances were DKK 62 million (H1/2022: DKK 34 million) and were primarily driven by the impairment model and declining housing prices.

Results for Q2/2023

Totalkredit Partners delivered a business profit of DKK 843 million (Q1/2023: DKK 781 million).

Income decreased slightly to DKK 1,058 million (Q1/2023: DKK 1,068 million) mainly due to net interest from capitalisation.

Impairment charges for loans and advances were a net reversal of DKK 9 million (Q1/2023: charge of DKK 72 million).

	DKK million					
Results –	H1/	H1/	Q2/	Q1/	Q2/	
Totalkredit Partners	2023	2022	2023	2023	2022	2022
Net interest income	1,547	1,594	771	775	809	3,227
Net fee income	381	448	192	189	261	996
Net interest from capitalisation	200	(155)	96	104	(82)	(365)
Trading, investment portfolio and other income	(2)	0	(2)	(1)	1	(1)
Income	2,126	1,888	1,058	1,068	988	3,857
Costs	439	383	224	215	192	786
Business profit before impairment charges	1,687	1,505	834	853	796	3,071
Impairment charges for mortgage lending	62	34	(9)	72	68	(7)
Business profit	1,625	1,470	843	781	728	3,078



Business profit in Q2

DKK 843m

(Q1/2023: DKK 781m)

Activities

Lending totalled DKK 728.1 billion compared with DKK 731.9 billion at end-2022, down DKK 3.8 billion. The decline was driven by private residential mortgage lending at nominal value.

Nominal mortgage lending to personal customers declined to DKK 715.6 billion (end-2022: DKK 719.9 billion) as a result of lower activity and a reduction in customers' mortgage debt in connection with remortgaging. The majority of our customers opted for repayment loans in H1/2023.

The business loan portfolio increased by DKK 0.4 billion to nominally DKK 12.5 billion (end-2022: DKK 12.1 billion).

Arrears

At the March due date, 75-day mortgage loan arrears of Totalkredit Partners as a percentage of total mortgage payments due were 0.13% against 0.12% at the same time in 2022. At end-2022, 75-day arrears for the September due date were also 0.12%.

Our customers' good financial circumstances mean that 75-day arrears remain low, albeit having risen slightly compared with the same time in 2022.



DKK million

Selected balance sheet items

Totalkredit Partners	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Personal Banking					
Lending	715,628	716,550	719,851	729,354	731,385
- of which mortgage lending, nominal value	707,885	708,940	712,632	723,116	725,393
- of which secured homeowner loans	7,743	7,610	7,219	6,238	5,992
Business Banking					
Lending	12,465	12,322	12,051	11,804	11,246
- of which mortgage lending, nominal value	12,465	12,322	12,051	11,804	11,246



Total lending
DKK 728bn
(end-2022: DKK 732bn)

Wealth Management

Wealth Management pursues the ambition of being Denmark's responsible wealth manager. Against this background, we aim to build long-term value for our clients and business partners and be useful to society. We are pursuing seven strategic tracks:

- Corporate responsibility
- Customers first
- Digital customer experiences
- Strategic partnerships
- Alternatives
- Data
- Scale.



H1/2023 in summary

Following a year of high uncertainty, markets stabilised in the first half of 2023 and generated positive returns.

Wealth Management continuously strives to maintain close relationships with customers and partners, and this has been the driving force behind Wealth Management's strong customer growth, high client satisfaction and positive net sales.

There is continued strong demand for sustainable solutions and products within all asset classes. Equity investors remained particularly attracted to index-linked as well as actively managed equity products.

Wealth Management strives to improve the customer experience by, for example,

- enhancing digital investment solutions for personal customers using mobile and online banking services
- cooperating and developing joint products and solutions under the Sparinvest partnership
- focusing on sustainability in advisory services, products and concepts that provide our customers with even more and better opportunities to invest sustainably
- leveraging Nykredit's unique mutual ownership benefits as well as contributions that lower the cost of investing in funds carrying the Nordic Swan Ecolabel
- implementing EU Sustainable Finance
- expanding knowledge of alternative investments.

In the first half year, Wealth Management reached some important milestones aimed at ensuring the Group's solid position in wealth and investment. The purpose is to build simpler, more scalable and focused Wealth Management operations supporting continued growth by

- adding more customer-facing resources to Private Banking Elite and Asset Management

- creating a simple and scalable business model for Nykredit Portefølje Administration to support growth and reduce operational risks
- introducing a new long-term owner and partnership model for the Sparinvest partners, which can form the basis for further joint development of competitive solutions that provide value to customers
- launching a new 3-year platform programme to ensure a robust and scalable platform to manage future growth in the wealth management and investment areas.

Wealth Management holds a strong market position and received international recognition in H1 in the form of Morningstar, WealthBriefing and Euromoney awards, as well as Lipper Fund Awards.

Awards received in H1

Morningstar Fund Awards

- Best Equity Fund House
- Best manager of equities and bonds
- Best global equity fund with the sustainable fund Sparinvest INDEX DJSI World KL

WealthBriefing Awards (Private Banking)

- Best Domestic Clients Team
- Best Private Bank – Talent Management

Financial publisher Euromoney

- Best Domestic Private Bank in Denmark

Lipper Fund Awards

- Nykredit Invest Korte Obligationer (3Y)
- Nykredit Invest Korte Obligationer Akk. (5Y)

Performance highlights – H1/2023

Wealth Management delivered a business profit of DKK 623 million (H1/2022: DKK 494 million).

Income amounted to DKK 1,130 million and increased compared with last year (H1/2022: DKK 940 million), mainly relating to net interest income from higher deposits and lending and rising interest rates, as well as wealth management income driven by growth in assets under management and assets under administration.

Costs were DKK 491 million (H1/2022: DKK 470 million), mainly due to inflation-driven wage increases and general price rises as well as increased costs of IT, etc.

Impairment charges for loans and advances were DKK 16 million (H1/2022: net reversal of DKK 24 million).

Results for Q2/2023

Wealth Management delivered a business profit of DKK 358 million in Q2/2023 (Q1/2023: DKK 265 million).

Income amounted to DKK 581 million (Q1/2023: DKK 549 million); an increase mainly related to wealth management income from growth in assets under management and assets under administration.

Costs amounted to DKK 231 million (Q1/2023: DKK 260 million). The decrease was chiefly due to a time lag on large payments.

Impairment charges for loans and advances were a net reversal of DKK 8 million (Q1/2023: charge of DKK 24 million).

	DKK million					
Results –	H1/	H1/	Q2/	Q1/	Q2/	
Wealth Management	2023	2022	2023	2023	2022	2022
Net interest income	253	116	132	121	61	307
Net fee income	20	21	13	7	11	49
Wealth management income	815	789	416	399	392	1,551
Net interest from capitalisation	21	(7)	10	10	(3)	(16)
Trading, investment portfolio and other income	21	21	10	11	8	38
Income	1,130	940	581	549	469	1,929
Costs	491	470	231	260	238	926
Business profit before impairment charges	639	470	350	288	231	1,002
Impairment charges for mortgage lending	1	1	0	1	0	7
Impairment charges for bank lending	15	(24)	(8)	23	(1)	(15)
Business profit	623	494	358	265	232	1,010



Business profit in Q2

DKK 358m

(Q1/2023: DKK 265m)

Activities

Assets under management increased by DKK 25.3 billion compared with end-2022 to a total of DKK 431 billion (end-2022: DKK 406 billion). This was in part due to positive net sales of DKK 9.6 billion from net growth from clients via the Sparinvest partnership, Retail and Private Banking Elite clients as well as from institutional and international clients. To this should be added a positive return of DKK 15.7 billion.

Assets under administration rose by DKK 64.5 billion on end-2022, totalling DKK 1,049 billion (end-2022: DKK 985 billion). This development is composed of net sales of DKK 7.4 billion and a positive return of DKK 57.2 billion.

	DKK million				
Selected balance sheet items	30.06.2023	31.03.2023	31.12.2022	30.09.2022	30.06.2022
Wealth Management					
Assets under management	431,321	429,418	406,014	392,949	404,615
Assets under administration	1,049,437	1,024,420	984,897	971,150	1,002,421
Lending/deposits					
Lending	21,332	21,093	20,594	17,471	16,828
- of which mortgage lending, nominal value	14,923	14,624	14,373	11,675	11,097
- of which secured homeowner loans	1,536	1,467	1,267	1,152	1,053
- of which bank lending	4,873	5,003	4,955	4,645	4,678
Deposits	17,442	17,784	19,070	18,149	16,329



Assets under management
DKK 431bn
(end-2022: DKK 406bn)

Group Items

Group Items includes Nykredit's total return on the securities portfolio, including equities held for business purposes.

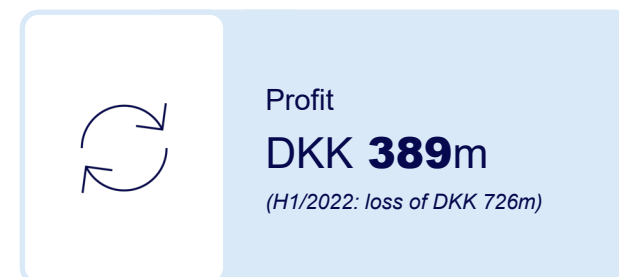
A few income statement and balance sheet items are not allocated to the business areas but are included in Group Items.

	DKK million					
Results – Group Items	H1/2023	H1/2022	Q2/2023	Q1/2023	Q2/2022	2022
Net interest income	3	(3)	3	0	(1)	(18)
Net fee income	3	(12)	15	(12)	0	(30)
Wealth management income	13	18	9	4	10	35
Net interest from capitalisation	173	47	76	96	24	81
Net income relating to customer benefits programmes	(215)	(192)	(99)	(117)	(110)	(443)
Trading, investment portfolio and other income	463	(534)	1	462	(668)	947
Income	440	(675)	5	435	(744)	573
Costs	40	64	0	40	37	246
Profit before impairment charges	399	(740)	5	394	(782)	327
Impairment charges for mortgage lending	10	(5)	9	1	(5)	1
Impairment charges for bank lending	0	(9)	1	(1)	(1)	(5)
Profit (loss)	389	(726)	(5)	394	(776)	330

Performance highlights – H1/2023

The business profit of Group Items increased by DKK 1,115 million relative to H1/2022 to DKK 389 million (H1/2022: loss of DKK 726 million).

This was mainly due to trading, investment portfolio and other income which was affected by positive value adjustments of equities held for business purposes and short-dated mortgage bonds, particularly in Q1. Conversely, H1/2022 was impacted by negative value adjustments of short-term floating-rate mortgage bonds due to widened interest rate spreads.



Capital, funding and liquidity



CET1 capital ratio
19.7%
(end-2022: 19.5%)



Total capital ratio
23.5%
(end-2022: 23.3%)



Internal capital adequacy requirement
11.4%
(end-2022: 11.6%)

Equity

The Nykredit Realkredit Group's equity stood at DKK 97.4 billion, up DKK 0.6 billion since the turn of the year. In March 2023 dividend of DKK 4.65 billion was distributed to the Company's shareholder. The dividend corresponds to about 50% of profit after tax for 2022, adjusted for minority interests and Additional Tier 1 capital, which is in line with the Group's dividend policy.

The Board of Directors will recommend at an Extraordinary General Meeting held on 31 August 2023 that Nykredit distribute extraordinary dividend of DKK 1.85 billion, equal to 20% of profit for 2022. Such distribution takes into account the Group's dividend and capital policies. Deduction of the extraordinary dividend from equity carried for accounting purposes is pending approval at the General Meeting, whereas it was deducted from own funds for capital adequacy purposes at end-H1. Distribution is based on an assessment that, taking into account the current economic climate, outlook etc, Nykredit has excess capital. Nykredit will continue to hold a very strong capital position after the recommended distribution of dividend.

Dividend policy

Nykredit's long-term ambition is to provide our owners with a competitive return in the form of dividend in the region of 50% of profit for the year, taking into account the current capital policy. The purpose is to ensure that Forenet Kredit maintains its capital position and can continue to make contributions to the Group's customer benefits programmes.

Equity carried for accounting purposes includes Additional Tier 1 (AT1) capital of EUR 500 million (DKK 3.8 billion). For capital adequacy purposes, AT1 capital is included in Tier 1 capital rather than in Common Equity Tier 1 (CET1) capital.

	DKK million	
Nykredit Realkredit Group	30.06.2023	31.12.2022
Equity (including AT1 capital)		
Equity, beginning of period	96,829	93,591
Profit for the period	5,393	9,454
Other adjustments	(4,803)	(6,215)
Equity, end of period	97,418	96,829

	DKK million	
Nykredit Realkredit Group	30.06.2023	31.12.2022
Capital and capital adequacy		
Equity (including AT1 capital)	97,418	96,829
AT1 capital etc	(3,756)	(3,751)
Profit for H1 ¹	(3,386)	-
Proposed dividend	(1,850)	(4,650)
CET1 regulatory adjustments	(2,957)	(2,631)
CET1 capital	85,470	85,797
AT1 capital	3,654	3,654
AT1 regulatory deductions	(4)	(4)
Tier 1 capital	89,120	89,446
Tier 2 capital	10,570	10,723
Tier 2 regulatory adjustments	2,102	2,104
Own funds	101,792	102,273
Credit risk	367,543	366,083
Market risk	33,782	42,443
Operational risk	30,944	29,738
Total risk exposure amount	432,270	438,263
CET1 capital ratio, %	19.7	19.5
Tier 1 capital ratio, %	20.6	20.4
Total capital ratio, %	23.5	23.3
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.4	11.6

¹ Approximately 36% of profit for H1/2023 has been included as authorised by the Danish FSA.

Capital and capital adequacy

The Nykredit Realkredit Group's own funds include CET1 capital, AT1 capital and Tier 2 capital after regulatory deductions.

Nykredit's risk exposure amount (REA) totalled DKK 432.3 billion (end-2022: DKK 438.3 billion). With own funds at DKK 101.8 billion, this corresponds to a total capital ratio of 23.5% (end-2022: 23.3%). The CET1 capital ratio was 19.7% (end-2022: 19.5%).

REA for credit risk increased by DKK 1.5 billion in H1/2023, mainly driven by growth in business lending. REA for market risk decreased by DKK 8.7 billion in H1 due to reduced interest rate risk and yield spread risk. REA for operational risk rose by DKK 1.2 billion.

The Nykredit Realkredit Group's REA has generally risen in recent years due to lending growth as well as implementation of new regulation and IRB model development. Low arrears and many years of price rises in the property market have limited the increase in REA. Another limiting factor is the higher interest rates in 2022-2023, which have reduced the value-adjusted debt outstanding of mortgage lending. Nykredit expects that economic trends will increase REA for credit risk going forward. This has been factored into Nykredit's capital planning for the coming years.

At end-June 2023, CET1 capital amounted to DKK 85.5 billion (end-2022: DKK 85.8 billion). The decline in CET1 capital in H1 was mainly attributable to the Board of Directors' recommendation to distribute extraordinary dividend. AT1 capital amounted to DKK 3.7 billion after regulatory deductions. Tier 2 capital was DKK 10.6 billion excluding regulatory adjustments (end-2022: DKK 10.7 billion). When determining own funds, minority interests have been excluded from AT1 capital and Tier 2 capital issued by the subsidiary Nykredit Realkredit A/S.

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks. Required own funds were 11.4% of the Group's REA at end-June 2023, equal to the internal capital adequacy requirement.

In addition to the internal capital adequacy requirement, the Nykredit Realkredit Group must comply with a combined capital buffer requirement of 7.0%. As a systemically important financial institution (SIFI), Nykredit is subject to a special SIFI buffer requirement of 2.0% as well as a capital conservation buffer requirement of 2.5% applying to all financial institutions. Both buffer requirements are included in Nykredit's capital targets and must be met using CET1 capital. Moreover, the countercyclical capital buffer has been increased from 2.0% to 2.5% with effect from 31 March 2023. The countercyclical capital buffer must also be met with CET1 capital.

The Nykredit Realkredit Group currently has excess capital of 4.4 percentage points relative to the total capital requirement, ie the internal capital adequacy requirement plus the combined capital buffer requirement.

Capital targets 2023

Nykredit's capital policy is laid down annually by the Board of Directors and is to support the Group's strategy and objectives.

In accordance with its business model, Nykredit aims to have stable earnings, a strong capital structure and competitive credit ratings.

Capital targets

- CET1 capital target of 15.0-16.0% of REA.
- For total own funds, the target is 19.5-20.5% of REA.

Based on a structured capital management framework, the Group aims to be able to maintain its business activities throughout Denmark regardless of fluctuations in economic trends. This implies having access to capital to meet new regulatory requirements and in addition be able to withstand a severe economic downturn and consequent losses.

At the same time, Nykredit wants to ensure sufficient own funds to generate dividend for its owners, in turn allowing Forenet Kredit to realise its key priorities.

Nykredit's capital policy must also adhere to current legislation and FSA requirements.

Against this backdrop, Nykredit's capital targets are set to reflect the Group's capital requirement during a severe recession. The targets are based on stress test results. Furthermore, Nykredit holds CET1 capital to meet the upcoming Basel requirements and may also obtain new CET1 capital from its owners through Forenet Kredit's capital resources and investment commitments from a number of Danish pension companies.

Due to the access to funding from our owners, Forenet Kredit and a consortium of pension companies, Nykredit ranks on a par with listed systemically important financial institutions (SIFI) in terms of capitalisation.

Leverage ratio

The leverage ratio, which indicates the relationship between Tier 1 capital and the balance sheet (including off-balance sheet items), was 5.1% at end-June 2023 (end-2022: 5.0%).

Nykredit's balance sheet mainly consists of match-funded mortgage loans, and paired with a stable development in mortgage lending, this implies limited risk. This risk is mainly credit risk.



Funding and liquidity

Nykredit manages its liquidity and funding at Group level and generally issues bonds, senior debt and capital instruments through Nykredit Realkredit A/S.

Bank lending is mainly funded by deposits. As at 30 June 2023, Nykredit Bank's deposits equalled 112.4% of lending against 119.5% in 2022.

Nykredit's balance sheet mainly consists of match-funded mortgage loans. Mortgage lending is secured by mortgages on real estate and funded through the issuance of mortgage covered bonds (SDOs and ROs) and is therefore characterised by a high level of collateralisation.

Liquidity

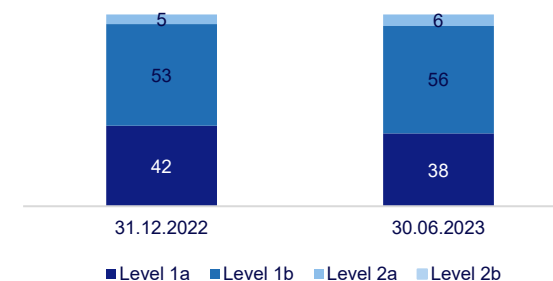
Nykredit holds substantial liquidity reserves and meets the regulatory requirements by a comfortable margin. This is illustrated in the table below, which shows that the Liquidity Coverage Ratios (LCRs) of the various Group companies are significantly above the regulatory requirement of 100%.

	(%)	
Nykredit Realkredit Group		
LCR determination	30.06.2023	31.12.2022
Nykredit Realkredit Group	373	283
Nykredit Realkredit Group, LCR requirement in EUR	529	317
Nykredit Realkredit and Totalkredit	699	529
Nykredit Realkredit and Totalkredit, including LCR Pillar II requirements	238	208
Nykredit Bank	215	205

The Net Stable Funding Ratio of the Nykredit Group was 152% at 30 June 2023 compared with 157% at end-2022.

The composition of Nykredit's liquid assets used to comply with the LCR is shown in the figure below. 94% of the liquid assets are classified as Level 1, indicating that they have the highest LCR liquidity value. 6% of the liquid assets have the second highest LCR liquidity value, Level 2.

Stock of liquid assets by LCR level



Liquid assets

The liquid assets are determined at market value. The Nykredit Realkredit Group's liquid assets came to DKK 171 billion at 30 June 2023 compared with DKK 170 billion at end-2022. The liquid assets are mainly placed in liquid Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are directly applicable for raising liquidity.

The Nykredit Realkredit Group's liquid assets determined under the LCR came to DKK 103 billion at 30 June 2023 compared with DKK 102 billion at end-2022. The main difference between liquid assets and liquid assets determined under the LCR is self-issued bonds.

Change of maturity class

Nykredit's fixed-rate callable covered bonds maturing in 2053 will close for new issuance on 31 August 2023 as scheduled. The closing takes place as part of the usual 3-year maturity class cycle of fixed-rate bonds. As from 1 September 2023, new 30Y lending will be based on issuance in the new fixed-rate callable covered bonds maturing in 2056.

Corresponding changes of maturity class will take place for the other fixed-rate bonds with shorter maturities.

No new covered bonds of the RO type will be opened in Capital Centre I in connection with the change of maturity class in 2023. Going forward, fixed-rate RO bonds for business lending will be issued through Capital Centre G.

Green bonds

In April 2023 Nykredit updated its Green Bond Framework, which describes the principles for Nykredit's green bonds, to promote alignment with the criteria of the EU taxonomy.

New loans to be funded by green bonds must meet the criteria of Nykredit's Green Bond Framework 2023. Existing green mortgages, which only comply with the former version of Nykredit's Green Bond Framework, may be refinanced into ISINs opened before 1 April 2023. All green bonds launched after 1 April 2023 may only be used to fund loans in compliance with Nykredit's Green Bond Framework 2023.

Nykredit's Green Bond Framework was established in accordance with ICMA's Green Bond Principles. Sustainability has made an independent assessment of the Framework and its alignment with the EU taxonomy. The criteria of Nykredit's Green Bond Framework relate to 62 EU taxonomy activities, of which Sustainability considers 60 activities to be aligned and two activities to be partly aligned with the EU taxonomy.

Refinancing and issuance schedule

Nykredit's SDOs and ROs are issued through daily tap issuance coupled with bond auctions to refinance ARMs and floating-rate loans etc.

At end-June 2023, the Group had a nominal amount of DKK 1,401 billion of SDOs in issue and DKK 125 billion of ROs in issue.

	DKK billion
Nykredit Realkredit Group	1 July 2023
Refinancing ¹	- 30 June 2024
Total maturity before set-off of self-issued bonds	270.3
- ordinary principal payments and scheduled ² prepayments (settled)	30.4
- ordinary principal payments and scheduled ² prepayments (not settled)	22.2
- pre-issued bonds and interest rate risk ²	0.3
Total refinancing volume	217.4
- pre-auctioned amount sold under forward contracts	30.3
Refinancing volume remaining for 1 July 2023 – 30 June 2024	247.7
- of which SDOs and ROs	240.6
- of which other issues	7.1

¹ Applicable to the July and October 2023 payment dates as well as the January and April 2024 payment dates.

² Known as at 30 June 2023.

The annual maturity one year ahead totalled DKK 270 billion, of which ordinary principal payments, prepayments etc totalled DKK 53 billion. Thus, refinancing volumes amounted to DKK 217 billion.

The final refinancing volumes are typically lower than the volumes maturing as a result of extraordinary principal payments and loan refinancing. Actual refinancing volumes at around DKK 180-190 billion are expected in the coming year.

	DKK million	
Nykredit Realkredit Group	30.06.2023	31.12.2022
Bonds in issue		
Covered bonds (ROs), see note 17 a	125,376	119,758
Covered bonds (SDOs), see note 17 b	1,400,600	1,383,244
Senior secured debt, see note 17 c	700	704
Senior preferred debt of Nykredit Realkredit A/S	9,309	9,296
Senior non-preferred debt	40,974	42,345
Tier 2 capital, see note 20	9,998	10,136
AT1 capital, see note 2 (Nykredit Realkredit A/S)	3,654	3,654
ECP issues of Nykredit Bank A/S	7,287	9,545

Nykredit must have a debt buffer of at least 2% of mortgage lending. Also, the debt buffer, own funds and MREL eligible liabilities combined must amount to at least 8% of the consolidated balance sheet. Nykredit meets both requirements.

Due to an expected higher REA, the total regulatory requirement may exceed 8% of the consolidated balance sheet as a result of rising capital requirements.

Nykredit must also comply with S&P's ALAC rating criteria to maintain a long-term Issuer Credit Rating of A+.

In H1 Nykredit issued about DKK 5.7 billion-worth of senior non-preferred debt for meeting the 2% debt buffer requirement, the 8% requirement and the ALAC criteria.

Nykredit expects to issue about DKK 5-10 billion in addition to the issuance of mortgage covered bonds (SDOs and ROs) in the remaining part of 2023.

Supervisory Diamond

Nykredit is subject to the Danish FSA's Supervisory Diamond, both at the level of the Group and the individual companies.

The Supervisory Diamond model for banks and mortgage lenders, respectively, uses key benchmarks to measure if a bank or a mortgage lender is operating at an elevated risk.

Nykredit complied with all benchmark limits of the Supervisory Diamond model for banks and mortgage lenders as at 30 June 2023.

Benchmark	Nykredit Realkredit Group 30 June 2023	Nykredit Realkredit A/S 30 June 2023	Totalkredit 30 June 2023	Limit value
Lending growth in segment				
Personal customers	(1.3)%	(13.4)%	(0.8)%	15.0%
Commercial residential properties ¹	(2.3)%	(2.6)%	8.8%	15.0%
Agricultural properties	(1.9)%	(1.9)%	0.0%	15.0%
Other commercial	8.9%	8.7%	14.1%	15.0%
Borrower's interest rate risk				
Private residential and residential rental	13.4%	18.4%	12.3%	25.0%
Interest-only loans				
Personal customers	5.3%	2.9%	5.4%	10.0%
Loans with short-term funding				
Refinancing (annually)	12.8%	20.8%	8.2%	25.0%
Refinancing (quarterly)	3.5%	2.7%	3.9%	12.5%
Large exposures				
Loans and advances/equity	50.2%	49.0%	6.7%	100.0%

¹ As Totalkredit's business lending is lower than Totalkredit's own funds, the segment is not subject to the 15% limit.

Nykredit Bank A/S	30.06.2023	31.12.2022
Supervisory Diamond for banks		
Large exposures (limit value <175%)	115.1%	115.7%
Lending growth (limit value <20%)	4.5%	13.7%
Property exposure (limit value <25%)	13.1%	12.1%
Liquidity benchmark (limit value >100%)	274.1%	272.0%



Credit ratings

Nykredit Realkredit and Nykredit Bank collaborate with international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the Group's companies and their funding.

List of ratings

For a complete list of Nykredit's credit ratings with S&P and Fitch Ratings, please visit nykredit.com/rating

S&P Global Ratings

S&P has assigned Nykredit Realkredit and Nykredit Bank long-term and short-term Issuer Credit Ratings as well as long-term and short-term senior preferred debt ratings of A+/A-1 with a stable outlook as well as long-term and short-term Resolution Counterparty Ratings of AA-/A-1+. Senior non-preferred debt has a BBB+ rating with S&P.

Covered bonds (SDOs and ROs) issued by Nykredit Realkredit and Totalkredit through rated capital centres are all rated AAA by S&P, which is the highest possible rating. The rating outlook is stable.

The very modest outstanding amount of covered bonds in Nykredit Realkredit in General and Nykredit Realkredit's Capital Centre C was the reason for Nykredit's decision to end the credit ratings of these bonds as at 1 January 2024.

Covered bonds initially issued by LR Realkredit are not and will not be rated.

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term Issuer Credit Ratings of A/F1 with Fitch and long-term and short-term senior preferred debt ratings of A+/F1. Senior non-preferred debt is rated A by Fitch.

ESG ratings

ESG ratings are a tool used by investors and other stakeholders to assess a company's position relative to sustainability, corporate responsibility and governance. Nykredit is currently focusing on the ESG rating agencies MSCI and Sustainalytics, which consider all ESG factors, as well as on the CDP (formerly Carbon Disclosure Project), which assesses the environmental impact of businesses.

ESG rating agency	Nykredit's rating
MSCI	AAA
Sustainalytics	Low risk
CDP	A-

Issuer	S&P Global Ratings			Fitch Ratings		
	Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Nykredit Realkredit A/S						
Resolution Counterparty Rating	AA-	A-1+				
Issuer Credit Rating	A+	A-1	Stable	A	F1	Stable
Senior preferred debt	A+	A-1		A+	F1	
Senior non-preferred debt	BBB+			A		
Nykredit Bank A/S						
Resolution Counterparty Rating	AA-	A-1+				
Issuer Credit Rating	A+	A-1	Stable	A	F1	Stable
Senior preferred debt	A+	A-1		A+	F1	

Credit risk

Credit risk reflects the risk of loss resulting from Nykredit's customers and counterparties defaulting on their obligations.

Nykredit's credit exposures mainly consist of mortgage loans. As mortgage loans are secured by real estate, credit risk is low. Credit risk on mortgage loans is typically characterised by a stable development.

Nykredit's credit exposures are considered to be of high credit quality. Loan-to-Value (LTV) ratios have been declining in recent years, not least due to the high remortgaging activity, enabling customers to reduce their debt outstanding. After H1/2023 we expect a slight increase in LTV ratios, which currently average 52.4%, due to the falling house prices.



Net reversal
DKK **115m**
*(H1/2022: net reversal of
DKK 226m)*



Provisions related to
geopolitical tensions
DKK **2.1bn**
(end-2022: DKK 2.4bn)

Earnings impact in H1

Impairment charges for loans and advances were a net reversal of DKK 115 million (H1/2022: net reversal of DKK 226 million) owing to the continued strong Danish economy and the high credit quality of our customers. In H1 provisions taken to counter geopolitical tensions were raised by DKK 0.3 billion. Provisions related to ESG were increased in H1/2023 as a result of a reassessment of ESG transition risks. Government efforts towards the green transition of heavy transport, new carbon taxes and new energy efficiency directives have been intensified, and new bills have been tabled. Conditions will further challenge customers' business models, increasing expected credit losses.

Geopolitical tensions

The geopolitical conditions and the global economies are challenged by, for instance, the war in Ukraine and volatile financial markets. These conditions are expected to affect the credit quality of some customers as a result of lower economic growth, increasing interest rates, house price trends, inflation and disruptions of value and supply chains.

Provisions related to the geopolitical tensions are based on stress test calculations of three factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a drop in personal customers' discretionary incomes as a consequence of high inflation and rising interest rates. Provisions of DKK 765 billion have been taken to counter such risk. Secondly, business customers in the construction, retail, wholesale, commercial rental, production and manufacturing sectors are also expected to be affected due to inflation, scarcity of goods and rising interest rates. Thirdly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. We have taken provisions of DKK 1.1 billion for exposed sectors, and total provisions to manage the increased risk now amount to 2.1 billion.

Covid-19

General uncertainty about the impacts of the covid-19 pandemic has eased significantly. Repayment of loans granted under government relief packages was more successful than expected, and Nykredit did not suffer additional losses as a result of the repayment of such loans.

Thus, provisions for covid-19-induced losses have been fully reversed at end-H1/2023.

For further information about the impacts of geopolitical tensions and macroeconomic trends, please refer to our Fact Book Q2 2023, which is available at nykredit.com

Macroeconomic impacts on impairment levels

The general macroeconomic situation is monitored by Nykredit's scenario experts, who regularly assess the need for impact updates based on overall international economic trends and input concerning relief packages and government aid initiatives.

The loan portfolio measured at nominal value developed positively in H1, and individual impairment provisions remained low. Arrears ratios were declining for some portfolios and stable for others. Write-offs remained low. Nykredit has made only a few individual impairment provisions relating to geopolitical tensions and interest rates.

Nykredit's macroeconomic forecasts have been incorporated into the impairment models and in the model-based impairment provisions.

Credit models

Nykredit uses credit models to determine the capital requirement for credit risk and for impairment calculations. The determination of credit risk is based on three key parameters: Probability of Default (PD), expected Loss Given Default (LGD) and expected Exposure at Default (EAD). The three key parameters are estimated on the basis of Nykredit's customer default and loss history.

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD.

Expectations for macroeconomic models

Nykredit's impairment model calculations include forward-looking macroeconomic scenarios. The scenarios reflect uncertainties relating to the economy and include both improved and deteriorating outlooks. The scenarios were updated at end-H1/2023 to reflect the economic environment, including the current and expected geopolitical tensions caused by, for example, the war in Ukraine and resulting market conditions. The main scenario must reflect the economic environment. The main scenario carries a 55% weighting. The main scenario used for the impairment models implies expected GDP growth of 1.6% and house price decreases of 8.1% in 2023. At end-2022, the main scenario implied expected GDP growth of 0.2% and house price decreases of 5.6% in 2023.

The adverse scenario was included in the models with a weighting of 40%. This scenario implies expected GDP declines of 0.7% and house price decreases of 11.4% in 2023.

	DKK million					
	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Nykredit Realkredit Group						
Loans, advances, guarantees and impairment charges for loans and advances						
Mortgage lending, nominal value						
Nykredit Realkredit	556,354	552,492	3,912	4,232	(221)	(504)
Totalkredit	875,147	877,399	1,727	1,687	72	27
Total	1,431,501	1,429,891	5,639	5,919	(149)	(477)
Loans and advances etc						
Nykredit Bank	92,023	86,735	3,178	3,132	37	393
Total	92,023	86,735	3,178	3,132	37	393
Receivables from credit institutions	8,337	11,582	27	18	9	(5)
Reverse repurchase lending	32,996	37,970	0	0	-	-
Guarantees etc	8,823	8,393	330 ¹	340 ¹	(11) ¹	9 ¹
Loan impairment, %²						
Nykredit Realkredit			0.70	0.76	(0.04)	(0.09)
Totalkredit			0.20	0.19	0.01	0.00
Total			0.39	0.41	(0.01)	(0.03)
Nykredit Bank			3.34	3.48	0.04	0.44
Total			3.34	3.48	0.04	0.44

¹ Impairment charges for loan commitments etc were DKK 58 million (Q4/2022: DKK 67 million).

² Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

The improved scenario carries a 5% weighting and is based on the macroeconomic conditions observed at the date of this Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. Based on these weightings, impairment provisions totalled DKK 9,174 million as at 30 June 2023 (end-2022: DKK 9,409 million). If the main scenario carried a 100% weighting, total impairment provisions would decrease by DKK 126 million. Compared with the main scenario, total impairment provisions would rise by DKK 2,358 million if the adverse scenario carried a 100% weighting. The change reflects a transfer of exposures from stage 1 to stage 2 (strong) and stage 2 (weak), resulting in increased expected credit losses. If the weighting of the improved scenario was 100%, total impairment provisions would decrease by DKK 1,199 million.

A significant part of the sensitivities to macroeconomic scenarios is related to the assessment of exposed sectors. Focus is currently on customers in manufacturing, construction, rental, trade as well as accommodation and food service. If the adverse scenario carried a 100% weighting, the impairment level of such customers would increase by DKK 2,050 million. If the weighting of the improved scenario was 100%, total impairment provisions of such customers would be reduced by DKK 749 million. These sensitivities form part of the sensitivities mentioned above.

See our Factbook Q2 2023 for a sector breakdown by the impact of geopolitical tensions on these sectors at nykredit.com

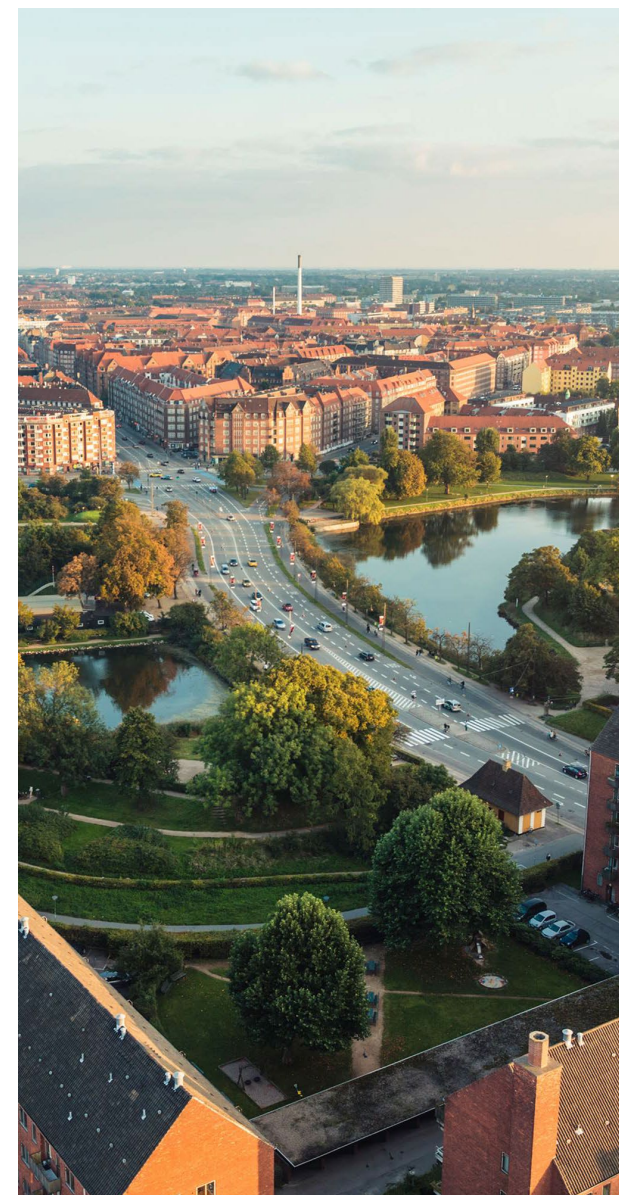
At 30 June 2023, the impairment model applied the following main scenario and adverse scenario:

Nykredit Realkredit Group							%
Scenarios for impairment calculations	Main scenario			Adverse scenario			
	2023 (70% weight- ing)	2024 (20% weight- ing)	2025 (10% weight- ing)	2023 (70% weight- ing)	2024 (20% weight- ing)	2025 (10% weight- ing)	
Short-term rate ¹	3.6	3.5	2.2	3.9	4.9	4.5	
Long-term rate ²	2.7	2.3	2.3	2.9	3.3	3.4	
House prices ³	(8.1)	1.0	2.8	(11.4)	(7.6)	(1.2)	
GDP ³	1.6	0.9	1.5	(0.7)	(0.3)	0.8	
Unemployment ⁴	2.4	2.5	2.5	2.5	3.3	3.7	

¹ Short-term rate reflects the 3M Copenhagen Interbank Offered Rate (Cibor).
² Long-term rate reflects 10-year Danish government bonds.
³ House prices and GDP reflect annual percentage changes.
⁴ Registered gross unemployment.

Nykredit's main scenario assumes that during 2023 and 2024 GDP and house prices will be significantly reduced relative to previous forecasts due to the effects of geopolitical tensions. At the same time, rising interest rates are expected. Since the last scenario update, our forecast of house price decreases has been slightly lowered but from a starting point of low arrears and overdrafts.

We expect that some sectors may encounter energy supply disruptions, rising cost prices and supply chain pressures, which has led Nykredit to adjust its main scenario.



Post-model adjustments

Management uses post-model adjustments (PMA) to determine corrections to the assumptions behind impairment models. At end-June 2023, post-model adjustments amounted to DKK 3,832 million.

The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture.

Physical and transition risks related to ESG will challenge Nykredit's business models in certain sectors and areas. At the same time, legislative measures may have a large impact on Nykredit's loan portfolio. On balance, the value of certain assets is expected to decrease. Provisions have been made which will be regularly quantified and updated in the impairment models.

The general assessment of economic trends in 2023 has been affected by several negative forecasts of interest rates, housing prices and growth. The estimates are adjusted and evaluated on a regular basis and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary.

The scope of such post-model adjustments is shown below:

	DKK million	
	30.06.2023	31.12.2022
Nykredit Realkredit Group		
Specific macroeconomic risks and process-related circumstances		
Agriculture	481	644
Covid-19	0	533
Geopolitical tensions	1,356	1,077
Concentration risks in loan portfolios	170	217
Total macroeconomic risks	2,007	2,471
Process-related	528	554
Model changes	20	116
ESG	555	200
Haircut, property values	257	291
Other (results of controlling, haircuts etc)	465	441
Total process-related circumstances	1,825	1,602
Total post-model adjustments	3,832	4,073

Note: At end-June 2023, another DKK 770 million was added to the impairment models as in-model adjustments, where exposed sectors are stressed due to geopolitical tensions, resulting in a change of stage (end-2022: DKK 810 million).

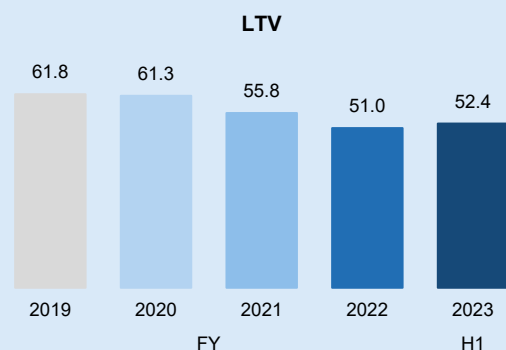


Mortgage lending

Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,431.5 billion (end-2022: DKK 1,429.9 billion).

The security underlying mortgage lending is substantial. Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements. The loss risk relating to personal loans is mitigated through an agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments to the partner banks having arranged the loan.

The average loan-to-value (LTV) ratio relative to the market value of the loans was 52.4% (end-2022: 51.0%). The increase compared with 2022 is mainly driven by declining flat prices.



Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.39% of total mortgage lending, excluding credit institutions (end-2022: 0.41%). Total impairment provisions amounted to DKK 5,639 million (end-2022: DKK 5,919 million). Provisions concerning geopolitical tensions, for example the war in Ukraine, are based on stress test calculations and have been included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
	30.06.2023	31.12.2022
Nykredit Realkredit Group		
Total impairment provisions for mortgage lending		
Individual impairment provisions (stage 3)	1,741	1,750
Model-based impairment provisions (stages 1, 2 and 3)	3,898	4,169
- of the above attributable to geopolitical tensions	1,445	1,616 ¹
Total impairment provisions for mortgage lending	5,639	5,919

¹ In 2022: Geopolitical tensions and covid-19.

Stress test calculations are made as a supplement to ordinary impairment calculations to the extent that recent economic developments (such as unemployment etc) have not yet been captured by Nykredit's models.

Earnings impact

Impairment charges for mortgage lending were a net reversal of DKK 149 million (2022: net reversal of DKK 477 million). Of the impairment charges for loans and advances, DKK 41 million was

attributable to owner-occupied dwellings and a reversal of DKK 190 million was attributable to the business segment.

Arrears

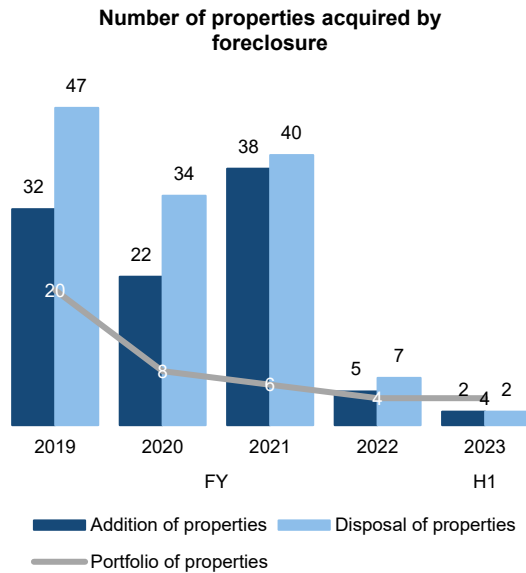
Mortgage loan arrears are determined 75 days past the due date. Mortgage loan arrears were 0.16% of total mortgage payments due 75 days past the March due date (March 2022 due date: 0.16%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding was DKK 1.79 billion, an increase compared with DKK 1.55 billion at the March 2022 due date.

	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
Nykredit Realkredit Group			
Arrears ratio – 75 days past due			
Due date			
2023			
- March	0.16	0.12	1.79
2022			
- December	0.16	0.12	1.69
- September	0.16	0.11	1.55
- June	0.15	0.11	1.53
- March	0.16	0.11	1.55
2021			
- December	0.16	0.11	1.61
- September	0.18	0.13	1.74
- June	0.20	0.14	1.93

Properties acquired by foreclosure

In H1/2023, the Group acquired 2 properties and sold 2. The portfolio subsequently counted 4 properties (end-2022: 4 properties).



Mortgage lending

Owner-occupied dwellings accounted for 62.0% of the total debt outstanding on mortgage loans in H1/2023, which is in line with end-2022. The LTV of owner-occupied dwellings averaged 56.7% in H1/2023 (end-2022: 54.2%).

Private rental made up 12.4% and office and retail accounted for 10.5% of the total debt outstanding (end-2022: 9.9% and 10.4%, respectively). With regard to total impairment provisions, owner-occupied dwellings accounted for 48.1% in H1/2023 (end-2022: 46.2%) and agriculture accounted for 23.1% (end-2022: 23.3%).

Nykredit Realkredit Group

Mortgage lending, debt outstanding relative to estimated property values

	LTV (loan-to-value)						DKK million	LTV avg, %	
	0-40	40-60	60-80	80-90	90-100	>100		Total	H1/2023
Owner-occupied dwellings	586,390	164,359	52,188	2,358	281	321	805,896	56.7	54.2
Private rental	121,917	31,457	6,782	304	113	131	160,703	53.1	52.8
Industry and trades	19,598	3,116	252	29	14	3	23,012	45.3	45.1
Office and retail	112,025	23,080	1,346	190	138	126	136,904	47.6	48.0
Agriculture	58,706	17,546	3,557	154	60	72	80,095	55.6	56.2
Public housing	-	-	-	-	-	-	77,642	0.0	0.0
Other	13,653	2,003	268	34	24	42	16,024	44.4	45.3
Total H1/2023	912,290	241,559	64,392	3,068	630	694	1,300,275	52.4	
Total 2022	926,900	233,724	51,633	1,635	598	798	1,292,119		51.0

Nykredit Realkredit Group

Mortgage lending by property type¹

DKK million

	30.06.2023		31.12.2022	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Owner-occupied dwellings	2,715	41	2,735	93
Private rental	524	(103)	665	(18)
Industry and trades	80	14	66	(41)
Office and retail	618	5	660	(164)
Agriculture	1,302	(90)	1,377	(148)
Public housing	29	(2)	31	(18)
Cooperative housing	246	(26)	272	(69)
Other	125	11	114	(112)
Total	5,639	(149)	5,919	(477)

¹ The breakdown by property type is not directly comparable with Nykredit's business areas.

Bank lending

The total credit exposure came to DKK 151.2 billion (end-2022: DKK 153.4 billion), of which DKK 17.4 billion for inter-company guarantees. Bank lending at amortised cost amounted to DKK 92.0 billion (end-2022: DKK 86.7 billion), up DKK 5.3 billion since the turn of the year.

Reverse repurchase lending totalled DKK 33.0 billion (end-2022: DKK 38.0 billion). Guarantees provided amounted to DKK 8.8 billion (end-2022: DKK 8.4 billion).

Bank lending

The total credit exposure breaks down as follows:

	DKK million	
Nykredit Realkredit Group		
Bank loans, advances and guarantees	30.06.2023	31.12.2022
Bank loans and advances	92,023	86,735
Reverse repurchase lending	32,996	37,970
Guarantees	8,823	8,393
Intercompany guarantees	17,376	20,311
Total	151,219	153,409

Total provisions for bank loan impairment

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 3,178 million (end-2022: DKK 3,132 million). The provisions related to geopolitical tensions are based on stress test calculations and included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
Nykredit Realkredit Group		
Total provisions for bank loan impairment	30.06.2023	31.12.2022
Individual impairment provisions (stage 3)	1,761	1,873
Model-based impairment provisions (stages 1, 2 and 3)	1,417	1,259
- of the above attributable to geopolitical tensions	681	804 ¹
Total provisions for bank loan impairment	3,178	3,132

¹ Geopolitical tensions and covid-19.



Bank lending, reverse repurchase lending and guarantees by sector

The finance and insurance sector still accounts for the largest credit exposure with loans and advances of DKK 39.5 billion (end-2022: DKK 44.8 billion).

The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 26.1% (end-2022: 29.2%) and personal customers 16.3% (end-2022: 16.3%).

At end-H1, impairment provisions for loans and advances excluding credit institutions totalled DKK 3,508 million (end-2022: DKK 3,472 million) or 2.6% of total lending (end-2022: 2.6%).



		30.06.2023			31.12.2022		
Nykredit Realkredit Group					DKK million		
Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector ¹	Lending, end of period	Total impairment provisions	Earnings impact	Lending, end of period	Total impairment provisions	Earnings impact	
Public sector	204	0	0	961	27	18	
Agriculture, hunting, forestry and fishing	4,100	266	62	4,113	189	(7)	
Manufacturing, mining and quarrying	15,295	621	57	14,769	563	378	
Energy supply	5,618	36	(63)	5,291	98	57	
Construction	3,238	287	(69)	2,357	353	142	
Trade	13,499	802	184	13,255	618	(42)	
Transport, accommodation and food service activities	7,549	227	51	6,823	169	33	
Information and communication	5,448	79	(9)	4,896	86	(3)	
Finance and insurance	39,509	77	(10)	44,795	84	(2)	
Real estate	19,139	313	(124)	18,029	435	(85)	
Other	12,965	255	(15)	13,085	270	(73)	
Business customers, total	126,360	2,964	64	127,413	2,865	397	
Personal customers	24,655	543	(38)	25,034	580	(13)	
Total	151,218	3,508	26	153,409	3,472	402	
- of which provisions for losses under guarantees etc		330	(11)		340	9	
Impairment provisions for credit institutions		1	(1)		3	(7)	
- of which intercompany guarantees and total	17,376	3,509	24	20,311	3,475	396	

¹ As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

Alternative performance measures

In the opinion of Management, the Management Commentary should be based on the internal management and business division reporting, which also forms part of Nykredit's financial governance. This will provide readers of the financial reports with information that is relevant to their assessment of Nykredit's financial performance.

The income statement format of the financial highlights on pages 7 and 8 and the business areas (pages 13-22 and note 3) reflect the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, which means that profit for the year is the same in the financial highlights and in the IFRS-based Financial Statements. The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 41) includes all interest.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, income from bank lending, service fees, provision of guarantees and leasing business etc.

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers conducted through the Group's entities Nykredit Markets, Nykredit Asset Management, Nykredit Portefølje Administration A/S and Sparinvest, but where income is ascribed to the business areas serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest.

"Trading, investment portfolio and other income" comprising income from swaps and derivatives transactions currently offered,

Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

"Net income relating to customer benefits programmes" comprising discounts etc, such as KundeKroner, ErhvervsKroner as well as green and other benefits granted to the Group's customers. The amount includes contributions received. The effect of the benefits programmes is included under "Group Items". "Costs" includes the following income statement items "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

Supplementary financial ratios etc

In relation to the internal presentation of income, a number of supplementary financial ratios are included in the Management Commentary.

Profit (loss) for the year as % of average equity (RoE). Profit for the period corresponds to net profit or loss less minority interests and interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Average equity is calculated on the basis of the value at the beginning of the period and at the end of all quarters of the period. Equity is determined exclusive of minority interest and Additional Tier 1 capital. The figures have been annualised.

Cost/income ratio, % is calculated as the ratio of "Costs" to "Income".

Impairment charges for the year, %. Impairment charges are calculated based on impairment charges for loans and advances relative to loans and advances.

Deposits relative to loans and advances is calculated based on total deposits, excluding repo deposits, relative to lending excluding reverse repurchase lending measured at amortised cost and not adjusted for impairment charges.

Copenhagen, 16 August 2023

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 June 2023 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

Moreover, the Interim Report has been prepared in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30.juni 2023 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 June 2023.

Further, in our opinion, the Management Commentary gives a fair review of the development in the operations and financial circumstances of the Group and the Parent as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent.

The Interim Report has not been subject to audit or review.

Executive Board

Michael Rasmussen
Chief Executive Officer

Anders Jensen
Group Managing Director

David Hellemann
Group Managing Director

Tonny Thierry Andersen
Group Managing Director

Board of Directors

Merete Eldrup
Chair

Preben Sunke
Deputy Chair

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Torsten Hagen Jørgensen

Vibeke Krag

Allan Kristiansen*

Mie Krog

Inge Sand*

Kristina Andersen Skjold*

* *Staff-elected member*

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit Group					
	Note	H1/2023	H1/2022	Q2/2023	Q2/2022
INCOME STATEMENT					
Interest income		21,361	12,511	11,009	6,441
Interest income based on the effective interest method		3,227	821	1,799	377
Interest expenses		17,026	7,532	8,952	3,886
Net interest income	6	7,562	5,800	3,856	2,932
Dividend on equities etc	6	223	182	51	90
Fee and commission income	5	2,107	2,391	1,066	1,203
Fee and commission expenses		2,025	2,508	1,001	1,349
Net interest and fee income		7,867	5,865	3,972	2,877
Value adjustments	6, 7	1,410	1,214	499	306
Other operating income		748	802	377	411
Staff and administrative expenses		2,914	2,819	1,430	1,417
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		164	146	82	73
Other operating expenses		132	126	61	54
Impairment charges for loans, advances and receivables etc	8	(115)	(226)	(81)	(65)
Profit from investments in associates and Group enterprises	10	2	2	1	1
Profit before tax		6,932	5,018	3,357	2,114
Tax		1,539	959	764	461
Profit for the period		5,393	4,059	2,592	1,652
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		5,288	3,956	2,541	1,602
Minority interests		28	27	13	12
Holders of Additional Tier 1 capital notes		76	76	38	38
Profit for the period		5,393	4,059	2,592	1,652
COMPREHENSIVE INCOME					
Profit for the period		5,393	4,059	2,592	1,652
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		22	(22)	1	(6)
Tax on actuarial gains/losses on defined benefit plans		(6)	5	(0)	1
Fair value adjustment of owner-occupied properties		(2)	-	(2)	-
Total items that cannot be reclassified to profit or loss		15	(17)	(1)	(5)
Other comprehensive income		15	(17)	(1)	(5)
Comprehensive income for the period		5,408	4,042	2,592	1,648
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		5,303	3,939	2,541	1,598
Minority interests		28	27	13	12
Holders of Additional Tier 1 capital notes		76	76	38	38
Comprehensive income for the period		5,408	4,042	2,592	1,648

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit A/S	Note	H1/2023	H1/2022	Q2/2023	Q2/2022
INCOME STATEMENT					
Interest income		18,333	9,040	9,546	4,371
Interest expenses		16,309	7,054	8,571	3,361
Net interest income		2,024	1,986	975	1,010
Dividend on equities etc		220	178	50	89
Fee and commission income		545	502	297	275
Fee and commission expenses		219	259	105	142
Net interest and fee income		2,570	2,407	1,217	1,231
Value adjustments	7	662	(147)	269	(371)
Other operating income		908	890	446	447
Staff and administrative expenses		1,533	1,579	734	796
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		143	125	71	63
Other operating expenses		115	109	54	47
Impairment charges for loans, advances and receivables etc	9	(217)	(508)	(152)	(332)
Profit from investments in associates and Group enterprises	10	3,379	2,576	1,652	1,127
Profit before tax		5,945	4,420	2,877	1,862
Tax		580	388	298	221
Profit for the period		5,365	4,032	2,580	1,641
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		5,288	3,956	2,541	1,603
Holder of Additional Tier 1 capital notes		76	76	38	38
Profit for the period		5,365	4,032	2,580	1,641
COMPREHENSIVE INCOME					
Profit for the period		5,365	4,032	2,580	1,641
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		22	(22)	1	(6)
Tax on actuarial gains/losses on defined benefit plans		(6)	5	(0)	1
Fair value adjustment of owner-occupied properties		(2)	-	(2)	-
Total items that cannot be reclassified to profit or loss		15	(17)	(1)	(5)
Other comprehensive income		15	(17)	(1)	(5)
Comprehensive income for the period		5,380	4,015	2,579	1,636
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		5,303	3,939	2,693	1,598
Holder of Additional Tier 1 capital notes		76	76	(114)	38
Comprehensive income for the period		5,380	4,015	2,579	1,636

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2022	30.06.2023	Note	30.06.2023	31.12.2022
ASSETS				
5,304	4,596		48,504	49,659
33,024	35,825		8,337	11,582
1,329,734	1,350,063	11	1,300,583	1,292,489
208	200	12	125,331	125,028
32,465	31,301	13	91,323	90,638
3,717	3,732	14	1,607	1,592
7,320	7,359		7,835	7,886
29	27		52	39
71,452	74,689		-	-
-	-	15	2,586	893
353	410		2,303	2,262
Land and buildings				
7	-		17	25
240	209		214	246
247	209		230	271
203	210		231	224
28	45		47	47
(0)	-		166	175
9	7		7	9
8,150	9,870		16,575	16,958
261	375		531	374
1,492,504	1,518,917		1,606,247	1,600,129

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2022	30.06.2023		Note	30.06.2023	31.12.2022
LIABILITIES AND EQUITY					
10,107	11,934	Payables to credit institutions and central banks		16,529	27,851
-	-	Deposits and other payables	16	112,138	113,657
-	-	Deposits in pooled schemes		2,586	893
1,312,732	1,335,082	Bonds in issue at fair value	17	1,275,043	1,254,959
51,706	50,351	Bonds in issue at amortised cost	18	57,638	61,251
272	290	Other non-derivative financial liabilities at fair value	19	6,479	8,837
83	440	Current tax liabilities		1,536	526
10,307	13,017	Other liabilities		25,651	23,925
-	-	Deferred income		4	4
1,385,207	1,411,114	Total payables		1,497,604	1,491,903
Provisions					
17	11	Provisions for pensions and similar obligations		12	17
330	337	Provisions for deferred tax		581	578
21	21	Repayable reserves in pre-1972 series		21	21
-	-	Provisions for losses under guarantees		330	340
79	90	Other provisions		284	305
446	460	Total provisions		1,227	1,261
10,136	9,998	Subordinated debt	20	9,998	10,136
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
-	-	- revaluation reserves		3	3
Other reserves					
35,869	39,106	- statutory reserves		-	-
31,878	31,878	- series reserves		31,878	31,878
3,203	3,203	- non-distributable reserve fund		4,849	4,849
16,181	18,220	- retained earnings		55,677	50,401
4,650	-	- proposed dividend		-	4,650
92,964	93,590	Shareholder of Nykredit Realkredit A/S		93,590	92,964
-	-	Minority interests		72	114
3,751	3,756	Holders of Additional Tier 1 capital		3,756	3,751
96,715	97,346	Total equity		97,418	96,829
1,492,504	1,518,917	Total liabilities and equity		1,606,247	1,600,129
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities		8,823	8,393
11,323	7,422	Other commitments		21,225	23,986
11,323	7,422	Total		30,048	32,379

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve fund ²	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2023										
Equity, 1 January	1,182	3	31,878	4,849	50,401	4,650	92,964	114	3,751	96,829
Profit for the period	-	-	-	-	5,288	-	5,288	28	76	5,393
Total other comprehensive income	-	-	-	-	15	-	15	-	-	15
Total comprehensive income	-	-	-	-	5,303	-	5,303	28	76	5,408
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(77)	(77)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(5)	-	(5)	-	5	-
Changes in subsidiary equity	-	-	-	-	(21)	-	(21)	-	-	(21)
Distributed dividend	-	-	-	-	-	(4,650)	(4,650)	(65)	-	(4,715)
Other adjustments	-	-	-	-	-	-	-	(5)	-	(5)
Equity, 30 June	1,182	3	31,878	4,849	55,677	-	93,590	72	3,756	97,418
2022										
Equity, 1 January	1,182	3	32,555	4,849	46,780	4,380	89,750	112	3,729	93,591
Profit for the period	-	-	-	-	3,956	-	3,956	27	76	4,059
Total other comprehensive income	-	-	-	-	(17)	-	(17)	-	-	(17)
Total comprehensive income	-	-	-	-	3,939	-	3,939	27	76	4,042
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(77)	(77)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(1)	-	(1)	-	1	-
Changes in subsidiary equity	-	-	-	-	(25)	-	(25)	-	-	(25)
Change in own portfolio	-	-	-	-	-	-	-	-	18	18
Distributed dividend	-	-	-	-	-	(4,380)	(4,380)	(50)	-	(4,430)
Other adjustments	-	-	-	-	-	-	-	(8)	-	(8)
Equity, 30 June	1,182	3	32,555	4,849	50,693	-	89,282	81	3,748	93,111

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² A non-distributable reserve fund of DKK 1,646 million in Totalkredit A/S and DKK 3,203 million in Nykredit Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 15 October 2020, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4.125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) capital of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Non-distributable reserve fund	Statutory reserves ²	Series reserves	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2023									
Equity, 1 January	1,182	3,203	35,869	31,878	16,181	4,650	92,964	3,751	96,715
Profit for the period	-	-	3,379	-	1,909	-	5,288	76	5,365
Total other comprehensive income	-	-	-	-	15	-	15	-	15
Total comprehensive income	-	-	3,379	-	1,924	-	5,303	76	5,380
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(77)	(77)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(5)	-	(5)	5	-
Distributed dividend	-	-	-	-	-	(4,650)	(4,650)	-	(4,650)
Dividend from Group enterprises	-	-	(121)	-	121	-	-	-	-
Other movements concerning equity investments	-	-	(21)	-	-	-	(21)	-	(21)
Equity, 30 June	1,182	3,203	39,106	31,878	18,220	-	93,590	3,756	97,346
2022									
Equity, 1 January	1,182	3,203	30,727	32,555	17,702	4,380	89,750	3,751	93,501
Profit for the period	-	-	2,576	-	1,380	-	3,956	76	4,032
Total other comprehensive income	-	-	-	-	(17)	-	(17)	-	(17)
Total comprehensive income	-	-	2,576	-	1,363	-	3,939	76	4,015
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(77)	(77)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(1)	-	(1)	1	-
Distributed dividend	-	-	-	-	-	(4,380)	(4,380)	-	(4,380)
Dividend from Group enterprises	-	-	(229)	-	229	-	-	-	-
Other movements concerning equity investments	-	-	(25)	-	-	-	(25)	-	(25)
Other reserves transferred to retained earnings	-	-	0	-	-	-	0	-	0
Equity, 30 June	1,182	3,203	33,049	32,555	19,293	-	89,282	3,752	93,034

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² Includes a non-distributable reserve fund of DKK 1,646 million in Totalkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 15 October 2020, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4.125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) capital of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	H1/ 2023	H1/ 2022
Profit for the period	5,393	4,059
Adjustments		
Net interest income	(7,562)	(5,800)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	246	146
Profit from investments in associates	(2)	(2)
Impairment charges for loans, advances and receivables etc	(115)	(312)
Prepayments/deferred income, net	(157)	(405)
Tax calculated on profit for the period	1,539	959
Other adjustments	161	(143)
Total	(498)	(1,497)
Change in operating capital		
Loans, advances and other receivables	(8,363)	87,278
Deposits and payables to credit institutions	(12,841)	10,668
Bonds in issue	16,471	(94,624)
Other operating capital	(4,247)	2,993
Total	(9,478)	4,818
Interest income received	23,541	12,859
Interest expenses paid	(12,081)	(6,740)
Corporation tax paid, net	(521)	(1,085)
Cash flows from operating activities	1,461	9,852
Cash flows from investing activities		
Acquisition of associates	(3)	-
Sale of associates	-	3
Dividend received from associates	4	4
Purchase and sale of bonds and equities, net	(503)	(3,186)
Purchase of intangible assets*	(108)	(97)
Sale of intangible assets	-	3
Purchase of property, plant and equipment	(35)	(34)
Sale of property, plant and equipment	16	2
Total	(629)	(3,306)
Cash flows from financing activities		
Distributed dividend	(4,720)	(4,433)
Purchase and sale of self-issued subordinated debt instruments	-	(15)
Payment of lease liabilities	(68)	(84)
Total	(4,788)	(4,531)
Total cash flows for the period	(3,956)	2,014
Cash and cash equivalents, beginning of period	61,242	45,294
Foreign currency translation adjustment of cash	(444)	(34)
Total cash flows for the period	(3,956)	2,014
Cash and cash equivalents, end of period	56,842	47,274
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	48,504	40,204
Receivables from credit institutions and central banks	8,337	7,070
Total	56,842	47,274

*Purchase of intangible assets includes the excess value of equities purchased from minority shareholders.

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 Nykredit Realkredit Group

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NOTES

Nykredit Realkredit Group

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for H1/2023 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

The accounting policies of Nykredit Realkredit A/S and the Nykredit Realkredit Group are unchanged compared with the Annual Report for 2022 (note 1).

As at 1 January 2023, the following new or amended reporting standards and/or interpretations, which have not impacted the financial reporting, have been implemented:

- IAS 1 and IFRS Practice Statements: Making Materiality Judgements, IAS 8 Accounting Policies, amendments to accounting estimates and errors and IAS 12 Income Taxes.

Full accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2022 (notes 1 and 3).

All figures in the Interim Report are rounded to the nearest million Danish kroner (DKK), unless otherwise specified. The totals stated are calculated on the basis of actual figures prior to rounding. Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

Significant accounting estimates and assessments

The preparation of the Financial Statements involves the use of qualified accounting estimates and assessments. These estimates and assessments are made by Nykredit's Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

Significant assessments of particular emphasis are assessments of the time of recognition and derecognition of financial instruments as well as assessments of the business models which form the basis for classification of financial assets, including whether the contractual cash flows of a financial asset represent solely payments of principal and interest.

Accounting estimates are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which to some extent involves significant uncertainty and unpredictability. Compared with 2022, there have been no fundamental changes to the estimates used.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, including swaps, see notes 2 and 3 to the Annual Report for 2022 to which reference is made.

A particularly important aspect in the assessment of credit risk on lending is that the uncertainty about impacts of the covid-19 pandemic has fallen significantly. Customers' repayment of loans granted under government relief packages went better than expected, incurring no additional losses to Nykredit. As a consequence, the provision taken to cover covid-19 was reversed at end-H1/2023.

The geopolitical tensions are expected to affect the credit quality of some customers because of lower economic growth, rising prices and value and supply chain disruptions. Against this backdrop, provisions totalling DKK 2.1 billion based on stress tests have been taken to counter the worsened risk outlook. Finally, a provision has been taken to cover transition risks related to the ESG implementation.

Please refer to "Credit risk" in the Management Commentary.

NOTES

DKK million				
Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2022	30.06.2023		30.06.2023	31.12.2022
2. CAPITAL AND CAPITAL ADEQUACY				
96,715	97,346	Equity for accounting purposes	97,418	96,829
-	-	Minority interests not included	(72)	(114)
(3,751)	(3,756)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,756)	(3,751)
-	(3,386)	Profit etc for H1/2023 not included	(3,386)	0
92,964	90,204	Equity excluding Additional Tier 1 capital and minority interests	90,204	92,964
(4,650)	(1,850)	Proposed dividend	(1,850)	(4,650)
(38)	(37)	Prudent valuation adjustment	(76)	(71)
-	-	Minority interests	37	62
(180)	(235)	Intangible assets excluding deferred tax liabilities	(2,097)	(2,057)
(242)	(273)	Other regulatory adjustments	(273)	(242)
(81)	(268)	Deduction for non-performing exposures	(475)	(209)
(5,190)	(2,663)	Common Equity Tier 1 regulatory deductions	(4,735)	(7,167)
87,773	87,542	Common Equity Tier 1 capital	85,470	85,797
3,643	3,649	Additional Tier 1 capital	3,654	3,654
-	-	Additional Tier 1 regulatory deductions	(4)	(4)
3,643	3,649	Total Additional Tier 1 capital after regulatory deductions	3,650	3,649
91,416	91,190	Tier 1 capital	89,120	89,446
10,710	10,564	Tier 2 capital	10,570	10,723
1,952	1,913	Tier 2 capital regulatory adjustments	2,102	2,104
104,078	103,667	Own funds	101,792	102,273
522,258	537,030	Credit risk	367,543	366,083
25,871	19,753	Market risk	33,782	42,443
14,161	14,032	Operational risk	30,944	29,738
562,290	570,815	Total risk exposure amount	432,270	438,263
Financial ratios				
15.6	15.3	Common Equity Tier 1 capital ratio, %	19.7	19.5
16.2	15.9	Tier 1 capital ratio, %	20.6	20.4
18.5	18.1	Total capital ratio, %	23.5	23.3

Capital and capital adequacy have been determined in accordance with the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) of the European Parliament and of the Council as incorporated into Danish legislation.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to the Nykredit Realkredit Group. To this should be added the permanent buffer requirement of 2.5% in Denmark which must also be met using Common Equity Tier 1 capital. The countercyclical capital buffer is currently 2.5% and consequently fully phased in.

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary.

Results H1/2023	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results by business area									
Net interest income	1,373	1,560	2,933	1,269	4,202	1,547	253	3	6,005
Net fee income	333	223	556	346	902	381	20	3	1,306
Wealth management income	228	62	290	78	368	-	815	13	1,197
Net interest from capitalisation	71	200	272	226	498	200	21	173	891
Net income relating to customer benefits programmes ¹	-	0	0	-	0	-	-	(215)	(215)
Trading, investment portfolio and other income	18	46	64	267	331	(2)	21	463	813
Income	2,023	2,091	4,114	2,185	6,300	2,126	1,130	440	9,995
Costs	1,185	659	1,844	395	2,239	439	491	40	3,210
Business profit before impairment charges	838	1,432	2,270	1,790	4,061	1,687	639	399	6,786
Impairment charges for loans and advances	(59)	(214)	(273)	69	(204)	62	16	10	(115)
Business profit	897	1,646	2,543	1,721	4,264	1,625	623	389	6,900
Legacy derivatives	3	7	9	23	32	-	(0)	-	32
Profit before tax	900	1,652	2,552	1,744	4,296	1,625	623	389	6,932
BALANCE SHEET, 30 JUNE 2023									
Assets									
Mortgage loans etc at fair value	150,393	200,705	351,098	273,423	624,521	661,348	14,406	-	1,300,275
Reverse repurchase lending								32,996	32,996
Loans and advances at amortised cost	12,741	30,437	43,178	43,364	86,542	-	5,491	302	92,335
Assets by business area	163,134	231,142	394,276	316,787	711,063	661,348	19,897	33,298	1,425,606
Unallocated assets									180,641
Total assets									1,606,247
Liabilities and equity									
Repo deposits								5,068	5,068
Bank deposits and other payables at amortised cost	46,207	28,031	74,238	11,129	85,367	-	17,427	4,276	107,070
Liabilities by business area	46,207	28,031	74,238	11,129	85,367	-	17,427	9,344	112,138
Unallocated liabilities									1,396,691
Equity									97,418
Total liabilities and equity									1,606,247

¹ The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures".

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS (CONTINUED)

Results H1/2022	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total banking	Totalkredit Partners	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	997	1,363	2,360	1,084	3,444	1,594	116	(3)	5,152
Net fee income	380	310	691	267	958	448	21	(12)	1,415
Wealth management income	227	67	294	71	364	-	789	18	1,171
Net interest from capitalisation	(42)	(58)	(100)	(78)	(178)	(155)	(7)	47	(292)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(192)	(192)
Trading, investment portfolio and other income	15	178	193	279	472	0	21	(534)	(41)
Income	1,577	1,860	3,437	1,623	5,060	1,888	940	(675)	7,213
Costs	1,184	624	1,808	365	2,173	383	470	64	3,091
Business profit (loss) before impairment charges	393	1,236	1,629	1,258	2,887	1,505	470	(740)	4,122
Impairment charges for loans and advances	(11)	(154)	(166)	(57)	(223)	34	(24)	(14)	(226)
Business profit (loss)	404	1,390	1,794	1,316	3,110	1,470	494	(726)	4,348
Legacy derivatives	63	334	397	273	670	-	0	-	670
Profit (loss) before tax	467	1,725	2,191	1,588	3,780	1,470	494	(726)	5,018

BALANCE SHEET, 30 JUNE 2022

Assets

Mortgage loans etc at fair value	157,094	200,932	358,026	251,486	609,512	677,767	10,802	-	1,298,081
Reverse repurchase lending								36,831	36,831
Loans and advances at amortised cost	12,245	29,363	41,609	38,855	80,463	-	5,041	857	86,361
Assets by business area	169,339	230,296	399,635	290,341	689,976	677,767	15,843	37,688	1,421,273
Unallocated assets									167,161
Total assets									1,588,434

Liabilities and equity

Repo deposits								5,641	5,641
Bank deposits and other payables at amortised cost	41,655	26,370	68,024	11,253	79,278	-	16,324	1,553	97,154
Liabilities by business area	41,655	26,370	68,024	11,253	79,278	-	16,324	7,193	102,795
Unallocated liabilities									1,392,528
Equity									93,111
Total liabilities and equity									1,588,434

¹ The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures".

NOTES

DKK million

Nykkredit Realkredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/ 2023			H1/ 2022		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	6,005	1,558	7,562	5,152	648	5,800
Dividend on equities etc		223	223		182	182
Fee and commission income, net	1,306	(1,224)	81	1,415	(1,532)	(117)
Net interest and fee income		556	7,867		(702)	5,865
Wealth management income	1,197	(1,197)	-	1,171	(1,171)	-
Net interest from capitalisation	891	(891)	-	(292)	292	-
Net income relating to customer benefits programmes	(215)	215	-	(192)	192	-
Trading, investment portfolio and other income	813	(813)	-	(41)	41	-
Value adjustments		1,410	1,410		1,215	1,215
Other operating income		748	748		802	802
Income	9,995			7,213		
Costs	3,210	-	3,210	3,091	-	3,091
Business profit before impairment charges	6,786			4,122		
Impairment charges for loans and advances etc	(115)	-	(115)	(226)	-	(226)
Profit from investments in associates and Group enterprises		2	2		2	2
Business profit	6,900			4,348		
Legacy derivatives	32	(32)	-	670	(670)	-
Profit before tax	6,932	-	6,932	5,018	-	5,018

Note 4 combines the earnings presentation in the Management Commentary (internal presentation), including the presentation of the financial highlights and the business areas, and the formal income statement of the Financial Statements.

The most important difference is that all income is recognised in two main items in the internal presentation: "Income", including sub-items, and "Legacy derivatives". The sum of these two items corresponds to "Net interest and fee income", "Value adjustments", "Other operating income" and "Profit from investments in associates and Group enterprises" in the income statement of the Financial Statements. The column "Reclassification" comprises only differences between the internal presentation and the income statement with respect to these items.

"Costs" in the internal presentation corresponds to total costs recognised in the Financial Statements: "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

"Impairment charges for loans and advances etc" corresponds to the presentation in the income statement.

The internal presentation is based on the same recognition and measurement principles as the IFRS-based Financial Statements for which reason profit before tax is unchanged.

NOTES

DKK million

Nykredit Realkredit Group	H1/ 2023	H1/ 2022
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	313	371
Corporates & Institutions	158	185
Totalkredit Partners	285	543
Wealth Management	1,216	1,177
Group Items	88	90
Total	2,061	2,366
Total including income from financial guarantees	2,107	2,391

The allocation of fees to business areas shows the business areas where fees are included on initial recognition. These fees, together with other income, are subsequently reallocated to the business areas serving the customers on a net basis, see note 3.

Nykredit's revenue primarily consists of net income recognised in items governed by the accounting standards IFRS 9 "Financial Instruments" and IFRS 16 "Leases". Fees, including transaction costs, that are integral to the effective interest rate of an instrument as well as fees from financial guarantees are covered by IFRS 9.

Revenue recognised according to IFRS 15 partly includes fees from guarantees and other commitments (off-balance sheet items) as well as net revenue from Nykredit Markets, Asset Management and custody transactions, where revenue is recognised pursuant to the contractual provisions of the underlying agreements or price lists. Generally, business activities do not imply contract assets or liabilities for accounting purposes.

Revenue comprised by IFRS 15 mainly relates to:

- Custody fees are based on a percentage of the size of the individual custody account balance and/or fixed fees. Fees are recognised at fixed payment dates in accordance with contractual provisions or price lists.
- Revenue from Nykredit Markets activities comprises trading in financial instruments and is recognised simultaneously with the transaction. Revenue in connection with eg Capital Markets transactions is recognised at the time of delivery of the service and when Nykredit's obligation has been settled.
- Revenue from wealth management activities comprises Nykredit's business within asset and wealth management, including private banking and pension activities. Revenue is recognised as the services are performed and delivered to the customers. Revenue is determined as a percentage of assets under management and administration or in the form of transaction fees.

Revenue from specific custody and Asset Management activities is determined based on the price movements of the underlying contracts, and therefore earnings cannot be finally calculated until at a specified, agreed date, but not later than at the end of the financial year.

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

NOTES

DKK million

Nykredit Realkredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/ 2023	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	257	125	133	-	-	133
Lending and deposits	2,336	641	1,695	-	(3)	1,691
Repo transactions and reverse repurchase lending	635	324	311	-	-	311
Bonds	3	-	3	-	-	3
Subordinated debt	-	216	(216)	-	-	(216)
Other financial instruments	107	34	73	-	-	73
Total	3,338	1,340	1,998	-	(3)	1,995
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	20,687	15,651	5,035	-	2	5,037
- of which administration margin income	4,857	-	4,857	-	-	4,857
Bonds	1,095	-	1,095	-	1,161	2,255
Equities etc	-	-	-	223	212	435
Derivative financial instruments	(566)	-	(566)	-	(29)	(595)
Total	21,215	15,651	5,564	223	1,345	7,132
Foreign currency translation adjustment					68	68
Net interest income etc and value adjustments	24,553	16,991	7,562	223	1,410	9,195
Negative interest income	5	5	-			
Positive interest expenses	29	29	-			
Total	24,588	17,025	7,562			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	790					
H1/ 2022						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(61)	19	(80)	-	-	(80)
Lending and deposits	990	(202)	1,192	-	3	1,195
Repo transactions and reverse repurchase lending	(127)	(22)	(105)	-	-	(105)
Bonds	1	-	1	-	-	1
Subordinated debt	-	108	(108)	-	-	(108)
Other financial instruments	58	33	25	-	-	25
Total	860	(65)	925	-	3	928
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	11,225	6,468	4,757	-	96	4,853
- of which administration margin income	4,900	-	4,900	-	-	4,900
Bonds	101	-	101	-	(2,364)	(2,262)
Equities etc	-	-	-	182	(169)	14
Derivative financial instruments	17	-	17	-	3,516	3,533
Total	11,343	6,468	4,875	182	1,080	6,137
Foreign currency translation adjustment					131	131
Net interest income etc and value adjustments	12,203	6,403	5,800	182	1,215	7,197
Negative interest income	490	490	-			
Positive interest expenses	638	638	-			
Total	13,331	7,532	5,800			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	798					

¹ Recognised at fair value under the fair value option.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/ 2022	H1/ 2023	H1/ 2023	H1/ 2022
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
(30,624)	(1,479)	(4,922)	(129,727)
(99,002)	(3,430)	0	0
(4)	1	(3)	3
(2,318)	478	1,161	(2,364)
(186)	180	212	(169)
14	(4)	68	131
2,250	5	(29)	3,514
-	-	-	2
-	-	76	3
-	-	(76)	(3)
Liabilities measured at fair value through profit or loss			
30,720	1,481	4,924	129,823
99,002	3,430	-	0
(147)	662	1,410	1,215

NOTES

DKK million

Nykredit Realkredit Group

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

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

	Loans and advances at fair value	Loans and advances at fair value	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions	Credit institutions	Guarantees etc ¹	Guarantees etc ¹	Total	Total
Total impairment provisions	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Balance, 1 January	5,919	6,515	3,132	2,755	18	24	340	331	9,409	9,625
New impairment provisions as a result of additions and change in credit risk	1,353	1,474	1,037	1,099	10	0	138	187	2,538	2,760
Releases as a result of redemptions and change in credit risk	1,496	1,927	993	868	2	11	148	171	2,638	2,977
Impairment provisions written off	136	78	29	17	-	-	-	-	165	95
Other adjustments and interest from impaired facilities	(1)	-	31	22	-	-	-	-	31	22
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	-	-	-	-	-	-	-	1	-
Total impairment provisions	5,639	5,983	3,178	2,990	27	13	330	348	9,174	9,334
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	(142)	(454)	44	231	9	(11)	(11)	16	(100)	(217)
Write-offs for the period, not previously written down for impairment	55	38	4	8	-	-	-	-	59	46
Recoveries on claims previously written off	(38)	(40)	(19)	(15)	-	-	-	-	(56)	(55)
Total	(125)	(456)	30	224	9	(11)	(11)	16	(97)	(226)
Value adjustment of assets in temporary possession	3	(0)	-	-	-	-	-	-	3	(0)
Value adjustment of claims previously written off	11	40	7	2	-	-	-	-	18	42
Losses offset, in accordance with partnership agreement ²	(38)	(42)	-	-	-	-	-	-	(38)	(42)
Earnings impact	(149)	(458)	37	226	9	(11)	(11)	16	(115)	(226)

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

² According to the partnership agreement with the partner banks Totalkredit A/S has a right of set-off against commission in connection with write-offs on lending.

NOTES

DKK million

Nykredit Realkredit Group

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

8 b. Total impairment provisions by stage 2023	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2023	2,116	1,521	2,281	399	914	1,837	75	190	75	9,409
Transfer to stage 1	484	(429)	(55)	214	(202)	(11)	43	(42)	(0)	-
Transfer to stage 2	(48)	212	(164)	(56)	94	(37)	(6)	9	(3)	-
Transfer to stage 3	(4)	(73)	77	(1)	(98)	100	(0)	(4)	4	-
Impairment provisions for new loans and advances (additions)	77	160	85	93	140	49	14	22	8	646
Additions as a result of change in credit risk	185	490	356	171	357	238	13	68	13	1,892
Releases as a result of change in credit risk	850	314	331	299	254	441	59	75	15	2,638
Previously written down for impairment, now written off	-	-	137	-	-	29	-	-	-	166
Other adjustments and interest from impaired facilities	-	-	(1)	-	-	31	-	-	-	31
Total impairment provisions, end of period	1,959	1,567	2,112	519	951	1,736	80	168	82	9,174
Total, end of period		5,639			3,205			330		9,174
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				27	-	-				27
Earnings impact for H1/2023	(588)	336	110	(36)	243	(155)	(32)	15	6	(100)

2022	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	1,646	1,822	3,047	378	809	1,591	69	169	94	9,625
Transfer to stage 1	706	(653)	(53)	363	(310)	(53)	65	(62)	(3)	-
Transfer to stage 2	(49)	341	(292)	(74)	134	(61)	(10)	18	(8)	-
Transfer to stage 3	(3)	(72)	75	(2)	(40)	42	(0)	(5)	5	-
Impairment provisions for new loans and advances (additions)	211	145	66	75	145	97	16	32	25	813
Additions as a result of change in credit risk	281	513	257	95	398	288	25	73	15	1,948
Releases as a result of change in credit risk	919	409	600	418	201	259	79	62	30	2,977
Previously written down for impairment, now written off	-	-	78	0	0	17	-	-	-	95
Other adjustments and interest from impaired facilities	-	-	-	-	-	22	-	-	-	22
Total impairment provisions, end of period	1,874	1,687	2,422	417	936	1,650	86	164	98	9,334
Total, end of period		5,983			3,003			348		9,334
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				13	-	-				13
Earnings impact for H1/2022	(427)	249	(276)	(248)	342	127	(38)	44	11	(217)

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2022.

NOTES

DKK million

Nykredit Realkredit Group

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

8 c. Loans, advances and guarantees etc by stage

30 June 2023	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,252,571	40,269	13,381	1,306,221
Total impairment provisions, end of period	1,959	1,567	2,112	5,639
Value, end of period	1,250,612	38,702	11,269	1,300,583
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	105,653	19,981	2,875	128,509
Total impairment provisions, end of period	491	951	1,736	3,178
Value, end of period	105,161	19,030	1,139	125,331
Guarantees etc				
Guarantees etc	27,200	4,957	340	32,497
Total impairment provisions, end of period	80	168	82	330
Value, end of period	27,120	4,789	258	32,167
End-2022				
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,250,361	33,854	14,194	1,298,408
Total impairment provisions, end of period	2,116	1,521	2,281	5,919
Value, end of period	1,248,244	32,333	11,913	1,292,489
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	108,433	16,867	2,859	128,159
Total impairment provisions, end of period	380	914	1,837	3,132
Value, end of period	108,053	15,953	1,022	125,028
Guarantees etc				
Guarantees etc	25,937	2,744	375	29,057
Total impairment provisions, end of period	75	190	75	340
Value, end of period	25,862	2,554	300	28,717

NOTES

DKK million

Nykredit Realkredit A/S

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

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

	Loans and advances at fair value	Loans and advances at fair value	Credit institutions	Credit institutions	Total	Total
	2023	2022	2023	2022	2023	2022
Total impairment provisions						
Beginning of year	4,232	4,793	11	13	4,243	4,806
New impairment provisions as a result of additions and change in credit risk	679	832	4	-	683	832
Releases as a result of redemptions and change in credit risk	914	1,360	-	4	914	1,364
Impairment provisions written off	82	20	-	-	82	20
Other adjustments and interest from impaired facilities	(1)	-	-	-	(1)	-
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	-	-	-	1	-
Total impairment provisions	3,912	4,245	15	9	3,927	4,254
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	(236)	(528)	4	(4)	(232)	(532)
Write-offs for the period, not previously written down for impairment	28	16	-	-	28	16
Recoveries on claims previously written off	(22)	(24)	-	-	(22)	(24)
Total	(230)	(535)	4	(4)	(226)	(539)
Value adjustment of assets in temporary possession	3	0	-	-	3	0
Value adjustment of claims previously written off	6	32	-	-	6	32
Earnings impact	(221)	(504)	4	(4)	(217)	(508)

NOTES

DKK million

Nykredit Realkredit A/S

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

9 b. Total impairment provisions by stage 2023	Loans and advances at fair value			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2023	1,478	972	1,792	4,243
Transfer to stage 1	306	(260)	(47)	-
Transfer to stage 2	(39)	163	(124)	-
Transfer to stage 3	(4)	(45)	48	-
Impairment provisions for new loans and advances (additions)	66	130	68	264
Additions as a result of change in credit risk	42	218	159	419
Releases as a result of change in credit risk	477	199	238	914
Previously written down for impairment, now written off	-	-	83	83
Other adjustments and interest from impaired facilities	-	-	(1)	(1)
Total impairment provisions, end of period	1,372	980	1,575	3,927
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	15	-	-	15
Earnings impact for H1/ 2023	(369)	149	(11)	(232)
2022	Loans and advances at fair value			
	Stage 1	Stage 2	Stage 3	Total
Total, 1 January 2022	1,141	1,136	2,530	4,806
Transfer to stage 1	476	(432)	(44)	-
Transfer to stage 2	(41)	286	(245)	-
Transfer to stage 3	(2)	(38)	41	-
Impairment provisions for new loans and advances (additions)	187	104	49	340
Additions as a result of change in credit risk	171	207	114	492
Releases as a result of change in credit risk	636	250	477	1,364
Previously written down for impairment, now written off	-	-	20	20
Total impairment provisions, end of period	1,295	1,012	1,947	4,254
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	9	-	-	9
Earnings impact for H1/ 2022	(279)	61	(314)	(532)

NOTES

DKK million

Nykredit Realkredit A/S

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

9 c. Loans and advances etc by stage

30 June 2023	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	494,043	22,501	8,470	525,014
Total impairment provisions, end of period	1,357	980	1,575	3,912
Loans and advances, carrying amount	492,686	21,521	6,895	521,102
End-2022	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	497,215	15,606	9,568	522,389
Total impairment provisions, end of period	1,467	972	1,792	4,232
Loans and advances, carrying amount	495,748	14,634	7,776	518,157

NOTES

Nykredit Realkredit A/S		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/ 2022	H1/ 2023	H1/ 2023	H1/ 2022
9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)			
9 d. Impairment provisions for properties acquired by foreclosure			
18	18	18	21
	Impairment provisions, beginning of period		
-	1 Transfer from impairment provisions for loans and advances	1	-
0	3 Impairment provisions for the period	3	0
-	- Impairment provisions reversed	-	(1)
-	(1) Impairment provisions written off and other disposals	(1)	(3)
18	20 Impairment provisions, end of period	20	18
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession"			
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
1	(0) Profit from investments in associates	2	2
2,575	3,379 Profit from investments in Group enterprises	-	-
2,576	3,379 Total	2	2

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2022	30.06.2023		30.06.2023	31.12.2022
11. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
517,965	520,938	Mortgage loans	1,300,275	1,292,119
192	164	Arrears and outlays	307	371
811,577	828,961	Totalcredit mortgage loan funding	0	-
1,329,734	1,350,063	Total	1,300,583	1,292,489
11 a. Mortgage loans				
525,274	552,492	Balance, beginning of period, nominal value	1,429,891	1,391,076
93,887	27,348	New loans	108,375	405,828
493	787	Indexation	787	493
(2,323)	(1,947)	Foreign currency translation adjustment	(1,947)	(2,323)
(15,397)	(7,763)	Ordinary principal payments	(16,440)	(33,371)
(49,443)	(14,563)	Prepayments and extraordinary principal payments	(89,165)	(331,813)
552,492	556,354	Balance, end of period, nominal value	1,431,501	1,429,891
-	-	Loans transferred relating to properties in temporary possession	-	-
552,492	556,354	Total	1,431,501	1,429,891
(30,371)	(31,578)	Adjustment for interest rate risk etc	(125,699)	(131,971)
Adjustment for credit risk				
(4,156)	(3,838)	Impairment	(5,526)	(5,801)
517,965	520,938	Balance, end of period, fair value	1,300,275	1,292,119
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
71,913	73,619	Supplementary guarantees totalling	106,456	107,855
698	3,270	Interim loan guarantees totalling	23,130	21,891
1,366	726	Mortgage registration guarantees etc totalling	15,929	16,406
11 b. Arrears and outlays				
252	218	Arrears before impairment provisions	376	470
17	20	Outlays before impairment provisions	44	19
(76)	(74)	Individual impairment provisions for arrears and outlays	(113)	(118)
192	164	Total	307	371
11 c. Totalcredit mortgage loan funding				
914,436	913,291	Balance, beginning of period, nominal value	-	-
371,930	124,310	New loans	-	-
(16,153)	(7,252)	Ordinary principal payments	-	-
(356,923)	(107,168)	Prepayments and extraordinary principal payments	-	-
913,291	923,181	Balance, end of period, nominal value	-	-
(101,714)	(94,221)	Adjustment for interest rate risk	-	-
811,577	828,961	Balance, end of period, fair value	-	-

NOTES

Nykredit Realkredit A/S		DKK million	
31.12.2022	30.06.2023	Nykredit Realkredit Group	
		30.06.2023	31.12.2022
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	95,202	89,866
5	4	-	-
-	-	4	5
-	-	32,996	37,970
203	196	307	318
208	200	128,509	128,159
Adjustment for credit risk			
-	-	(3,178)	(3,132)
208	200	125,331	125,028
The fair value of loans, advances and other receivables at amortised cost came to DKK 126 billion (end-2022: DKK 125 billion)			
13. BONDS AT FAIR VALUE			
39,799	40,820	99,588	94,413
16,246	22,357	26,338	22,355
7,995	7,000	7,000	7,995
24,332	22,752	80,167	80,370
4,587	3,455	5,534	6,391
3,547	5,095	5,622	3,877
96,505	101,478	224,248	215,401
(39,794)	(40,816)	(99,583)	(94,408)
(5)	(4)	(4)	(5)
(16,246)	(22,357)	(26,338)	(22,355)
(7,995)	(7,000)	(7,000)	(7,995)
32,465	31,301	91,323	90,638
Of bonds at fair value before set-off of self-issued bonds:			
2,368	474	5,832	7,845
As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of			
The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few days.			
Collateral security was provided on an arm's length basis.			
14. BONDS AT AMORTISED COST			
912	920	920	912
555	559	559	555
2,251	2,253	128	126
3,717	3,732	1,607	1,592

The fair value of bonds measured at amortised cost for accounting purposes amounted to DKK 1,599 million at 30 June 2023 (end-2022: DKK 1,593 million). The interest rate risk of the portfolio is hedged with interest rate swaps (hedge accounting).

NOTES

		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2022	30.06.2023	30.06.2023	31.12.2022
15. ASSETS IN POOLED SCHEMES			
-	-	255	164
-	-	2,362	661
-	-	(31)	68
-	-	2,586	893
16. DEPOSITS AND OTHER PAYABLES			
-	-	93,448	98,766
-	-	10,713	5,396
-	-	2,910	3,230
-	-	5,068	6,266
-	-	112,138	113,657
17. BONDS IN ISSUE AT FAIR VALUE			
118,524	123,953	126,662	121,474
1,249,556	1,273,615	1,273,615	1,249,556
8,687	7,686	7,686	8,687
1,376,766	1,405,255	1,407,964	1,379,717
(64,034)	(70,173)	(132,921)	(124,758)
1,312,732	1,335,082	1,275,043	1,254,959
17 a. ROs			
116,921	122,767	125,376	119,758
1,603	1,186	1,286	1,717
118,524	123,953	126,662	121,474
(16,246)	(22,357)	(26,338)	(22,355)
102,278	101,596	100,325	99,119
33	2,331	2,331	33
3,639	10,016	10,096	3,737
17 b. SDOs			
1,383,244	1,400,600	1,400,600	1,383,244
(133,688)	(126,985)	(126,985)	(133,688)
1,249,556	1,273,615	1,273,615	1,249,556
(39,794)	(40,816)	(99,583)	(94,408)
1,209,762	1,232,799	1,174,032	1,155,148
3,197	12,101	12,101	3,197
52,570	54,127	54,127	52,570

NOTES

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2022	30.06.2023	30.06.2023	31.12.2022
DKK million			
17. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
17 c. Senior secured debt			
8,699	7,700	7,700	8,699
(12)	(14)	(14)	(12)
8,687	7,686	7,686	8,687
(7,995)	(7,000)	(7,000)	(7,995)
692	687	687	692
18. BONDS IN ISSUE AT AMORTISED COST			
-	-	9,412	11,670
6	5	5	6
51,641	50,283	50,283	51,641
65	68	68	65
51,711	50,355	59,767	63,381
-	-	(2,125)	(2,125)
(5)	(4)	(4)	(5)
51,706	50,351	57,638	61,251
The fair value of bonds in issue at amortised cost amounted to DKK 57 billion (end-2022: DKK 57 billion)			
19. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
272	290	6,479	8,837
272	290	6,479	8,837

NOTES

Nykredit Realkredit A/S		DKK million	
		Nykredit Realkredit Group	
31.12.2022	30.06.2023	30.06.2023	31.12.2022
20. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months			
372	372	372	372
Nominally SEK 1,000 million. The loan matures on 31 March 2031, but may be redeemed at par (100) from 31 March 2026. The loan rate will be fixed every three months.			
667	629	629	667
Nominally EUR 500 million. The loan matures on 28 July 2031, but may be redeemed at par (100) from 28 April 2026 up to (and including) 28 July 2026. The loan carries a fixed interest rate of 0.875% pa up to 28 July 2026, after which date the interest rate will be fixed for the next five years			
3,269	3,299	3,299	3,269
Nominally EUR 500 million. The loan matures on 29 December 2032, but may be redeemed at par (100) from 29 September 2027 up to and including 29 December 2027. The loan carries a fixed interest rate of 5.5% pa up to 29 December 2027, after which date the interest rate will be fixed for the next five years.			
3,599	3,590	3,590	3,599
Nominally SEK 280 million. The loan matures on 18 October 2032, but may be redeemed at par (100) from 18 October 2027 and on every subsequent interest payment date up to and including 17 October 2032. The loan carries a fixed interest rate of 6.88% pa up to 17 October 2027, after which date the interest rate will be fixed every three months.			
187	174	174	187
Nominally NOK 1,550 million. The loan matures on 18 October 2032, but may be redeemed at par (100) from 18 October 2027 and on every subsequent interest payment date up to and including 17 October 2032. The loan rate will be fixed every three months.			
1,093	983	983	1,093
Nominally DKK 950 million. The loan matures on 26 October 2032, but may be redeemed at par (100) from 26 October 2027 and on every subsequent interest payment date up to and including 25 October 2032. The loan rate will be fixed every three months.			
950	950	950	950
10,136	9,998	9,998	10,136
Total subordinate loan capital			
-	-	-	-
Portfolio of self-issued bonds			
10,136	9,998	9,998	10,136
Total subordinated debt			
10,710	106,310	10,644	10,723
Subordinated debt that may be included in own funds			
16	-	-	16
Costs related to raising and redeeming subordinated debt			

The fair value of total subordinated debt amounted to DKK 10 billion (end-2022: DKK 10 billion).

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Nykredit Realkredit Group

21. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in H1/2023.

The companies have entered into various intercompany agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.

Significant related party transactions prevailing/entered into as at 30 June 2023 include:

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

As part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis.

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, not later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet. Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit

Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans totalled DKK 0.0 billion at 30 June 2023 (DKK 0.2 billion at 30 June 2022). The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other business partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Totalkredit A/S in the form of subordinated debt and DKK 4.0 billion in the form of Additional Tier 1 capital.

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas etc.

Nykredit Realkredit has deposits with Nykredit Bank that cover the Bank's MREL requirement. This amount totalled DKK 25.1 billion at 30 June 2023.

Agreements between Forenet Kredit and Group companies

Forenet Kredit distributes an amount annually to the Group companies, which use the contribution to offer the Group's customers benefits in the form of discounts and green solutions.

NOTES

Nykredit Realkredit Group

22. FAIR VALUE DISCLOSURES

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised marketplace.

Bonds at fair value are recognised at listed prices if external prices have been updated within the past two trading days prior to the balance sheet date. If no listed prices have been observed during this time span, the portfolio is recognised at observable inputs.

Observable inputs

When an instrument is not traded in an active market, measurement is based on the most recent listed price in an inactive market, the price of comparable transactions or generally accepted valuation techniques based on, for instance, discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities and market prices of similar instruments, which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length. Unlisted derivatives generally belong to this category.

Bonds not traded in the past two trading days belong to this category. The valuation is based on the most recent observed price, and adjustments are made for subsequent changes in market conditions, eg by including transactions in similar instruments (matrix pricing). Redeemed bonds are transferred to this category, as there is no access to official prices in active markets.

Further, the valuation of derivatives implies the use of Credit Valuation Adjustment (CVA), thus including counterparty credit risk in the valuation. The CVA of derivatives with positive market value is primarily based on external credit curves such as Itraxx Main, but also on internal data as regards customers without impairment in the lowest rating categories, as there are no external curves suitable for the calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations entailing increased CVA are included in the value adjustment.

Furthermore, Funding Valuation Adjustment (FVA) is used for the valuation of derivatives. FVA allows for Nykredit's future funding costs incurred by derivatives transactions where clients have not provided sufficient collateral. Nykredit has used a funding curve for this calculation, which is assessed on the basis of objective prices of Danish SIFI banks' traded bonds. This calculation is made on the basis of a discount curve method.

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment will be a funding benefit. Debit Valuation Adjustment (DVA) is a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 57 million at 30 June 2023 (end-2022: a negative DKK 45 million).

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2023, the non-amortised minimum margin amounted to DKK 108 million (end-2022: DKK 114 million). With regard to liquidity and credit risk, these amounts have been included above in the net adjustment of FVA and CVA; DKK 139 million at end-June 2023 (end-2022: DKK 147 million). Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, have become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities etc of the instruments. The Group's unlisted equities are generally classified under this heading, and valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate expected credit losses on loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category "Unobservable inputs".

Following value adjustment, the fair value came to DKK 168 million at 30 June 2023 (end-2022: DKK 201 million). Credit value adjustments came to DKK 299 million at 30 June 2023 (end-2022: DKK 357 million).

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The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 18 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2023, the proportion was thus 0.3% (end-2022: 0.3%). The proportion of financial liabilities was 0.0% (end-2022: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3.8 billion (end-2022: DKK 3.9 billion) belonged to this category.

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 384 million at 30 June 2023 (0.39% of equity at 30 June 2023), (end-2022: DKK 387 million, equal to 0.42% of equity).

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made at the end of each month.

In 2023 and 2022, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 30 June 2023, financial assets of DKK 0.7 billion (end-2022: DKK 9.2 billion) have been transferred from Listed prices to Observable inputs and DKK 0.4 billion (end-2022: DKK 0.0 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.7 billion (end-2022: DKK 0.2 billion) were transferred from Listed prices to Observable inputs and DKK 0.0 billion (end-2022: DKK 0.9 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2023, the amount was DKK 2.6 billion (end-2022: DKK 0.4 billion).

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

Fair value disclosures of assets and liabilities recognised at amortised cost

Balances with credit institutions as well as bank lending and deposits are measured largely at amortised cost. For financial assets and liabilities carrying a floating interest rate and entered into on standard credit terms, the carrying amounts are, in all material respects, estimated to correspond to the fair values.

For financial assets and liabilities which are subject to some differences between carrying amount and fair value, please refer to notes 12, 14, 18 and 20.

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DKK million

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22. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2023

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	2,349	88,973	-	91,323
- equities measured at fair value through profit or loss	4,180	-	3,655	7,835
- positive fair value of derivative financial instruments	141	6,168	168	6,477
- mortgage loans, arrears and outlays ¹	-	1,300,583	-	1,300,583
- owner-occupied properties	-	-	17	17
- assets in pooled schemes	2,362	224	-	2,586
Total	9,033	1,395,948	3,839	1,408,821
Percentage	0.6	99.1	0.3	100.0
Financial liabilities:				
- deposits in pooled schemes	-	2,586	-	2,586
- other non-derivative financial liabilities at fair value	1,170	5,309	-	6,479
- negative fair value of derivative financial instruments	198	8,972	-	9,170
- bonds in issue at fair value ¹	1,274,334	709	-	1,275,043
Total	1,275,702	17,576	-	1,293,278
Percentage	98.6	1.4	-	100.0
Assets measured on the basis of unobservable inputs				
	Real estate	Equities	Derivatives	Total
Fair value, beginning of period, assets	25	3,642	201	3,868
Value adjustment recognised through profit or loss	1	79	46	126
Unrealised capital gains and losses recognised in "Other comprehensive income"	(2)	-	-	(2)
Purchases for the period	0	71	-	71
Sales for the period	(8)	(137)	(7)	(152)
Transferred from Listed prices and Observable inputs ²	-	-	22	22
Transferred to Listed prices and Observable inputs ³	-	-	(95)	(95)
Fair value, end of period, assets	17	3,655	168	3,840

¹ Recognised at fair value under the fair value option.² Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.³ Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

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DKK million

Nykredit Realkredit Group

22. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2022

Financial assets:	Listed prices	Observable in-puts	Unobservable inputs	Total fair value
- bonds at fair value	5,381	85,257	-	90,638
- equities measured at fair value through profit or loss	4,244	-	3,642	7,886
- positive fair value of derivative financial instruments	920	6,883	201	8,004
- mortgage loans, arrears and outlays ¹	-	1,292,489	-	1,292,489
- owner-occupied properties	-	-	25	25
- assets in pooled schemes	661	232	-	893
Total	11,206	1,384,862	3,868	1,399,935
Percentage	0.8	98.9	0.3	100.0

Financial liabilities:

- deposits in pooled schemes	-	893	-	893
- other non-derivative financial liabilities at fair value	2,823	6,014	-	8,837
- negative fair value of derivative financial instruments	740	9,587	-	10,327
- bonds in issue at fair value ¹	1,254,244	715	-	1,254,959
Total	1,257,807	17,209	-	1,275,015
Percentage	98.7	1.3	-	100.0

Assets measured on the basis of unobservable inputs

	Real estate	Equities	Derivatives	Total
Fair value, beginning of year, assets	31	3,763	1,396	5,190
Value adjustment recognised through profit or loss	(1)	283	(512)	(230)
Unrealised capital gains and losses recognised in "Other comprehensive income"	1	-	-	1
Purchases for the year	-	365	-	365
Sales for the year	(6)	(769)	(171)	(946)
Transferred from Listed prices and Observable inputs ²	-	-	39	39
Transferred to Listed prices and Observable inputs ³	-	-	(551)	(551)
Fair value, year-end, assets	25	3,642	201	3,868

¹ Recognised at fair value under the fair value option.² Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.³ Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

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	DKK million				
Nykredit Realkredit Group	H1/ 2023	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019
23. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	7,562	5,800	5,659	5,586	5,450
Net fee income etc	305	65	210	105	(114)
Net interest and fee income	7,867	5,865	5,869	5,691	5,336
Value adjustments	1,410	1,214	1,768	(28)	1,180
Other operating income	748	802	731	698	705
Staff and administrative expenses	2,914	2,819	2,683	2,581	2,285
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	164	146	159	147	136
Other operating expenses	132	126	143	106	71
Impairment charges for loans, advances and receivables etc	(115)	(226)	89	1,755	433
Profit from investments in associates and Group enterprises	2	2	4	4	2
Profit before tax	6,932	5,018	5,298	1,775	4,298
Tax	1,539	959	943	205	684
Profit for the period	5,393	4,059	4,355	1,570	3,615
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2023	30.06.2022	30.06.2021	30.06.2020	30.06.2019
Assets					
Cash balances and receivables from credit institutions and central banks	56,841	47,274	47,978	32,698	43,475
Mortgage loans at fair value	1,300,275	1,298,081	1,357,294	1,313,138	1,232,135
Bank loans excluding reverse repurchase lending	92,023	86,022	70,844	67,014	63,505
Bonds and equities etc	100,765	94,301	103,515	114,005	117,650
Remaining assets	56,343	62,756	75,042	71,048	83,943
Total assets	1,606,247	1,588,434	1,654,673	1,597,903	1,540,708
Liabilities and equity					
Payables to credit institutions and central banks	16,529	22,865	13,029	14,445	26,647
Deposits and other payables	114,724	102,987	98,440	97,171	95,376
Bonds in issue at fair value	1,275,043	1,267,818	1,349,776	1,313,990	1,263,666
Subordinated debt	9,998	10,419	10,806	10,951	11,077
Remaining liabilities	92,535	91,234	90,843	75,540	63,370
Equity	97,418	93,111	91,779	85,806	80,573
Total liabilities and equity	1,606,247	1,588,434	1,654,673	1,597,903	1,540,708
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	8,823	9,962	10,029	6,774	6,703
Other commitments	21,225	21,109	21,496	27,599	20,012
FINANCIAL RATIOS¹					
Total capital ratio, %	23.5	23.7	24.0	23.2	24.7
Tier 1 capital ratio, %	20.6	20.7	21.0	20.1	21.5
Return on equity before tax, %	7.1	5.4	5.8	2.1	5.4
Return on equity after tax, %	5.6	4.3	4.8	1.8	4.5
Income/cost ratio	3.2	2.8	2.7	1.4	2.5
Foreign exchange position, %	0.0	0.0	0.0	0.1	0.7
Loans and advances/equity (loan gearing)	14.6	15.3	16.0	16.5	16.7
Growth in loans and advances for the period, %	0.4	2.9	2.6	2.4	2.3
Impairment charges for the period, %	(0.01)	(0.01)	0.01	0.12	0.03
Return on capital employed, %	0.34	0.26	0.26	0.10	0.23

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 61 in the Annual Report for 2022.

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	DKK million				
Nykredit Realkredit A/S	H1/ 2023	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019
23. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	2,024	1,986	1,990	2,003	1,974
Net fee income etc	546	421	363	359	351
Net interest and fee income	2,570	2,407	2,354	2,362	2,325
Value adjustments	662	(147)	857	(165)	1,021
Other operating income	908	890	721	639	642
Staff and administrative expenses	1,533	1,579	1,474	1,407	1,332
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	143	125	142	126	131
Other operating expenses	115	109	130	79	59
Impairment charges for loans, advances and receivables etc	(217)	(508)	(76)	1,230	256
Profit from investments in associates	3,379	2,576	2,477	1,499	1,748
Profit before tax	5,945	4,420	4,739	1,493	3,959
Tax	580	388	401	(63)	344
Profit for the period	5,365	4,032	4,338	1,556	3,615
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2023	30.06.2022	30.06.2021	30.06.2020	30.06.2019
Assets					
Cash balances and receivables from credit institutions and central banks	40,421	37,500	50,761	39,726	52,339
Mortgage loans at fair value	520,938	510,011	526,028	532,833	510,405
Totalkredit mortgage loan funding	828,961	831,274	886,576	821,123	803,355
Bonds and equities etc	42,392	35,265	36,286	42,521	44,755
Remaining assets	86,205	79,475	71,434	66,513	61,378
Total assets	1,518,917	1,493,525	1,571,084	1,502,715	1,472,231
Liabilities and equity					
Payables to credit institutions and central banks	11,934	3,532	2,021	1,117	2,825
Deposits and other payables	-	-	-	10,200	12,200
Bonds in issue	1,335,082	1,325,156	1,400,389	1,346,213	1,331,312
Subordinated debt	9,998	10,434	10,806	10,970	11,077
Remaining liabilities	64,558	61,368	66,172	48,490	34,240
Equity	97,346	93,034	91,694	85,726	80,577
Total liabilities and equity	1,518,917	1,493,525	1,571,084	1,502,715	1,472,231
OFF-BALANCE SHEET ITEMS					
Other commitments	7,422	8,909	10,884	12,857	9,546
FINANCIAL RATIOS¹					
Total capital ratio, %	18.1	19.0	19.8	19.6	20.2
Tier 1 capital ratio, %	15.9	16.6	17.3	17.1	17.8
Return on equity before tax, %	6.1	4.7	5.2	1.8	4.9
Return on equity after tax, %	5.5	4.3	4.8	1.8	4.5
Income/cost ratio	4.8	4.4	3.8	1.5	3.2
Foreign exchange position, %	0.0	0.0	0.0	0.1	0.5
Loans and advances/equity (loan gearing)	5.4	5.5	5.7	6.2	6.3
Growth in loans and advances for the period, %	0.7	1.7	(0.7)	0.1	(0.7)
Impairment charges for the period, %	(0.04)	(0.10)	(0.01)	0.23	0.05
Return on capital employed, %	0.35	0.27	0.28	0.10	0.25

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 61 in the Annual Report for 2022.

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DKK million

Nykredit Realkredit Group

24. GROUP STRUCTURE

Name and registered office

Name and registered office	Ownership interest as %, 30 June 2023	Profit (loss) for the period, 2023	Equity 30 June 2023	Profit (loss) for 2022	Equity 31 December 2022
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	5,365	97,346	9,393	96,715
Totalkredit A/S, Copenhagen, a)	100	1,661	38,789	2,714	37,249
Nykredit Bank A/S, Copenhagen, b)	100	1,677	35,060	2,686	33,404
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	87	824	202	1,138
Nykredit Leasing A/S, Gladsaxe, e)	100	65	1,199	80	1,135
Sparinvest Holdings SE, Luxembourg, g)	81	287	178	222	195
Sparinvest Investment Solutions A/S, h)	100	(0)	1	0	1
Garanti Invest A/S, i)	100	0	20	0	20
Nykredit Mægler A/S, Copenhagen, c)	100	23	152	42	129
&Living Franchisegiver A/S, c)	100	(0)	(0)	(5)	(4)
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	18	675	37	660
Kirstinehøj 17 A/S, Copenhagen, d)	100	0	12	(0)	12

The Group structure only includes significant subsidiaries. Financial information is provided in the order in which the subsidiaries are recognised in the Consolidated Financial Statements.

All banks and mortgage providers subject to national financial supervisory authorities must comply with the statutory capital requirements. The capital requirements may limit intercompany facilities and dividend payments.

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

Luxembourg: Names and activities appear from the Group structure above

¹ For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

a) Mortgage bank

b) Bank

c) Estate agency business

d) Property company

e) Leasing business

f) Investment management company

g) Holding company, no independent activities

h) Investment company

i) Activities auxiliary to financial service activities

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark	3,949	27,097	6,797	1,501	-
Luxembourg	28	275	135	38	-

Nykredit Realkredit A/S is wholly owned by and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit f.m.b.a. for accounting purposes. The financial statements of Forenet Kredit f.m.b.a. (in Danish) and Nykredit A/S are available from:

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