

**Nykredit
Bank Group**

H1 Interim Report 2021



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FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	H1/ 2021	H1/ 2020	Q2/ 2021	Q1/ 2021	Q2/ 2020	2020
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	879	843	445	434	434	1,711
Net fee income	345	273	192	153	128	521
Wealth management income	1,100	987	556	544	485	1,950
Net interest from capitalisation	(14)	(14)	(7)	(7)	(8)	(29)
Net income relating to customer benefits programmes ¹	(20)	136	(18)	(2)	68	276
Trading, investment portfolio and other income	427	145	197	230	376	634
Income	2,717	2,371	1,366	1,351	1,483	5,063
Costs	1,392	1,304	705	687	662	2,727
Business profit before impairment charges	1,325	1,067	661	665	821	2,336
Impairment charges for loans and advances	28	309	39	(12)	65	579
Business profit	1,298	758	621	676	756	1,757
Legacy derivatives	292	(103)	56	237	318	258
Profit before tax	1,590	656	677	913	1,075	2,015
Tax	338	114	145	193	202	385
Profit for the period	1,252	542	532	720	873	1,630
Minority interest	17	14	8	9	7	21
SUMMARY BALANCE SHEET						
Assets	30.06.2021	30.06.2020	30.06.2021	31.03.2021	30.06.2020	31.12.2020
Cash balances and receivables from credit institutions and central banks	25,684	17,040	25,684	25,097	17,040	21,469
Reverse repurchase lending	44,229	35,846	44,229	36,282	35,846	37,271
Loans, advances and other receivables at amortised cost	70,844	67,014	70,844	70,285	67,014	71,146
Bonds and equities etc	42,590	45,679	42,705	45,525	45,679	39,822
Remaining assets	24,021	29,340	23,906	25,894	29,340	28,481
Total assets	207,368	194,919	207,368	203,084	194,919	198,189
Liabilities and equity						
Payables to credit institutions and central banks	52,126	50,499	52,126	56,249	50,499	49,121
Repo deposits	6,725	1,693	6,725	1,858	1,693	2,674
Deposits and other payables	91,840	85,417	91,840	85,605	85,417	88,269
Bonds in issue at amortised cost	925	4,492	925	2,261	4,492	5,400
Other non-derivative financial liabilities at fair value	15,144	11,771	15,144	15,310	11,771	10,801
Remaining liabilities	10,692	13,432	10,692	12,396	13,432	13,158
Provisions	611	622	611	602	622	683
Subordinated debt	2,000	2,000	2,000	2,000	2,000	2,000
Equity	27,305	24,994	27,305	26,802	24,994	26,082
Total liabilities and equity	207,368	194,919	207,368	203,084	194,919	198,189
FINANCIAL RATIOS¹						
Profit for the period as % pa of average equity	9.2	4.3	7.8	10.7	14.1	6.4
Costs as % of income	51.2	55.0	51.6	50.8	44.6	53.9
Total provisions for loan impairment and guarantees	3,260	2,981	3,260	3,203	2,981	3,265
Impairment charges for the period, %	0.01	0.24	0.03	(0.01)	0.05	0.41
Total capital ratio, %	20.2	21.5	20.2	21.1	21.5	22.7
Tier 1 capital ratio, %	18.3	19.3	18.3	19.0	19.3	20.5
Common Equity Tier 1 capital ratio, %	18.3	19.3	18.3	19.0	19.3	20.5
Average number of staff, full-time equivalent	944	958	927	962	958	979

¹ For further details, see Alternative performance measures on page 12.

FINANCIAL REVIEW

	Business profit	Profit	Income
	DKK 1,298 million	DKK 1,590 million	DKK 2,717 million
	Business profit for the period	Profit before tax for the period	Income

	Return on equity	Cost:income ratio	Impairment charges, %
	9.2%	51.2%	0.01%
	Profit for the period as % of average equity	Costs as % of income	Impairment charges for the period divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS FOR H1/2021

The underlying business remained robust and upward trending. Nykredit Bank recorded strong underlying business growth as demonstrated by a rise in net interest, net fee and wealth management income relative to H1/2020. Recent years' inflow of customers continued in H1/2021 thanks to our strong product and service offerings. Lending decreased slightly by 0.43% to DKK 70,844 million (end-2020: DKK 71,146 million). The decrease was mainly driven by bridge financing activities at the end of the financial year. Adjusted for this, the lending book saw strong growth of 4.25%.

The covid-19 crisis has not had a material impact on the Bank's business profit, and impairment charges were relatively unaffected in H1/2021 and were lower than expected owing to continued positive economic trends and an improved credit quality among our customers.

Last year we launched a number of special covid-19-related initiatives to help our customers with responsible advice and support. Access to the special initiatives was reopened in December when new lockdown measures were introduced. Being able to always keep our loan books open is essential to us – also when the Danish economy is struggling. If we are not capable of providing funding and liquidity, the crisis will only worsen. Nykredit holds a robust capital position and is backed by a group of strong owners. Consequently, we are strongly positioned to continue to offer attractive and secure loans all over Denmark at all times.

Our actions are still based on a precautionary principle, and we abide by all guidelines announced. Consequently, our customer centres have been closed in April and May, and physical meetings with customers have been cancelled and replaced by online or telephone meetings. In June, we reopened our customer centres, but still recommend that customers meet us online or by phone, to which our customers have responded positively.

We focus on green choices

The green transition is a defining challenge of our time, and as a financial mutual, we naturally strive to make a difference. We have already significantly reduced the carbon footprint we leave as a company and are now focusing on making a difference together with our customers.

All across the Group we have launched several products that will make it easier and more affordable for our customers to make green choices. Nykredit Bank now offers green home loans (Grønt BoligLån) to finance energy improvements at 0% interest and no up-front fees. We offer green car loans (Grønt Billån) to finance electric, hydrogen and plug-in hybrid cars at 1% interest and no up-front fees. The launch of green machinery financing and the new forest foundation have given customers a concrete path to green transition. At the same time, agricultural advisers' green transition training and close customer contact have produced good results.

Small and medium-sized companies are becoming subject to climate-related reporting demands and increasingly need to document their corporate responsibility approach. These demands come from general legislation as well as customers, suppliers and financial partners. To ease the burden for our customers, Nykredit has partnered up with the Danish company Valified, which has launched a digital tool developed to support customers working with the green transition and documenting and reporting on their progress.

Mutual benefits

Nykredit is a mutually owned company, and therefore we can offer our customers unique benefits, because our owner, Forenet Kredit, a customer association, wants to share its profits with our customers. Nykredit customers are members of Forenet Kredit, which is Nykredit's majority shareholder. Thus, Nykredit's customers get discounts on loans and investments, cash benefits and an opportunity for greener living and driving. These are our mutual benefits. The terms of the current benefits apply until end-2022.

Awards

Our green car loan for plug-in hybrid cars was awarded Best in Test by the Danish Consumer Council in March 2021. The Council labelled the green car loan for electric cars as "Recommended".

In March, Nykredit Invest won two out of three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of bonds as well as best manager of equities and bonds. This is the fourth year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards. In addition the fund Sparindex OMX C25 was awarded best fund for Danish equities, and Sparindex DJSI World was named best fund for global equities. Combined, Nykredit Invest and Sparindex won four out of eight Morningstar Awards.

Insurance partnership

In alignment with our strategy to strengthen the Totalkredit alliance through more joint activities, Nykredit has entered into a new non-life insurance partnership agreement with Lokale Pengeinstitutter, Spar Nord and Codan/Privatsikring.

Expanding and strengthening collaboration with our Totalkredit partners is one of the key objectives of Nykredit's strategy, Winning the Double. All stakeholders, not least our customers, will benefit when strong players join forces, leveraging the benefits of their combined scale in new areas. Customers of a large number of banks, including Nykredit Bank, will have access to some of the absolute best insurance products in the market. Codan is a strong business partner with deep experience and understanding of the market.

Income

Income amounted to DKK 2,717 million in H1/2021 (H1/2020: DKK 2,371 million).

Net interest income increased by DKK 36 million to DKK 879 million (H1/2020: DKK 843 million) and net fee income increased by DKK 72 million to a total of DKK 345 million (H1/2020: DKK 273 million). Growth in bank lending contributed to increasing net interest income and net fee income. In addition, negative deposit rates for personal customers also had a positive effect on net interest income.

Wealth management income increased by DKK 113 million to DKK 1,100 million (H1/2020: DKK 987 million).

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 14 million (H1/2020: an expense of DKK 14 million).

Trading, investment portfolio and other income, including value adjustment of swaps etc, increased to DKK 427 million (H1/2020: DKK 145 million). This was mainly driven by an increase in interest rates which led to positive value adjustments on financial derivatives.

Costs

Costs were DKK 1,392 million (H1/2020: DKK 1,304 million). The Group maintains a strong focus on further building organisational efficiency, while investing significant resources in compliance, the implementation of new regulatory requirements and extending the partnership with BEC. Further, the inclusion of Sparinvest adversely impacted costs.

The average number of full-time equivalent staff totalled 944 (H1/2020: 958).

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for loans and advances, which amounted to 0.01% of lending (H1/2020: 0.24%), were not significantly affected by the covid-19 pandemic. Impairment charges and provisions amounted to DKK 28 million (H1/2020: DKK 309 million). Low arrears were reflected in low write-offs and low individual impairment provisions. Individual and model-based impairment provisions increased from a net reversal of DKK 258 million in Q1 to DKK 93 million in Q2.

In H1 a reversal of DKK 12 million was recorded for expected loan losses as a consequence of covid-19. Losses incurred directly by the

covid-19 pandemic remain low due to the financial strength and liquidity of our customers as well as the effect of government relief packages and expanded access to credit in the financial sector. The risk of higher losses remains significant, if the pandemic continues to stretch on and adversely impact the economy.

Expectations for macroeconomic models

Nykredit Bank's impairment models are based on forward-looking macroeconomic scenarios. In H1 the base case scenario (has been updated to reflect the economic environment caused by the covid-19 crisis. Expectations included a GDP growth of 2.9% and house prices are expected to rise 9.4% in 2021. The main scenario was included in the models at a probability of 55%. The adverse scenario carries a 35% probability. The economy is currently not expected to improve further from the base scenario.

The main scenario assumes that the GDP and house prices will return to a "pre-covid-19 level at end-2019" in 2022 due to the effects of the relief packages.

Legacy derivatives

Legacy derivatives contributed income of DKK 292 million (H1/2020: a charge of DKK 103 million). Legacy derivatives are derivatives Nykredit no longer offers to customers. The change was mainly driven by increased interest rates in Q1/2021.

The portfolio of legacy derivatives had a total market value of DKK 5.8 billion (end-2020: DKK 7.4 billion). The portfolio was written down to DKK 4.3 billion (end-2020: DKK 5.6 billion) due to counterparty risk.

Tax

Tax on profit for the period was DKK 338 million (H1/2020: DKK 114 million).

Balance sheet

The balance sheet stood at DKK 207.4 billion at end-June 2021 (end-2020: DKK 198.2 billion).

Receivables from credit institutions and cash balances etc increased to DKK 25.7 billion (end-2020: DKK 21.5 billion), and reverse repurchase lending decreased by DKK 6.9 billion to DKK 44.2 billion (end-2020: DKK 37.3 billion).

Lending at amortised cost (excluding reverse repurchase lending) fell by DKK 0.3 billion relative to end-2020 to DKK 70.8 billion at end-June 2021 (end-2020: DKK 71.1 billion).

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At 30 June 2021 these loans amounted to DKK 6.4 billion (end-2020: DKK 6.7 billion). Loan balances including secured homeowner loans totalled DKK 77.3 billion (end-2020: DKK 77.8 billion).

The bond and equity portfolios totalled DKK 42.6 billion (end-2020: DKK 39.8 billion). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 24.0 billion (end-2020: DKK 28.5 billion). At end-June 2021, DKK 17.7 billion was attributable to positive market values of derivatives (end-2020: DKK 22.0 billion). The positive market values related to the Bank's customer activities in derivatives and positions for hedging own risk. The Bank's interest rate risk is widely hedged through offsetting interest rate swaps.

Payables to credit institutions and central banks increased to DKK 52.1 billion (end-2020: DKK 49.1 billion), while repo deposits increased by DKK 4.0 billion to DKK 6.7 billion (end-2020: DKK 2.7 billion).

Deposits and other payables (excluding repo deposits) increased by DKK 3.5 billion to DKK 91.8 billion (end-2020: DKK 88.3 billion).

Bonds in issue totalled DKK 0.9 billion (end-2020: DKK 5.4 billion). Nykredit Bank receives funding from its Parent Nykredit Realkredit by way of long-term intercompany loans. Nykredit Realkredit funds such loans through the issuance of debt instruments.

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 15.1 billion (end-2020: DKK 10.8 billion).

Remaining liabilities amounted to DKK 11.3 billion (end-2020: DKK 13.8 billion). The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The negative market values of derivative financial instruments were DKK 8.6 billion (end-2020: DKK 11.3 billion).

RESULTS FOR Q2/2021 RELATIVE TO Q1/2021

Profit before tax was DKK 677 million (Q1/2021: DKK 913 million), corresponding to a decrease of DKK 236 million, mainly driven by lower income from legacy derivatives in Q2/2021 compared with Q1/2021. Business profit came to DKK 621 million in Q2/2021 (Q1/2021: DKK 676 million).

Income went up by DKK 15 million to DKK 1,366 million (Q1/2021: DKK 1,351 million) primarily driven by the recovery in financial markets in Q2 compared with Q1, which positively affected trading as well as investment portfolio income.

Costs amounted to DKK 705 million (Q1/2021: DKK 687 million) on a par with the previous three months.

Impairment charges for loans and advances increased by DKK 51 million compared with Q1, amounting to DKK 39 million (Q1/2021: Income DKK 12 million), and were impacted by the uncertainty about the duration and potential rebound of the covid-19 pandemic. Actual losses caused by the covid-19 pandemic were low.

Value adjustment of legacy derivatives was positive at DKK 56 million in Q2/2021 (Q1/2021: a positive DKK 237 million).

OUTLOOK AND GUIDANCE FOR 2021

Driven by good business growth, the prospect of lower-than-expected impairment charges for loans and advances as well as favourable trends in the portfolio of legacy derivatives our guidance for 2021 was raised on 1 July 2021 to a business profit and profit before tax for 2021 from DKK 1.7-2.2 billion to DKK 2.4-2.9 billion.

The full-year earnings guidance is based on the following assumptions:

- Nykredit still expects a moderate level of market activity combined with continued low interest rates. Business volumes and income are expected to grow.
- Significant financial market recovery, which has had a positive effect on derivatives.
- We expect slightly increasing costs as a result of the full-year impact of the acquisition of Sparinvest as well as investments in compliance.
- Impairment charges for loans and advances are expected to be lower than in 2020, which was affected by provisions for loan impairment related to covid-19. A more normalised level of impairments is expected for 2021.

The main uncertainties affecting our 2021 guidance are related to legacy derivatives as well as impairment charges for loans and advances.

OTHER

At the Annual General Meeting, EY Godkendt Revisionspartnerselskab was appointed as the new auditors of the Company as from the financial year 2021.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

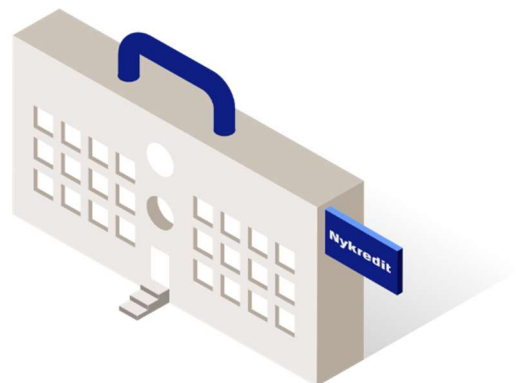
The covid-19 pandemic resulted in increased impairments in 2020, partly based on negative expectations for the economic outlook following the uncertainty about the effect on the domestic and global economies. The Nykredit Bank Group has still not seen a material rise in defaults, but the current impairments are expected to cover the losses from the covid-19 pandemic.

MATERIAL RISKS

The Group's material risks are unchanged compared with the risks described in the Annual Report for 2020. See also note 46 in the Annual report for 2020.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the H1/2021 Interim Report which materially affect the Nykredit Bank Group's financial position.



CAPITAL

EQUITY AND OWN FUNDS

Equity

Equity carried for accounting purposes totalled DKK 27.3 billion at end-June 2021 (end-2020: DKK 26.1 billion). Equity in Nykredit Bank A/S totalled DKK 27.2 billion at end-June (end-2020: DKK 26.0 billion). The difference relative to Group equity is attributable to minority interests, see statement of changes in equity (page 18).

	DKK million	
Nykredit Bank Group		
Capital and capital adequacy	30.06.2021	31.12.2020
Credit risk	113,787	94,005
Market risk	14,703	12,884
Operational risk	9,389	10,052
Total risk exposure amount	137,878	116,941
Equity, end of period	27,305	26,082
Minority interest, not included	(84)	(96)
Prudent valuation adjustment	(36)	(18)
Intangible assets and deferred tax assets	(1,934)	(1,932)
Deduction for difference between IRB losses and impairments	-	(18)
Other regulatory deductions	46	49
Common Equity Tier 1 capital	25,297	24,068
Other regulatory deductions	9	9
Tier 1 capital	25,306	24,077
Tier 2 capital	2,000	2,000
Tier 2 capital regulatory adjustments	638	524
Transitional adjustment of Tier 2 capital	6	6
Own funds	27,950	26,606
CET1 capital ratio, %	18.3	20.5
Tier 1 capital ratio, %	18.3	20.5
Total capital ratio, %	20.2	22.7
Internal capital adequacy requirement (Pillar I and II), %	10.6	11.1

Own funds and capital adequacy are specified further in note 2 of the Financial Statements.

Capital

At end-June 2021 Nykredit Bank's own funds totalled DKK 27.9 billion (end-2020: DKK 26.6 billion). Common Equity Tier 1 (CET1) capital is the most important element in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements. The Bank's CET1 capital amounted to DKK 25.3 billion (end-2020: DKK 24.1 billion).

The risk exposure amount (REA) totalled DKK 137.9 billion (end-2020: DKK 116.9 billion). The increase is primarily due to new regulation.

At end-June 2021 the total capital ratio was 20.2%, and the CET 1 capital ratio 18.3% (end-2020: 22.7% and 20.5%).

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 14.7 billion (end-2020: DKK 12.9 billion). Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.6% (end-2020: 11.1%).

CREDIT RATINGS

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

S&P Global Ratings

S&P has assigned Nykredit Realkredit and Nykredit Bank long-term and short-term Issuer Credit Ratings of A+/A-1 with a stable outlook and long-term and short-term Resolution Counterparty Ratings of AA-/A-1+.

Senior non-preferred debt has a BBB+ rating with S&P.

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.

Listing of ratings

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

SUPERVISORY DIAMOND FOR BANKS

The Supervisory Diamond for banks uses five key benchmarks to measure if a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as at 30 June 2021.

Nykredit Bank recorded lending growth of 1.2%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 12.1% (end-2020: 12.6%).

Nykredit Bank A/S		
Supervisory Diamond	30.06.2021	31.12.2020
Large exposures (limit value <175%)	119.2%	132.3%
Lending growth (limit value <20%)	1.2%	8.7%
Property exposure (limit value <25%)	12.1%	12.6%
Funding ratio (limit value <1.0)	0.60	0.60
Liquidity benchmark (limit value >100%)	219.0%	150.7%



IMPAIRMENT AND LENDING

Earnings impact

Impairment charges for loans and advances were DKK 28 million in H1/2021 (H1/2020: DKK 309 million). Of total impairment charges, impairment charges for loans and advances etc represented DKK 57 million (2020: DKK 631 million), while recoveries on loans and advances previously written off were DKK 29 million (2020: DKK 52 million).

Nycredit Bank Group		
Provisions for loan impairment and guarantees	30.06.2021	31.12.2020
Impairment provisions, beginning of period	3,024	2,538
Impairment provisions and reversals	(69)	486
Impairment provisions, end of period	2,955	3,024
- of which impairment provisions for loans and advances etc	2,952	3,012
- of which impairment provisions for loans and advances to banks	3	12
Provisions for guarantees and loan commitments		
Provisions, beginning of period	241	137
Provisions, end of period	304	241
Total provisions	3,260	3,265
Earnings impact		
New impairment provisions and write-offs for the period, net	(6)	527
Recoveries on loans and advances previously written off	29	52
Total	(35)	475
Provisions for guarantees and loan commitments	63	104
Total earnings impact	28	579

Total provisions

Provisions totalled DKK 3,260 million at 30 June 2021 (end-2020: DKK 3,265 million).

In addition, value adjustment of interest rate swaps of DKK 2.0 billion was recorded, of which credit value adjustments amounted to DKK 1.7 billion, comprising DKK 1.4 billion relating to legacy derivatives and DKK 0.3 billion relating to other items.

Provisions for guarantees amounted to DKK 304 million (end-2020: DKK 241 million).

Relative to total loans, advances and guarantees, provisions amounted to 2.2% (end-2020: 2.0%).



Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees was DKK 146.4 billion (end-2020: DKK 138.1 billion), corresponding to an increase of DKK 8.3 billion.

This figure comprised an increase in reverse repurchase lending of DKK 7.0 billion, a decline in other loans and advances of DKK 0.3 billion and an increase in guarantees of DKK 1.5 billion. Reverse repurchase lending totalled DKK 44.2 billion (end-2020: DKK 37.3 billion).

Finance and insurance remained the largest single sector exposure at DKK 49.0 billion (end-2020: DKK 43.2 billion). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 33.5% of total loans (end-2020: 31.3%) and personal customers 22.2% (end-2020: 19.5%).

At 30 June 2021, loan impairment provisions for the real estate sector totalled DKK 0.7 billion (end-2020: DKK 0.6 billion), or 4.3% of total loans and advances to the sector (end-2020: 3.6%).

Nykredit Bank Group

Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector¹

DKK million

	30.06.2021			31.12.2020		
	Lending, end of period	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	637	3	(1)	866	4	3
Agriculture, hunting, forestry and fishing	3,817	176	(1)	3,431	184	30
Manufacturing, mining and quarrying	10,358	341	(60)	9,759	415	134
Energy supply	3,829	33	(8)	7,096	40	16
Construction	2,886	229	38	2,631	198	8
Trade	10,783	455	-	8,788	453	111
Transport, accommodation and food service activities	7,310	159	(24)	7,193	183	101
Information and communication	3,927	104	(4)	3,262	106	5
Finance and insurance	49,009	195	61	43,211	144	33
Real estate	15,740	672	73	16,566	595	123
Other	8,462	339	(3)	8,426	355	54
Total business customers	116,123	2,703	73	110,363	2,673	615
Personal customers	29,600	550	(54)	26,914	576	(39)
Total	146,360	3,257	18	138,143	3,254	579
- of which provisions for losses under guarantees		304	63		241	105
Impairment provisions for credit institutions		3	(9)		12	(1)
- of which intercompany guarantees and total	20,147	3,260	9	20,639	3,266	578

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 page 3 and the business areas (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, implying that the profit for the period 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 interest income from bank lending and deposits. The corresponding item in the income statement (page 14) includes all interest.

"Net fee income", comprising 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 and Nykredit Portefølje Administration A/S 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.

"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.

"Net income relating to customer benefits programmes" comprising discounts granted to the customers. The amount includes contributions received.

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 period as % pa of average equity. 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.

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

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

MANAGEMENT STATEMENT

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 1 January – 30 June 2021 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent, Nykredit Bank A/S, 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 June 2021 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 2021.

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.

Copenhagen, 19 August 2021

Executive Board

Dan Sørensen

Henrik Rasmussen

Board of Directors

Michael Rasmussen
Chairman

Anders Jensen
Deputy Chairman

Allan Kristiansen*

David Hellemann

Susanne Møller Nielsen*

Tonny Thierry Andersen

* Staff-elected member

INCOME STATEMENTS

DKK million

	Note	H1/2021	H1/2020	Q2/2021	Q2/2020
Nykredit Bank Group					
INCOME STATEMENT					
Interest income based on the effective interest method		986	1,002	508	506
Other interest income		(176)	(108)	(96)	(80)
Negative interest, income		(85)	(119)	(45)	(46)
Positive interest expenses		(134)	(143)	(56)	(59)
Interest expenses		118	122	51	57
Net interest income	6	740	795	372	382
Dividend on equities etc		4	5	1	1
Fee and commission income		1,650	1,435	860	702
Fee and commission expenses		286	277	157	149
Net interest and fee income		2,108	1,957	1,076	936
Value adjustments	6, 7	852	135	322	777
Other operating income		46	173	22	86
Staff and administrative expenses		1,367	1,258	697	631
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		15	19	8	9
Other operating expenses		10	28	0	22
Impairment charges for loans, advances and receivables etc	8	28	309	39	65
Profit from investments in associates and Group enterprises	10	3	3	1	2
Profit before tax		1,590	656	677	1,075
Tax		338	114	145	202
Profit for the period		1,252	542	532	873
Proposal for the distribution of profit					
Minority interests calculated		17	14	8	7
Retained earnings		1,235	528	525	866
Profit for the period		1,252	542	532	873
COMPREHENSIVE INCOME					
Profit for the period		1,252	542	532	873
Other comprehensive income		-	-	-	-
Comprehensive income for the period		1,252	542	532	873
Distribution of comprehensive income					
Nykredit Bank		1,235	528	525	866
Minority interests calculated		17	14	8	7
Comprehensive income for the period		1,252	542	532	873

INCOME STATEMENTS

DKK million

Nykredit Bank A/S

	H1/2021	H1/2020	Q2/2021	Q2/2020
INCOME STATEMENT				
Interest income based on the effective interest method	898	917	465	461
Other interest income	(176)	(108)	(96)	(80)
Negative interest, income	(84)	(118)	(45)	(45)
Positive interest expenses	(134)	(143)	(56)	(59)
Interest expenses	118	125	51	57
Net interest income	655	708	331	339
Dividend on equities etc	3	4	1	1
Fee and commission income	1,056	886	552	436
Fee and commission expenses	183	174	107	98
Net interest and fee income	1,531	1,424	777	678
Value adjustments	7	852	136	774
Other operating income		34	156	77
Staff and administrative expenses		1,108	991	504
Other operating expenses		9	27	22
Impairment charges for loans, advances and receivables etc	9	21	274	61
Profit from investments in associates and Group enterprises	10	230	167	98
Profit before tax	1,510	592	637	1,041
Tax		275	64	175
Profit for the period	1,235	528	525	866
Proposal for the distribution of profit				
Statutory reserves		230	167	98
Retained earnings		1,005	361	768
Profit for the period	1,235	528	525	866
COMPREHENSIVE INCOME				
Profit for the period	1,235	528	525	866
Other comprehensive income	-	-	-	-
Comprehensive income for the period	1,235	528	525	866

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2020	H1/2021		H1/2021	End-2020
ASSETS				
16,001	21,038	Cash balances and demand deposits with central banks	21,038	16,001
5,337	4,552	Receivables from credit institutions and central banks	4,645	5,468
106,966	113,519	Loans, advances and other receivables at amortised cost	11	115,073
38,508	41,387	Bonds at fair value	12	108,417
130	94	Equities etc		39,680
14	13	Investments in associates		142
2,501	2,644	Investments in Group enterprises		13
1,770	1,770	Intangible assets		-
				1,932
LAND AND BUILDINGS				
-	-	Leased properties		17
-	-	Total leased properties		17
-	-	Equipment		2
-	-	Current tax assets		1
116	109	Deferred tax assets		19
26,169	21,512	Other assets		109
101	168	Prepayments		21,644
197,611	206,805	Total assets		186
				106
				207,368
				198,189

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
End-2020	H1/2021				
		H1/2021	End-2020		
LIABILITIES AND EQUITY					
49,121	52,126	Payables to credit institutions and central banks	13	52,126	49,121
91,065	98,779	Deposits and other payables	14	98,565	90,943
5,400	925	Bonds in issue at amortised cost	15	925	5,400
10,991	15,247	Other non-derivative financial liabilities at fair value	16	15,144	10,801
18	242	Current tax liabilities		272	14
12,570	9,852	Other liabilities		10,411	13,130
8	6	Deferred income		10	14
169,172	177,177	Total payables		177,452	169,424
PROVISIONS					
-	-	Provisions for deferred tax		195	212
241	304	Provisions for losses under guarantees		304	241
211	103	Other provisions		112	230
453	407	Total provisions		611	683
2,000	2,000	Subordinated debt	17	2,000	2,000
Equity					
10,045	10,045	Share capital		10,045	10,045
Other reserves					
1,807	2,037	- statutory reserves		-	-
14,134	15,139	- retained earnings		17,176	15,941
25,986	27,221	Shareholder of Nykredit Bank A/S		27,221	25,986
-	-	Minority interests		84	96
25,986	27,221	Total equity		27,305	26,082
197,611	206,805	Total liabilities and equity		207,368	198,189
OFF-BALANCE SHEET ITEMS					
29,725	31,286	Contingent liabilities		31,287	29,726
10,488	9,950	Other commitments		10,129	10,670
40,214	41,236	Total		41,416	40,396

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Nykredit Bank Group's equity	Minority interests	Total equity
2021					
Equity, 1 January	10,045	15,942	25,987	96	26,082
Profit for the period	-	1,235	1,235	17	1,252
Total comprehensive income	-	1,235	1,235	17	1,252
Distributed dividend and other adjustments	-	-	-	(29)	(29)
Total changes in equity	-	1,235	1,235	(12)	1,223
Equity, 30 June	10,045	17,176	27,221	84	27,305
2020					
Equity, 1 January	10,045	14,332	24,377	57	24,434
Profit for the period	-	528	528	14	542
Total comprehensive income	-	528	528	14	542
Subsequent adjustment of purchase price allocation	-	-	-	34	34
Distributed dividend and other regulations	-	-	-	(16)	(16)
Total changes in equity	-	528	528	32	560
Equity, 30 June	10,045	14,860	24,905	89	24,994

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total equity
2021				
Equity, 1 January	10,045	1,807	14,135	25,987
Profit for the period	-	230	1,005	1,235
Total comprehensive income	-	230	1,005	1,235
Total changes in equity	-	230	1,005	1,235
Equity, 30 June	10,045	2,037	15,139	27,221
2020				
Equity, 1 January	10,045	1,464	12,868	24,377
Profit for the period	-	167	361	528
Total comprehensive income	-	167	361	528
Total changes in equity	-	167	361	528
Equity, 30 June	10,045	1,631	13,229	24,905

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	H1/2021	H1/2020
PROFIT FOR THE PERIOD	1,252	542
Adjustments		
Net interest income	(740)	(795)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	15	19
Profit from investments in associates	(3)	(3)
Prepayments/deferred income, net	(85)	(58)
Impairment charges for loans, advances and receivables etc	(7)	335
Tax on profit for the period	338	114
Other adjustments	(162)	69
Total	607	223
Change in operating capital		
Loans, advances and other receivables	(6,649)	11,047
Deposits and payables to credit institutions	10,627	(36,427)
Other operating capital	6,263	2,261
Total	10,849	(22,896)
Interest income received	789	965
Interest expenses paid	(111)	(139)
Corporation tax paid, net	(74)	(36)
Cash flows from the above operating activities	11,453	(22,106)
Cash flows from investing activities		
Dividend received from associates	4	4
Purchase and sale of bonds and equities, net	(2,846)	5,108
Purchase of intangible assets	(14)	(77)
Purchase of property, plant and equipment	(1)	(15)
Sale of property, plant and equipment	1	-
Total	(2,857)	5,020
Cash flows from financing activities		
Bonds in issue	(4,475)	712
Distributed dividend	(28)	(16)
Payment of lease liabilities	(2)	(2)
Total	(4,505)	694
Total cash flows for the period	4,090	(16,392)
Cash and cash equivalents, beginning of period:	21,469	33,528
Foreign currency translation adjustment of cash	124	(95)
Total cash flows for the period	4,090	(16,392)
Cash and cash equivalents, end of period	25,684	17,041
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	21,038	12,071
Receivables from credit institutions and central banks	4,645	4,970
Total	25,684	17,041

NOTES

Nykredit Bank Group

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10. Profit from investments in associates and group enterprises	35
11. Loans, advances and other receivable at amortised cost	36
12. Bonds at fair value	36
13. Payables to credit institutions and central banks	37
14. Deposits and other payables	37
15. Bonds in issue at amortised cost	37
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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2021 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 H1/2021 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 Bank A/S and the Nykredit Bank Group are unchanged compared with the Annual Report 2020 (note 1), and compared with the information disclosed in the Annual Report for 2020, no additional new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the H1 Interim Report 2021.

Full accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2020 (note 1).

All figures in the Interim Financial Statements 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 the Bank's Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

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 unpredictable.

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 "Accounting policies" in the Annual Report for 2020.

While covid-19-related restrictions were gradually phased out at end-H1, the partial lockdown of borders and workplaces as well as the stronger unemployment trends mean that the determination of impairment provisions for loans and advances remains subject to increased uncertainty.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
End-2020	H1/2021	H1/2021	End-2020
2. CAPITAL AND CAPITAL ADEQUACY			
25,986	27,221	Equity	
-	-	Minority interests not included	
(18)	(36)	Prudent valuation adjustment	
(1,770)	(1,770)	Intangible assets excluding deferred tax liabilities	
(18)	-	Provisions for expected credit losses in accordance with IRB approach	
-	-	Other additions/deductions	
-	(3)	Deduction for non-performing exposures	
(1,805)	(1,809)	Common Equity Tier 1 capital deductions	
24,181	25,412	Common Equity Tier 1 capital	
-	-	Minority interests	
-	-	Total Additional Tier 1 capital after deductions	
24,181	25,412	Tier 1 capital	
2,000	2,000	Tier 2 capital	
565	681	Tier 2 capital additions/deductions	
-	-	Minority interests	
26,746	28,093	Own funds	
102,909	123,404	Credit risk	
12,760	14,585	Market risk	
7,919	7,219	Operational risk	
123,587	145,208	Total risk exposure amount	
Financial ratios			
19.5	17.5	Common Equity Tier 1 capital ratio, %	
19.5	17.5	Tier 1 capital ratio, %	
21.6	19.3	Total capital ratio, %	

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA.

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% and the countercyclical buffer of temporarily 0% in Denmark which must also be met with Common Equity Tier 1 capital. The countercyclical capital buffer will be reactivated at 1% from 30 September 2022.

NOTES

DKK million

Nykredit Bank 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.

The presentation is based on the segments used for the internal management reporting.

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Wealth Management	Group Items	Total
Results								
H1/2021								
Results by business area								
Net interest income	197	326	523	306	829	43	7	879
Net fee income	105	81	186	158	344	16	(15)	345
Wealth management income	230	70	300	87	387	701	12	1,100
Net interest from capitalisation	(7)	(17)	(24)	(23)	(47)	(3)	36	(14)
Net income relating to customer benefits programmes ¹	(0)	5	5	-	5	-	(25)	(20)
Trading, investment portfolio and other income	61	84	146	306	451	50	(74)	427
Income	587	549	1,136	833	1,969	807	(58)	2,717
Costs	455	209	664	280	944	421	27	1,392
Business profit (loss) before impairment charges	132	340	472	553	1,025	386	(86)	1,325
Impairment charges for loans and advances	(98)	243	145	(120)	25	11	(8)	28
Business profit (loss)	230	97	327	673	1,000	375	(77)	1,298
Legacy derivatives	(2)	176	174	118	292	0	-	292
Profit (loss) before tax	228	273	501	791	1,292	375	(77)	1,590
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	44,229	44,229
Loans and advances at amortised cost	11,407	24,222	35,629	31,193	66,822	3,905	117	70,844
Assets by business area	11,407	24,222	35,629	31,193	66,822	3,905	44,346	115,073
Unallocated assets								92,295
Total assets								207,368
Liabilities and equity								
Repo deposit at amortised cost	-	-	-	-	-	-	6,725	6,725
Deposits and other payables at amortised cost	40,014	24,890	64,904	11,585	76,489	14,283	1,067	91,840
Liabilities by business area	40,014	24,890	64,904	11,585	76,489	14,283	7,792	98,565
Unallocated liabilities								81,498
Equity								27,305
Total liabilities and equity								207,368

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

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

Results H1/2020	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Wealth Management	Group Items	Total
Results by business area								
Net interest income	186	329	514	278	792	45	6	843
Net fee income	74	83	157	121	277	7	(11)	273
Wealth management income	202	69	271	60	331	649	7	987
Net interest from capitalisation	(9)	(23)	(32)	(28)	(59)	(3)	49	(14)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	136	136
Trading, investment portfolio and other income	59	(16)	43	73	116	35	(5)	145
Income	512	441	954	504	1,457	732	181	2,371
Costs	398	189	586	263	850	426	28	1,304
Business profit before impairment charges	114	253	367	241	608	307	153	1,067
Impairment charges for loans and advances	(10)	286	276	(25)	252	60	(3)	309
Business profit (loss)	125	(34)	91	265	356	246	156	758
Legacy derivatives	(4)	(127)	(131)	29	(102)	(1)	-	(103)
Profit (loss) before tax	121	(161)	(40)	294	254	246	156	656

BALANCE SHEET

Assets

Reverse repurchase lending at amortised cost	-	-	-	-	-	-	35,846	35,846
Loans and advances at amortised cost	11,055	23,198	34,253	29,003	63,256	3,599	159	67,014
Assets by business area	11,055	23,198	34,253	29,003	63,256	3,599	36,005	102,859
Unallocated assets								92,059
Total assets								194,919

Liabilities and equity

Repo deposit at amortised cost	-	-	-	-	-	-	1,693	1,693
Deposits and other payables at amortised cost	36,826	22,052	58,878	10,135	69,013	15,506	898	85,417
Liabilities by business area	36,826	22,052	58,878	10,135	69,013	15,506	2,591	87,110
Unallocated liabilities								82,815
Equity								24,994
Total liabilities and equity								194,919

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

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/2021			H1/2020		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	879	(139)	740	843	(48)	795
Dividend on equities etc		4	4		5	5
Fee and commission income, net	345	1,019	1,364	273	884	1,157
Net interest and fee income		884	2,108		841	1,957
Wealth management income	1,100	(1,100)	-	987	(987)	-
Net interest from capitalisation	(14)	14	-	(14)	14	-
Net income relating to customer benefits programmes	(20)	20	-	136	(136)	-
Trading, investment portfolio and other income	427	(427)	-	145	(145)	-
Value adjustments		852	852		135	135
Other operating income		46	46		173	173
Total income	2,717			2,371		
Costs	1,392	-	1,392	1,304	-	1,304
Business profit before impairment charges	1,325			1,067		
Impairment charges for loans and advances etc	28	-	28	309	-	309
Profit from investments in associates		3	3		3	3
Business profit	1,298			758		
Legacy derivatives	292	(292)	-	(103)	103	-
Profit before tax	1,590		1,590	656		656

Note 4 combines the earnings presentation in the Management Commentary (internal presentation), including financial highlights and 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" in the income statement of the Financial Statements. The column "Reclassification" thus 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. Thus, "profit before tax" is unchanged.

NOTES

DKK million

Nykredit Bank Group	H1/2021	H1/2020
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	249	225
Corporates & Institutions	244	188
Total Banking	493	413
Wealth Management	1,129	994
Group Items	28	27
Total	1,650	1,435

The allocation of fees to business divisions shows the business divisions where fees are included on initial recognition. These fees, together with other income, are subsequently reallocated to the business divisions 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 and transaction costs that are integral to the effective interest rate of an instrument are covered by IFRS 9. The same applies to fees relating to financial instruments measured at fair value.

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:

- Fees in connection with deposits, lending and guarantee activities, consisting of fixed fees and/or determined as a percentage of the amount borrowed or the guarantee amount. Lending activities comprise eg mortgage lending. Fees are recognised at the time of the transaction or at fixed payment dates.
- 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 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 Bank Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2021	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	(8)	28	(36)	-	-	(36)
Lending and deposits	976	(90)	1,066	-	(0)	1,066
Repo transactions and reverse repurchase lending	(74)	(29)	(46)	-	-	(46)
Bonds in issue at amortised cost	-	4	(4)	-	-	(4)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	7	50	(43)	-	-	(43)
Total	900	(16)	917	-	(0)	917
Financial portfolios at fair value and financial instruments at fair value						
Bonds	17	-	17	-	5	21
Equities etc	-	-	-	4	42	45
Derivative financial instruments etc	(193)	-	(193)	-	729	536
Total	(176)	-	(176)	4	775	602
Foreign currency translation adjustment					77	77
Net interest income etc and value adjustments	724	(16)	740	4	852	1,596
Negative interest income	85	85	-			
Negative interest expenses	134	134	-			
Total	944	204	740			
H1/2020						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(7)	(2)	(5)	-	-	(5)
Lending and deposits	999	(57)	1,055	-	(0)	1,055
Repo transactions and reverse repurchase lending	(111)	(43)	(68)	-	-	(68)
Bonds in issue at amortised cost	-	9	(9)	-	-	(9)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	2	53	(50)	-	-	(50)
Total	883	(20)	903	-	(0)	903
Financial portfolios at fair value and financial instruments at fair value						
Bonds	58	-	58	-	(63)	(5)
Equities etc	-	-	-	5	(2)	3
Derivative financial instruments etc	(166)	-	(166)	-	76	(90)
Total	(108)	-	(108)	5	12	(91)
Foreign currency translation adjustment					123	123
Net interest income etc and value adjustments	775	(20)	795	5	135	935
Negative interest income	119	119	-			
Negative interest expenses	143	143	-			
Total	1,037	242	795			

NOTES

DKK million

Nycredit Bank A/S		Nycredit Bank Group	
H1/2020	H1/2021	H1/2021	H1/2020
7. VALUE ADJUSTMENT			
Assets measured at fair value through profit or loss			
(0)	(0) Other loans, advances and receivables at fair value	(0)	(0)
(62)	5 Bonds	5	(63)
(1)	40 Equities etc	42	(2)
123	78 Foreign exchange	77	123
72	726 Foreign exchange, interest rate and other contracts as well as derivative financial instruments	726	72
4	3 Other assets	3	4
136	852 Total	852	135

Nykredit Bank 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 amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc ¹	Guarantees etc ¹	Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020
Total impairment provisions								
Balance, beginning of period	3,012	2,526	12	12	241	137	3,265	2,675
New impairment provisions as a result of additions and change in credit risk	920	893	0	5	174	170	1,094	1,068
Releases as a result of redemptions and change in credit risk	922	678	9	0	110	52	1,042	731
Impairment provisions written off	85	61	-	-	-	-	85	61
Interest on impaired facilities	27	30	-	-	-	-	27	30
Total impairment provisions, end of period	2,952	2,710	3	16	304	255	3,260	2,981
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	(2)	215	(8)	4	63	118	53	337
Write-offs for the period, not previously written down for impairment	10	9	-	-	-	-	10	9
Recoveries on claims previously written off	(29)	(26)	-	-	-	-	(29)	(26)
Total	(21)	197	(8)	4	63	118	33	319
Value adjustment of claims previously written off	(6)	(11)	-	-	-	-	(6)	(11)
Earnings impact, H1	(27)	186	(8)	4	63	118	28	309

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

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DKK million

Nykredit Bank Group

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

8 b. Total impairment provisions by stage 2021	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2021	440	584	2,001	70	104	67	3,265
Transfer to stage 1	266	(241)	(25)	49	(47)	(2)	0
Transfer to stage 2	(70)	297	(227)	(7)	16	(9)	0
Transfer to stage 3	(2)	(60)	62	(0)	(11)	11	(0)
Impairment provisions for new loans and advances (additions)	77	97	56	15	22	6	273
Additions as a result of change in credit risk	59	379	252	12	99	20	821
Releases as a result of change in credit risk	350	213	369	67	26	17	1,042
Previously written down for impairment, now written off	0	0	85	-	-	-	85
Interest on impaired facilities	-	-	27	-	-	-	27
Total impairment provisions, end of period	420	844	1,691	72	157	76	3,260
Total		2,955			304		3,260
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	3	-	-				3
Earnings impact, H1/2021	(214)	264	(61)	(40)	95	8	53

2020	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2020	409	199	1,930	52	38	46	2,675
Transfer to stage 1	104	(86)	(18)	13	(13)	(0)	0
Transfer to stage 2	(16)	197	(182)	(4)	7	(3)	(0)
Transfer to stage 3	(8)	(19)	26	(0)	(2)	2	0
Impairment provisions for new loans and advances (additions)	57	14	70	35	8	5	190
Additions as a result of change in credit risk	186	138	431	80	26	16	878
Releases as a result of change in credit risk	206	182	290	28	11	14	731
Previously written down for impairment, now written off	0	0	61	-	-	-	61
Interest on impaired facilities	-	-	30	-	-	-	30
Total impairment provisions, end of period	527	262	1,937	149	53	52	2,981
Total		2,726			255		2,981
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	16	-	-				16
Earnings impact, H1/2020	37	(29)	211	87	23	8	337

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report 2020.

Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over a period of 12 months for loans and advances etc at amortised cost. For loans and advances at fair value, the initial impairment was calculated at DKK 0.

Stage 2 covers loans and advances etc with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over the asset's maturity.

Stage 3 covers loans and advances etc that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans.

NOTES

DKK million

Nykredit Bank Group

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

8 c. Loans, advances and guarantees etc by stage

30 June 2021

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	102,051	13,806	2,168	118,025
Total impairment provisions, end of period	417	844	1,691	2,952
Loans and advances, carrying amount	101,635	12,962	477	115,073

Guarantees and loan commitments

Guarantees etc	53,974	2,777	322	57,073
Total impairment provisions, end of period	72	157	76	304
Guarantees and loan commitments, carrying amount	53,902	2,620	246	56,768

End-2020

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	96,628	12,201	2,600	111,429
Total impairment provisions, end of period	428	584	2,001	3,012
Loans and advances, carrying amount	96,200	11,618	599	108,417

Guarantees and loan commitments

Guarantees etc	53,996	3,275	231	57,502
Total impairment provisions, end of period	70	104	67	241
Guarantees and loan commitments, carrying amount	53,926	3,171	164	57,261

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DKK million

Nykredit Bank 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 amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc ¹	Guarantees etc ¹	Total	Total
Total impairment provisions	2021	2020	2021	2020	2021	2020	2021	2020
Balance, beginning of period	2,873	2,419	12	12	241	137	3,126	2,568
New impairment provisions as a result of additions and change in credit risk	893	829	0	5	174	170	1,067	1,004
Releases as a result of redemptions and change in credit risk	901	653	9	0	110	52	1,020	705
Impairment provisions written off	83	54	-	-	-	-	83	54
Interest on impaired facilities	27	30	-	-	-	-	27	30
Total impairment provisions, end of period	2,810	2,572	3	16	304	255	3,118	2,843
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	(8)	177	(8)	4	63	118	47	299
Write-offs for the period, not previously written down for impairment	8	7	-	-	-	-	8	7
Recoveries on claims previously written off	(29)	(21)	-	-	-	-	(29)	(21)
Total	(29)	163	(8)	4	63	118	26	285
Value adjustment of claims previously written off	(6)	(11)	-	-	-	-	(6)	(11)
Total earnings impact, H1	(34)	152	(8)	4	63	118	21	274

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

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DKK million

Nykredit Bank A/S

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

9 b. Total impairment provisions by stage

2021	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2021	427	582	1,877	70	104	67	3,127
Transfer to stage 1	265	(241)	(24)	49	(47)	(2)	-
Transfer to stage 2	(69)	296	(227)	(7)	16	(9)	-
Transfer to stage 3	(2)	(60)	61	(0)	(11)	11	-
Impairment provisions for new loans and advances (additions)	75	97	53	15	22	6	267
Additions as a result of change in credit risk	58	379	231	12	99	20	799
Releases as a result of change in credit risk	347	212	351	67	26	17	1,020
Previously written down for impairment, now written off	-	-	83	-	-	-	83
Interest on impaired facilities	-	-	27	-	-	-	27
Total impairment provisions	407	842	1,565	72	157	76	3,118
Total impairment provisions, end of period		2,814			304		3,118
Impairment provisions, end of period, are attributable to:							
Credit institutions	3	-	-				3
Earnings impact, H1/2021	(214)	264	(67)	(40)	95	8	47

2020	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2020	396	193	1,842	52	38	46	2,568
Transfer to stage 1	103	(86)	(18)	13	(13)	(0)	-
Transfer to stage 2	(15)	196	(181)	(4)	7	(3)	-
Transfer to stage 3	(8)	(16)	23	(0)	(2)	2	-
Impairment provisions for new loans and advances (additions)	55	14	40	35	8	5	157
Additions as a result of change in credit risk	185	137	403	80	26	16	848
Releases as a result of change in credit risk	202	180	271	28	11	14	705
Previously written down for impairment, now written off	-	-	54	-	-	-	54
Interest on impaired facilities	-	-	30	-	-	-	30
Total impairment provisions	514	260	1,815	149	53	52	2,843
Total impairment provisions, end of period		2,588			255		2,843
Impairment provisions, end of period, are attributable to:							
Credit institutions	16	-	-				16
Earnings impact, H1/2020	38	(29)	172	87	23	8	299

NOTES

Nykredit Bank A/S		Dkk million	
		Nykredit Bank Group	
H1/2020	H1/2021	H1/2021	H1/2020
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
3	3	3	3
165	227	-	-
167	230	3	3

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2020	H1/2021		H1/2021	End-2020
11. LOANS, ADVANCES AND OTHER RECEIVABLE AT AMORTISED COST				
72,569	72,100	Bank loans and advances	73,796	74,158
37,271	44,229	Reverse repurchase lending	44,229	37,271
109,840	116,329	Balance, end of period	118,025	111,429
Adjustment for credit risk				
(2,874)	(2,811)	Impairment provisions	(2,952)	(3,012)
106,966	113,519	Balance after impairment, end of period	115,073	108,417
12. BONDS AT FAIR VALUE				
35,221	36,232	Covered bonds	37,418	36,369
2,137	3,836	Government bonds	3,854	2,155
1,324	1,487	Other bonds etc	1,487	1,331
38,681	41,556	Total	42,759	39,854
174	169	Self-issued bonds offset against bonds in issue	169	174
38,508	41,387	Total	42,590	39,680
The effect of fair value adjustment is recognised in the income statement.				
1,082	4,102	Of which redeemed bonds	4,258	1,086
10,304	9,692	Assets sold as part of genuine sale and repurchase transactions	9,692	10,304

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
End-2020	H1/2021	H1/2021	End-2020
13. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
37,586	46,700	Payables to credit institutions	46,700 37,586
3,901	2,502	Payables to central banks	2,502 3,901
7,634	2,925	Repo transactions with credit institutions	2,925 7,634
49,121	52,126	Total	52,126 49,121
14. DEPOSITS AND OTHER PAYABLES			
83,348	85,449	On demand	85,235 83,226
2,365	3,934	Time deposits	3,934 2,365
2,677	2,670	Special deposits	2,670 2,677
2,674	6,725	Repo deposits	6,725 2,674
91,065	98,779	Total	98,565 90,943
15. BONDS IN ISSUE AT AMORTISED COST			
5,574	1,094	Bonds in issue	1,094 5,574
(174)	(169)	Own portfolio	(169) (174)
5,400	925	Total	925 5,400
Issues			
516	508	EMTN issues*	508 516
4,885	417	ECP issues*	417 4,885
5,400	925	Total	925 5,400
* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.			
16. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
10,991	15,247	Negative securities portfolios	15,144 10,801
10,991	15,247	Total	15,144 10,801
17. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibor.			
2,000	2,000		2,000 2,000
2,000	2,000	Total subordinated debt	2,000 2,000
2,000	2,000	Subordinated debt that may be included in own funds	2,000 2,000

18. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Nykredit Realkredit, its parent as well as Group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's Group enterprises and associates as stated in the Group structure are included as well as the Bank's Board of Directors, its Executive Board and related parties thereof.

No unusual related party transactions occurred in H1/2021 and 2020.

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, insurance, 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.

Moreover, Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Nykredit Bank in the form of Tier 2 capital and in 2019 contributed another DKK 2.0 billion to Nykredit Bank in the form of Tier 1.

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. Transactions in financial instruments are covered by master netting agreements involving an on-going exchange of collateral in the form of cash and bonds.

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

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2021 and 2020 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

19. 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, a Funding Valuation Adjustment (FVA) for the valuation of derivatives is used. 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 cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK 430 million at 30 June 2021 against DKK 496 million at end-2020.

19. FAIR VALUE DISCLOSURES (CONTINUED)

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 2021, the non-amortised minimum margin amounted to DKK 112 million (end-2020: DKK 119 million). With regard to liquidity and credit risk, these amounts have been included above in the net adjustment of FVA and CVA; DKK 153 million at end-June 2021 (end-2020: DKK 161 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 Nykredit 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 1,660 million at 30 June 2021 (end-2020: DKK 2,065 million). Credit value adjustments came to DKK 1,503 million at 30 June 2021 (end-2020: DKK 1,843 million).

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 51 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 2021, the proportion was thus 2.8% (end-2020: 3.4%). The proportion of financial liabilities was 0.0% (end-2020: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.7 billion (end-2020: DKK 2.1 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 167 million at 30 June 2021 (0.61% of equity at 30 June 2021). The earnings impact at 31 December 2020 was estimated at DKK 210 million (0.81% of equity at 31 December 2020).

Transfers between categories

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 2021, financial assets of DKK 3.1 billion (end-2020: DKK 2.8 billion) have been transferred from Listed prices to Observable inputs and DKK 3.5 billion (end-2020: DKK 2.4 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 1.0 billion (end-2020: DKK 0.4 billion) were transferred from Listed prices to Observable inputs and DKK 1.0 billion (end-2020: DKK 0.0 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 2021 the amount was DKK 4.1 billion (end-2020: DKK 1.1 billion).

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

Nykredit Bank Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2021

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	12,923	29,667	-	42,590
- equities measured at fair value through profit or loss	77	-	39	116
- positive fair value of derivative financial instruments	76	15,988	1,660	17,724
Total	13,075	45,655	1,699	60,429
Percentage	21.6	75.6	2.8	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	7,118	8,026	-	15,144
- negative fair value of derivative financial instruments	75	8,536	-	8,611
Total	7,193	16,562	-	23,755
Percentage	30.3	69.7	-	100.0

Assets measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	38	2,065	2,103
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(1)	(287)	(288)
Purchases for the period	-	2	-	2
Sales for the period	-	(0)	(28)	(28)
Transferred from Listed prices and Observable inputs ¹	-	-	158	158
Transferred to Listed prices and Observable inputs ²	-	-	(249)	(249)
Fair value, end of period, assets	-	39	1,660	1,699

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

² 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 Bank Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2020

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	8,549	31,131	-	39,680
- equities measured at fair value through profit or loss	103	-	38	142
- positive fair value of derivative financial instruments ³	21	19,882	2,064	21,968
Total	8,674	51,013	2,103	61,790
Percentage	14.0	82.6	3.4	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,825	6,976	-	10,801
- negative fair value of derivative financial instruments	26	11,322	-	11,348
Total	3,851	18,298	-	22,149
Percentage	17.4	82.6	-	100.0

Assets measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	39	1,033	1,072
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(1)	(385)	(386)
Purchases for the period	-	-	-	-
Sales for the period	-	(1)	(117)	(118)
Transferred from Listed prices and Observable inputs ¹	-	1	373	375
Transferred to Listed prices and Observable inputs ²	-	-	(868)	(868)
Adjustment ³	-	-	2,028	2,028
Fair value, end of period, assets	-	38	2,065	2,103

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

² 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.

³ An adjustment has been made of the classification of unobservable input and observable input as at 31 December 2020. The change will not impact "Total fair value".

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DKK million

Nykredit Bank Group	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
20. FIVE YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	740	795	807	829	743
Net fee income etc	1,368	1,162	893	846	800
Net interest and fee income	2,108	1,957	1,700	1,674	1,543
Value adjustments	852	135	68	732	2,241
Other operating income	46	173	21	14	17
Staff and administrative expenses	1,367	1,258	1,036	976	934
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	15	19	0	0	7
Other operating expenses	10	28	12	12	11
Impairment charges for loans, advances and receivables etc	28	309	97	129	(207)
Profit from investments in associates and Group enterprises	3	3	3	1	-
Profit before tax	1,590	656	647	1,305	3,054
Tax	338	114	141	281	671
Profit for the period	1,252	542	506	1,025	2,383
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Assets					
Cash balances and receivables from credit institutions and central banks	25,684	17,040	24,385	12,724	25,486
Loans, advances and other receivables at fair value	-	-	-	-	21,511
Loans, advances and other receivables at amortised cost	115,073	102,859	112,652	89,536	57,544
Bonds and equities etc	42,705	45,679	42,539	49,075	36,205
Remaining assets	23,906	29,340	35,057	22,755	25,041
Total assets	207,368	194,919	214,634	174,090	165,787
Liabilities and equity					
Payables to credit institutions and central banks	52,126	50,499	77,760	42,434	41,252
Deposits and other payables	98,565	87,110	83,304	84,293	69,716
Bonds in issue at amortised cost	925	4,492	5,511	4,779	6,366
Other non-derivative financial liabilities at fair value	15,144	11,771	9,411	6,059	10,149
Remaining liabilities	10,692	13,432	14,751	13,811	16,958
Provisions	611	622	295	254	219
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	27,305	24,994	21,601	20,460	19,127
Total liabilities and equity	207,368	194,919	214,634	174,090	165,787
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	31,287	23,994	28,470	21,692	19,627
Other commitments	10,129	13,533	9,636	7,315	6,291

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Nykredit Bank Group	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
20. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUE)					
FINANCIAL RATIOS¹					
Total capital ratio, %	20.2	21.5	20.7	22.4	20.8
Tier 1 capital ratio, %	18.3	19.3	18.7	20.0	18.7
Return on equity before tax, %	6.0	2.7	3.0	6.5	17.0
Return on equity after tax, %	4.7	2.2	2.4	5.1	13.3
Income:cost ratio	2.12	1.41	1.57	2.17	5.09
Foreign exchange position, %	0.3	0.3	0.6	0.1	0.4
Loans and advances:equity (loan gearing)	4.2	4.1	5.2	4.4	4.1
Growth in loans and advances for the period, excluding repo transactions, %	(0.4)	2.4	4.9	4.6	4.6
Impairment charges for the period, %	0.0	0.2	0.1	0.1	(0.2)
Return on capital employed, %	0.6	0.3	0.2	0.6	1.4
Average number of staff, full-time equivalent	944	958	843	830	827

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report 2020

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DKK million

Nykredit Bank A/S	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
20. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	655	708	720	748	671
Net fee income etc	877	716	681	665	637
Net interest and fee income	1,531	1,424	1,402	1,413	1,308
Value adjustments	852	136	68	733	2,241
Other operating income	34	156	5	2	2
Staff and administrative expenses	1,108	991	932	870	829
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	-	-	-	8
Other operating expenses	9	27	10	10	10
Impairment charges for loans, advances and receivables etc	21	274	84	125	(209)
Profit from investments in associates and Group enterprises	230	167	155	127	111
Profit before tax	1,510	592	605	1,271	3,024
Tax	275	64	99	246	641
Profit for the period	1,235	528	506	1,025	2,383
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Assets					
Cash balances and receivables from credit institutions and central banks	25,590	16,984	24,377	12,723	25,486
Loans, advances and other receivables at fair value	-	-	-	-	21,511
Loans, advances and other receivables at amortised cost	113,519	101,412	111,289	88,116	56,254
Bonds and equities etc	41,650	44,536	48,111	51,942	35,618
Remaining assets	26,047	31,299	30,314	20,594	26,278
Total assets	206,805	194,231	214,090	173,375	165,147
Liabilities and equity					
Payables to credit institutions and central banks	52,126	50,499	77,760	42,164	40,982
Deposits and other payables	98,779	87,284	83,400	84,364	69,809
Bonds in issue at amortised cost	925	4,492	5,511	4,779	6,366
Other non-derivative financial liabilities at fair value	15,247	11,878	9,411	6,059	10,149
Remaining liabilities	10,100	12,780	14,247	13,415	16,598
Provisions	407	393	159	134	116
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	27,221	24,905	21,601	20,460	19,127
Total liabilities and equity	206,805	194,231	214,090	173,375	165,147
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	31,286	23,994	28,569	22,132	19,996
Other commitments	9,950	13,363	9,411	6,578	6,145

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Nykredit Bank A/S	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
20. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS¹					
Total capital ratio, %	19.3	20.5	19.7	21.4	19.8
Tier 1 capital ratio, %	17.5	18.4	17.8	19.2	17.9
Return on equity before tax, %	5.7	2.4	2.8	6.3	16.9
Return on equity after tax, %	4.6	2.1	2.4	5.1	13.3
Income:cost ratio	2.33	1.46	1.59	2.26	5.75
Foreign exchange position, %	0.3	0.3	0.6	0.1	0.4
Loans and advances:equity (loan gearing)	4.2	4.1	5.2	4.3	4.1
Growth in loans and advances for the period, excluding repo transactions, %	(0.6)	2.3	4.8	4.6	5.2
Impairment charges for the period, %	0.0	0.3	0.1	0.1	(0.2)
Return on capital employed, %	0.6	0.3	0.2	0.6	1.4
Average number of staff, full-time equivalent	677	675	668	659	666

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report 2020.

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DKK million

Nykredit Bank Group

21. GROUP STRUCTURE

Name and registered office

Name and registered office	Owner-ship interest as %, 30 June 2021	Profit for the period, 2021	Equity 30 June 2021	Profit for 2020	Equity 31 December 2020
Nykredit Bank A/S (Parent), Copenhagen, a)		1,235	27,221	1,610	25,986
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	121	1,391	192	1,271
Nykredit Leasing A/S, Gladsaxe c)	100	54	994	82	939
Sparinvest Holdings SE, Luxembourg, d)	75	78	245	44	211

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.

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

Luxembourg: Names and activities appear from the Group structure above

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark	921	2,651	1,535	324	-
Luxembourg	23	165	55	14	-

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) Banking

b) Investment management company

c) Leasing

d) Holding company, no independent activities

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit for accounting purposes.

The financial statements of Forenet Kredit (in Danish) and Nykredit A/S are available from:

Nykredit Realkredit A/S

Kalvebod Brygge 1-3

DK-1780 Copenhagen V