Nykredit

Nykredit Bank

Annual Report 2019

Nykredit Bank A/S
Kalvebod Brygge 1-3
DK - 1780 Copenhagen V
Tel +45 44 55 10 00
www.nykredit.com
CVR no: 10 51 96 08

CONTENTS

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	2019	2018	2017	2016	2015	Q4/ 2019	Q3/ 2019	Q4/ 2018
BUSINESS PROFIT AND PROFIT FOR THE PERIOD								
Net interest income	1,520	1,533	1,493	1,467	1,505	402	375	373
Net fee income	538	521	540	385	340	133	138	125
Wealth management income	1,610	1,361	1,402	1,184	1,040	494	397	336
Net interest from capitalisation	(28)	(30)	(32)	5	8	(6)	(7)	(7)
Net income relating to customer benefits programmes[1]	(9)	-	-	-	-	(9)	-	-
Trading, investment portfolio and other income	720	755	986	428	690	325	46	17
Income	**4,350**	**4,141**	**4,388**	**3,470**	**3,584**	**1,340**	**948**	**844**
Costs	2,375	2,029	1,973	2,061	1,924	776	551	562
Business profit before impairment charges	**1,975**	**2,112**	**2,415**	**1,410**	**1,660**	**564**	**397**	**283**
Impairment charges for loans and advances	210	274	(102)	(141)	(121)	42	71	162
Business profit	**1,765**	**1,838**	**2,516**	**1,551**	**1,781**	**522**	**327**	**120**
Legacy derivatives	(112)	280	1,517	(763)	229	485	(328)	(104)
Profit (loss) before tax	**1,653**	**2,118**	**4,033**	**787**	**2,010**	**1,006**	**(1)**	**16**
Tax	366	458	901	161	468	227	(2)	4
Profit for the period	**1,287**	**1,660**	**3,133**	**626**	**1,542**	**780**	**1**	**12**
Minority interests	(1)	-	-	-	-	(4)	3	-

SUMMARY BALANCE SHEET								
Assets	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2019	30.09.2019	31.12.2018
Cash balances and receivables from credit institutions and central banks	33,526	17,909	19,991	35,723	13,425	33,526	38,693	17,909
Reverse repurchase lending	48,749	37,427	27,566	30,091	39,467	48,749	50,008	37,427
Loans, advances and other receivables at amortised cost	65,466	60,566	55,783	55,003	46,747	65,466	63,289	60,566
Bonds and equities etc	50,789	49,289	47,453	42,576	40,412	50,789	53,076	49,289
Remaining assets	27,996	21,943	22,793	31,533	34,288	27,996	32,261	21,943
Total assets	**226,528**	**187,135**	**173,585**	**194,926**	**174,339**	**226,528**	**237,327**	**187,135**
Liabilities and equity								
Payables to credit institutions and central banks	85,154	54,620	40,218	51,606	34,957	85,154	92,481	54,620
Repo deposits	3,331	5,745	8,214	6,619	6,552	3,331	2,673	5,745
Deposits and other payables	85,549	77,119	76,501	66,263	62,758	85,549	83,601	77,119
Bonds in issue at amortised cost	3,780	5,411	6,473	10,158	20,150	3,780	4,470	5,411
Other non-derivative financial liabilities at fair value	7,133	7,618	13,976	14,728	5,224	7,133	11,472	7,618
Remaining liabilities	14,695	13,236	6,084	26,546	28,267	14,695	16,647	13,236
Provisions	450	290	241	261	213	450	316	290
Subordinated debt	2,000	2,000	2,000	2,000	100	2,000	2,000	2,000
Equity	24,434	21,095	19,877	16,744	16,118	24,434	23,666	21,095
Total liabilities and equity	**226,528**	**187,135**	**173,585**	**194,926**	**174,339**	**226,528**	**237,327**	**187,135**

FINANCIAL RATIOS[1]								
Profit for the period as % pa of average equity	5.7	8.1	16.8	3.9	10.4	13.0	0.0	0.2
Costs as % of income	54.6	49.0	45.0	59.4	53.4	57.9	58.1	66.5
Total provisions for loan impairment and guarantees	2,538	2,896	2,347	2,611	2,974	2,538	2,763	2,896
Impairment charges for the period, %	0.14	0.30	-0.10	-0.10	-0.10	0.04	0.10	0.20
Total capital ratio, %	20.8	21.5	22.3	16.6	21.1	20.8	20.0	21.5
Tier 1 capital ratio, %	18.9	19.4	20.1	14.8	20.7	18.9	18.1	19.4
Common Equity Tier 1 capital ratio, %	18.9	19.4	20.1	14.8	20.6	18.9	18.1	19.4
Average number of staff, full-time equivalent	900	837	822	800	761	1,007	908	837

[1] "Net income relating to customer benefits programmes" has been specified under "Alternative performance measures" on page 18.
For definitions of financial ratios, see 111.

FINANCIAL REVIEW

Business profit for 2019	Profit for 2019	Income in 2019
DKK 1,765 million	**DKK 1,653 million**	**DKK 4,350 million**
Business profit	Profit before tax	Income

Return on equity	Cost:income ratio	Impairment charges, %
5.7%	**54.6%**	**0.14%**
Profit for the year as % of average equity	Costs as % of income	Impairment charges for the year divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS IN 2019

The financial performance in 2019 was in accordance with our expectations. Business profit amounted to DKK 1,765 million (2018: DKK 1,838 million). Profit before tax amounted to DKK 1,653 million (2018: DKK 2,118 million). The decline in profit was mainly due to the lower interest rate level affecting value adjustments of swaps.

Nykredit Bank is an important part of the Nykredit Group, and many mortgage customers, both private and business customers, are also full-service banking customers of Nykredit Bank. Nykredit Bank widely underpins the Group's mortgage business, eg by offering market making in the Group's covered bonds and thus contributing to ensuring high liquidity.

Nykredit Bank aims to be the customers' preferred bank, always striving to further enhance the customer experience. Nykredit's customer concepts continued to generate satisfactory growth in the number of full-service (BoligBank and ErhvervsBank) customers and increasing business volumes.

Sustainability has become an important part of our work, and we are working to support Denmark's green transition all across the Group. This includes promoting a responsible and sustainable product range and reducing our resource consumption and carbon footprint. Nykredit therefore offers our full-service customers green car loans to finance electric and hybrid cars. We believe that minor adjustments in, for example, the price of car loans foster green behaviour.

Bank lending increased by DKK 4.9 billion to DKK 65.5 billion, corresponding to a 8% increase since 31 December 2018. Including secured homeowner loans transferred to Totalkredit of DKK 6.8 billion, loans and advances increased by 8% since end-2018.

To our full-service personal banking customers who have consolidated all of their finances with Nykredit, we have launched the MineMål benefits programme aimed at helping customers achieve their goals and dreams as homeowners.

Being customer-owned, we are in a unique position to share our success and give money back to our customers. Customers who have been part of the MineMål benefits programme since the launch in Q4/2018 have now received bonuses totalling DKK 1,600. In May we launched the MineMål app, which offers customers a string of special propositions from some of Nykredit's business partners. The app has had more than 30,000 downloads. From 1 July 2019 customers qualifying for the MineMål benefits programme have also received a discount on home loan expenses of 0.15% of their debt outstanding with Nykredit Bank.

We have not only welcomed new customers in 2019, but also new colleagues. In spring, Nykredit announced Nykredit Bank's acquisition of the shares in Sparinvest. The acquisition was approved by the Danish Competition and Consumer Authority in July and by the Luxembourg supervisory authority (CSSF) in August 2019. The acquisition was finalised on 30 August 2019, and Sparinvest has subsequently become a 76.4% owned subsidiary of Nykredit Bank A/S.

The acquisition of Sparinvest is a significant investment in the future competitiveness of Nykredit and the collaboration with our partner banks. Joining strengths with Sparinvest will increase our joint competitiveness and distribution power. We are consolidating our wealth management skills and securing a wider and stronger product portfolio, which will improve our capacity to accommodate the demands that both personal customers and institutional clients place on us as asset managers, also in the long run.

Assets under management continued the strong growth of recent years, particularly driven by international clients, professional Danish clients and Private Banking Elite clients. Assets under management grew by DKK 125.1 billion since end-2018 to DKK 335.8 billion at end-2019. The value of assets under management in Sparinvest totalled DKK 101.3 billion at end-2019.

The strong product supply and good customer experience delivered by Wealth Management have again this year been recognised by awards. Recently, Private Banking was ranked no 1 by Danish private banking clients for the third consecutive year in Prospera's annual survey. Moreover, for the third year running, Nykredit Private Banking Elite was awarded the best private bank in Denmark by PWM/The Banker, two Financial Times media, and won Outstanding Private Banking Customer Relationship Service and Engagement for the second time at the Private Banker International Awards in London. Nykredit Private Banking Elite also won Best Domestic Clients Team in the category European Private Banking at the Wealth Briefing European Awards 2019 and was honoured with second place in the category Best Private Banking Service in Denmark by Euromoney.

Income
Income increased by DKK 209 million to DKK 4,350 million (2018: DKK 4,141 million), which was primarily attributable to growth in assets under management, partly due to the acquisition of shares in Sparinvest. Income generated by Sparinvest has been included as from September.

Net interest income declined by DKK 13 million to DKK 1,520 million (2018: DKK 1,533 million), whereas net fee income increased by DKK 17 million to a total of DKK 538 million (2018: DKK 521 million). Net interest income was negatively affected by a decrease in lending margins.

Wealth management income increased by DKK 249 million to DKK 1,610 million (2018: DKK 1,361 million). Income rose mainly due to growth in assets under management. Income generated by Sparinvest has been included as from September.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 28 million (2018: an expense of DKK 30 million).

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 36 million to DKK 720 million (2018: DKK 755 million). The development was driven by the lower interest rate level affecting value adjustments of swaps negatively, which was partly offset by a rise in investment portfolio income.

Costs
Costs increased by DKK 347 million to DKK 2,375 million (2018: DKK 2,029 million). The Group still maintains focus on building organisational efficiency, while investing significant resources in compliance and implementation of new regulatory requirements as well as extending the partnership with BEC.

The average number of full-time equivalent staff totalled 900 (end-2018: 837). The increase can primarily be ascribed to the number of Sparinvest staff joining Nykredit.

Impairment charges for loans and advances and provisions for guarantees etc
Impairment charges for the year remained low at 0.14% (2018: 0.30%). Impairment charges and provisions came to DKK 210 million (2018: DKK 274 million). Retail Banking accounted for DKK 209 million and Corporates & Institutions accounted for a net reversal of DKK 4 million.

Legacy derivatives
This item includes value adjustment of a number of derivative products which Nykredit no longer offers to customers. These value adjustments are not included in the business profit.

Value adjustment was a negative DKK 112 million (2018: an income of DKK 280 million). The decline in legacy derivatives primarily resulted from decreasing interest rates.

The portfolio of legacy derivatives had a total market value of DKK 6.6 billion (end-2018: DKK 5.6 billion). The portfolio was written down to DKK 4.5 billion (end-2018: DKK 3.5 billion).

Tax
Tax on profit for the year was DKK 366 million (2018: DKK 458 million).

Balance sheet
The balance sheet stood at DKK 226.5 billion at end-2019 (end-2018: DKK 187.1 billion).

Receivables from credit institutions and cash balances etc rose by DKK 15.6 billion to DKK 33.5 billion, and reverse repurchase lending increased by DKK 11.3 billion to DKK 48.7 billion (end-2018: DKK 17.9 billion and DKK 37.4 billion, respectively).

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 4.9 billion relative to end-2018 to DKK 65.5 billion at end-2019 (end-2018: DKK 60.6 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 end-2019 these loans amounted to DKK 6.8 billion (end-2018: DKK 6.2 billion). Loan balances including secured homeowner loans totalled DKK 72.3 billion (end-2018: DKK 66.8 billion).

The bond and equity portfolios totalled DKK 50.8 billion (end-2018: DKK 49.3 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 28.0 billion (end-2018: DKK 21.9 billion). At end-2019 DKK 21.0 billion was attributable to positive market values of derivatives (end-2018: DKK 17.8 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 rose by DKK 30.5 billion to DKK 85.2 billion (end-2018: DKK 54.6 billion), while repo deposits fell by DKK 2.4 billion to DKK 3.3 billion (end-2018: DKK 5.7 billion).

Deposits and other payables (excluding repo deposits) went up by DKK 8.4 billion to DKK 85.5 (end-2018: DKK 77.1 billion).

Bonds in issue totalled DKK 3.8 billion (end-2018: DKK 5.4 billion). Debt to fund Nykredit Bank will be issued by Nykredit Realkredit and the proceeds will be transferred to Nykredit Bank by way of long-term intercompany funding.

The total funding and ECP issuance need will depend on the development in customer deposits and lending as well as the Bank's other business activities.

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 7.1 billion (end-2018: DKK 7.6 billion).

Remaining payables and provisions amounted to DKK 15.1 billion (end-2018: DKK 13.5 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 12.2 billion (end-2018: DKK 10.7 billion).

Equity

Equity stood at DKK 24.4 billion at end-2019 (end-2018: DKK 21.1 billion).

RESULTS FOR Q4/2019 RELATIVE TO Q3/2019

Profit before tax was DKK 1,006 million (Q3/2019: a loss of DKK 1 million).

Income went up by DKK 392 million to DKK 1,340 million (Q3/2019: DKK 948 million), primarily due to the higher interest rate level in Q4/2019 affecting value adjustments of swaps positively.

Costs amounted to DKK 776 million (Q3/2019: DKK 551 million). The increase was primarily due to higher costs of integrating Sparinvest as well as investments in compliance-related areas.

Impairment charges declined by DKK 28 million to DKK 42 million.

Value adjustment of legacy derivatives amounted to DKK 485 million in Q4/2019 (Q3/2019: a negative DKK 328 million), primarily driven by changes in interest rates, which impacted the value adjustment of legacy derivatives positively in Q4.

Business profit was consequently DKK 522 million in Q4/2019 (Q3/2019: DKK 327 million).

RESULTS RELATIVE TO OUTLOOK

As announced in the Annual Report for 2018 Nykredit Bank's expectations for 2019 were a business profit and profit before tax of between DKK 1.5 billion and DKK 2.0 billion.

Business profit for the year was satisfactory and came to DKK 1.8 billion, and profit before tax of DKK 1.7 billion was in the middle of the range.

OUTLOOK FOR 2020

For 2020 Nykredit Bank expects a business profit of between DKK 1.9 billion and DKK 2.4 billion. Profit before tax for 2020 is expected to be at the same level, as there are no specific expectations for legacy derivatives.

The outlook for the full-year results is based on the following assumptions:

- Nykredit expects a moderate level of market activity combined with continued low interest rates. Business volumes and income are expected to grow.
- 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 are expected to be higher than in 2019.

The most important uncertainty factors relative to the 2020 outlook relate to legacy derivatives and impairment charges for loans and advances.

SPECIAL ACCOUNTING CIRCUMSTANCES

Implementation of IFRS 16 "Leases"

IFRS 16 was implemented with effect from 1 January 2019. The standard implies capitalisation of Nykredit's rights to leased assets, including leasehold premises, and the recognition of liabilities arising from such leases.

OTHER

New organisation

A Group-wide reorganisation was implemented with effect from 21 March to further strengthen Nykredit's capacity to take the Winning the Double strategy and the customer experience to the next level.

On 1 June 2019 Tonny Thierry Andersen joined the Board of Directors in Nykredit Bank Group, which now consists of four directors and two staff-elected members.

Tonny Thierry Andersen has been appointed Group Managing Director and member of the Group Executive Board of Nykredit Realkredit A/S with responsibility for the Nykredit Group's Banking division.

Søren Holm and Kim Duus both resigned from the Group Executive Board of Nykredit Realkredit A/S and as members of the Board of Directors of the Nykredit Bank Group on 21 March 2019.

Wealth Management has made several adjustments to the organisation in the wake of the Sparinvest acquisition to maintain a solid business momentum and to ensure that Nykredit remains a strong wealth management partner to clients and partner banks.

The acquisition of shares in Sparinvest is completed

On 9 July the Danish Competition and Consumer Authority approved Nykredit's acquisition of Sparinvest, and subsequently on 14 August 2019 the authorities in Luxembourg (CSSF) announced their approval of the acquisition. The acquisition was finalised on 30 August 2019, and Sparinvest has subsequently become a 76.4% owned subsidiary of Nykredit Bank A/S.

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 unlisted financial instruments see note 1, accounting policies, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the Annual Report for 2019 which materially affect the Nykredit Bank Group's financial position.

CAPITAL

EQUITY AND OWN FUNDS

Equity

Equity carried for accounting purposes totalled DKK 24.4 billion at end-2019 (end-2018: DKK 21.1 billion). Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

DKK million

Nykredit Bank Group Capital and capital adequacy	31.12.2019	31.12.2018
Credit risk	99,211	87,742
Market risk	11,319	12,794
Operational risk	8,143	7,765
Total risk exposure amount	**118,672**	**108,300**
Share capital	10,045	8,045
Retained earnings	14,332	13,050
Equity, year-end	**24,377**	**21,095**
Prudent valuation adjustment	(30)	(32)
Intangible assets and deferred tax assets	(1,868)	(16)
Deduction for difference between IRB losses and impairments	(41)	-
Other deductions	35	-
Transitional adjustment of deductions	-	-
Common Equity Tier 1 capital	**22,473**	**21,048**
Additional Tier 1 capital	-	-
Other deductions	7	-
Tier 1 capital	**22,479**	**21,048**
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	307	336
Transitional adjustment of Tier 2 capital	4	-
Own funds	**24,790**	**23,384**
Common Equity Tier 1 capital ratio, %	18.9	19.4
Tier 1 capital ratio, %	18.9	19.4
Total capital ratio, %	20.8	21.5

DKK million

Nykredit Bank Group Required own funds and internal capital adequacy requirement	31.12.2019	31.12.2018
Credit risk (including CVA)	7,937	7,019
Market risk	905	1,023
Operational risk	651	621
Total Pillar I	**9,494**	**8,664**
Risk scenarios and changes to credit quality	994	976
Other risks	3,014	1,388
Total Pillar II	**4,008**	**2,364**
Total required own funds	**13,502**	**11,029**
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.4	10.2

Capital

At end-2019 Nykredit Bank's own funds totalled DKK 24.8 billion (end-2018: DKK 23.4 billion). Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in the future. The Bank's CET1 capital amounted to DKK 24.4 billion (end-2018: DKK 21.0 billion).

In connection with the acquisition of shares in Sparinvest, the Parent Nykredit Realkredit A/S contributed DKK 2.0 billion to Nykredit Bank's share capital to offset the impact on the Common Equity Tier 1 capital.

The risk exposure amount (REA) increased/declined to DKK 118.7 billion (end-2018: DKK 108.3 billion), mainly due to increased credit risk.

At end-2019 the total capital ratio was 20.8% and the CET 1 capital ratio 18.9% (end-2018: 21.5% and 19.4%, respectively).

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 13.5 billion (end-2018: DKK 11.0 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 11.4% (end-2018: 10.2%).

CREDIT RATINGS

Nykredit Realkredit and Nykredit Bank have rating relationships 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

On 5 November, S&P Global Ratings upgraded the issuer rating and the Resolution Counterparty Rating for both Nykredit Realkredit and Nykredit Bank by one notch as a result of improved loss absorption capacity (ALAC).

Nykredit Realkredit and Nykredit Bank have subsequently been assigned 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+.

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term issuer credit ratings of A/F1 with Fitch Ratings, with stable outlook and long-term and short-term senior unsecured preferred debt ratings of A+/F1.

Listing of ratings

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at nykredit.com/rating.

SUPERVISORY DIAMOND FOR BANKS

The Supervisory Diamond sets out benchmark limits for five key ratios that indicate when a bank is operating at an elevated risk. Nykredit complied with all Supervisory Diamond benchmark limits as at 31 December 2019.

Nykredit Bank recorded lending growth of 131%, 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 10.2% (end-2018: 10.7%).

Nykredit Bank A/S Supervisory Diamond	31.12.2019	31.12.2018
Large exposures[1] (limit value <175%)	109.9%	91.7%
Lending growth (limit value <20%)	8.1%	8.9%
Property exposure (limit value <25%)	10.2%	10.7%
Funding ratio (limit value <1.0)	0.57	0.60
Liquidity benchmark[2] (limit value >100%)	194.9%	183.8%

[1] The benchmark "Large exposures" has been changed in 2018 and is now showing the 20 largest exposures relative to Common Equity Tier 1 capital.
[2] The liquidity benchmark replaces the former benchmark "Excess liquidity coverage".

IMPAIRMENT AND LENDING

Earnings impact

Impairment charges for loans and advances came to DKK 210 million in 2019 (2018: DKK 274 million). Of total impairment charges, impairment charges for loans and advances etc represented DKK 246 million (end-2018: DKK 322 million), while recoveries on loans and advances previously written off were DKK 36 million (end-2018: DKK 48 million).

DKK million

Nykredit Bank Group Provisions for loan impairment and guarantees	31.12.2019	31.12.2018
Impairment provisions, beginning of year	2,779	2,800
Impairment provisions and reversals	-241	-21
Impairment provisions, year-end	**2,538**	**2,779**
- of which impairment provisions for loans and advances etc	2,526	2,767
- of which impairment provisions for loans and advances to banks	12	12
Provisions for guarantees and loan commitments		
Provisions, beginning of year	117	120
Provisions, year-end	137	117
Total provisions	**2,675**	**2,896**
Earnings impact		
New impairment provisions and write-offs for the year, net	226	325
Recoveries on loans and advances previously written off	36	48
Total	**190**	**277**
Provisions for guarantees and loan commitments	20	-3
Total earnings impact	**210**	**274**

Total provisions

Total provisions reduced to DKK 2,675 million at 31 December 2019 (end-2018: DKK 2,896 million).

In addition, value adjustment of interest rate swaps of DKK 3.0 billion was recorded, of which credit value adjustments amounted to DKK 2.6 billion, comprising DKK 2.1 billion relating to legacy derivatives and DKK 0.5 billion relating to other items.

Provisions for guarantees amounted to DKK 137 million (end-2018: DKK 117 million).

Relative to total loans, advances and guarantees, provisions amounted to 1.7% (end-2018: 2.3%).

Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees was DKK 150.2 billion (end-2018: DKK 120.5 billion), corresponding to a rise of DKK 29.7 billion.

This figure comprised a rise in reverse repurchase lending of DKK 11.3 billion, a rise in other loans and advances of DKK 4.9 billion and a rise in guarantees of DKK 13.4 billion. Reverse repurchase lending totalled DKK 48.7 billion (end-2018: DKK 37.4 billion).

Finance and insurance remained the largest single sector exposure at DKK 54.7 billion (end-2018: DKK 41.9 billion). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 36.4% (end-2018: 34.8%) and personal customers 22.5% (end-2018: 22.5%).

At end-2019, loan impairment provisions for the real estate sector totalled DKK 0.5 billion (end-2018: DKK 0.5 billion), or 3.3% of total loans and advances to the sector (end-2018: 3.4%).

Nykredit Bank Group

Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector[1] DKK million

	31.12.2019			31.12.2018		
	Lending, end of period	**Total impairment provisions**	**Earnings impact**	**Lending, year end[2]**	**Total impairment provisions[2]**	**Earnings impact**
Public sector	765	1	-1	639	3	-1
Agriculture, hunting, forestry and fishing	4,197	164	27	3,332	125	1
Manufacturing, mining and quarrying	8,921	285	3	7,482	272	56
Energy supply	2,857	30	6	1,372	18	-16
Construction	3,723	198	37	2,620	171	15
Trade	7,831	335	63	5,882	334	129
Transport, accommodation and food service activities	5,780	99	22	6,296	62	-38
Information and communication	3,434	102	48	3,291	45	16
Finance and insurance	54,702	122	2	41,924	243	155
Real estate	14,266	472	20	13,328	475	-197
Other	9,941	266	5	7,215	447	157
Total business customers	**115,651**	**2,072**	**233**	**92,742**	**2,192**	**279**
Personal customers	**33,773**	**589**	**-22**	**27,140**	**689**	**-14**
Total	**150,188**	**2,663**	**210**	**120,520**	**2,884**	**265**
- of which provisions for losses under guarantees		137	20		117	-3
Impairment provisions for credit institutions		12	0		12	9
Total		**2,675**	**210**		**2,896**	**274**

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

[2] Comparative figures for 2018 have been restated, and certain loans, advances and guarantees of personal customers have been reclassified from personal customers to industry groups under business customers in order to achieve a better presentation of the connection between loans and advances and the credit risk profile. Total loans, advances and guarantees are unchanged.

ORGANISATION AND RESPONSIBILITIES

The Board of Directors of Nykredit Bank is responsible for limiting and monitoring Nykredit Bank's risks as well as approving the delegation of responsibilities and overall instructions. The Board of Directors has laid down guidelines and specific limits for the types of risk the Company may assume. These risk limits have been delegated within the organisation.

Nykredit Bank is subject to the Nykredit Group's coordinated risk management, and the Chief Risk Officer of Nykredit Realkredit A/S has been appointed Chief Risk Officer of Nykredit Bank A/S by the Board of Directors of Nykredit Bank. Nykredit has appointed a number of non-Board committees, which are to perform specific tasks within selected fields.

Board Committees

The Board of Directors of Nykredit Realkredit A/S has appointed a Board Audit Committee, a Board Risk Committee, a Board Nomination Committee and a Board Remuneration Committee. These Committees advise the Board of Directors on particular matters and prepare cases for review by the entire Board of Directors, each within their field of responsibility.

Nykredit Bank A/S has not appointed similar committees, but the Board Committees appointed by Nykredit Realkredit A/S handle matters of relevance to the Group, including Nykredit Bank A/S.

Board Audit Committee

The Nykredit Group Board Audit Committee only reviews audit and accounting matters in Nykredit Realkredit A/S and Nykredit A/S. However, these matters are generally also of importance to the presentation of Nykredit Bank's Financial Statements.

The principal tasks of the Board Audit Committee are to inform the Board of Directors of the results of the statutory audit, to oversee the financial reporting process and the effectiveness of Nykredit's internal control systems, internal audit and risk management, to oversee the statutory audit of the financial statements, to monitor and verify the independence of the auditors, and to be responsible for the procedure for selecting and submitting a recommendation for the appointment of auditors.

The Board Audit Committee consists of Per W. Hallgren, CEO (Chairman), Merete Eldrup, former CEO, Vibeke Krag, former CEO, and Helge Leiro Baastad, CEO, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Audit Committee held eight meetings in 2019.

Board Risk Committee

The function of the Board Risk Committee is to oversee Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses risks related to products, business model, remuneration structure and incentives as well as risk models and methodological basis. The Board Risk Committee assists the Board of Directors in overseeing that the risk appetite defined by the Board of Directors is implemented correctly in the organisation.

The Board Risk Committee consists of Merete Eldrup, former CEO (Chairman), Michael Demsitz, CEO, Per W. Hallgren, CEO, and Hans-Ole Jochumsen, former Vice Chairman, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Risk Committee held eight meetings in 2019.

Board Nomination Committee

The Board Nomination Committee is principally tasked with making recommendations to the Board of Directors of Nykredit Realkredit A/S on the nomination of candidates for its Board of Directors and Executive Board.

The Board Nomination Committee consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, former CEO, and Nina Smith, Professor, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Board Nomination Committee held three meetings in 2019.

Board Remuneration Committee

The principal tasks of the Board Remuneration Committee are to qualify proposals for remuneration prior to consideration by the Board of Directors of Nykredit Realkredit A/S and to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors, as well as to assist in ensuring that they are observed.

The Board Remuneration Committee consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, former CEO, and Nina Smith, Professor, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting, and as at 1 July 2019 Olav Bredgaard Brusen, Deputy Chairman of NYKREDS and staff-elected member of the Board of Directors of both companies.

The Board Remuneration Committee held three meetings in 2019.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Non-Board committees

The Executive Boards of Nykredit Realkredit A/S and Nykredit Bank A/S has set up five non-Board committees, which perform specific tasks within selected fields. Each committee must report to the Executive Board, and the individual members may at any time request the Executive Board to decide on a case.

The Credits Committee is charged with ensuring adequate credit risk management and approving and/or deciding credit applications and loan impairments as well as overseeing the management of risks in the Nykredit Group's credits area. The Committee manages the Group's loan portfolio and submits recommendations on credit policies to the individual Executive Boards and Boards of Directors. The Committee lays down business procedures for the granting of credits within the limits of the guidelines laid down by the Group Executive Board and the Board of Directors. The Committee's remit covers Nykredit Realkredit A/S, Nykredit Bank A/S and Nykredit Leasing A/S.

The Asset/Liability Committee (ALCO) undertakes the day-to-day responsibilities and tasks of the Executive Board in the areas of capital, funding, liquidity and market risk according to guidelines approved by the Boards of Directors. The Committee has a governance mandate in these areas at Group as well as at company level. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S.

The Group Risk Committee is charged with overseeing the Nykredit Group's overall risk profile and capital requirements in order to assist the individual Executive Boards and Boards of Directors of the Nykredit Group in ensuring compliance with current legislation and practice. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

The Contingency Committee has the overall responsibility for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes) and the Group's entire spectrum of contingency plans covering IT as well as business aspects. The Committee's remit covers Nykredit A/S, Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S, Nykredit Leasing A/S and Nykredit Mægler A/S.

The Products Committee's overarching objective is to ensure that the Nykredit Group's products meet applicable business and regulatory requirements. The Committee must ensure that any launch of new or changes to existing products and services, involving material risks for the Group, the individual companies, counterparties or customers, comply with the business models of the individual companies, the existing product policy and the Executive Boards' guidelines for development and approval of new products and services. Further, the Committee must regularly monitor and evaluate the existing products and assess any need for changing or adjusting individual products or an entire product range. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

CORPORATE RESPONSIBILITY

Nykredit Bank complies with the Nykredit Group's policy and objectives in this area.

For additional information on Nykredit's corporate responsibility, please refer to our Corporate Responsibility Report 2019 at nykredit.com/CRrapport2019, which includes:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Report on corporate responsibility in accordance with section 135 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
3. Report on the gender composition of management in accordance with section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

Nykredit has endorsed the UN Principles for Responsible Banking (PRB), which are a set of global guiding principles for responsible banking. Banks worldwide agree to respect the principles when developing strategies as well as in their day-to-day operations. Banks which endorse the PRB are also obliged to report and set goals for their impact on society in a number of key areas. The endorsement aligns with Nykredit's pledge to society and the customer-ownership structure as well as our sustainability commitment.

Information on corporate governance is available at nykredit.com/corporategovernance.

CORPORATE GOVERNANCE

Nykredit Bank complies with the Nykredit Group's objectives in this area.

Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporategovernance.

REMUNERATION

Material risk takers

At end-2019 the Nykredit Bank Group had identified a total of 191 material risk takers in addition to the members of the Bank's Executive Board and Board of Directors, who are risk takers exclusively by virtue of their directorships and executive positions. Of the 191 material risk takers, 5 are Managing Directors of financial subsidiariesand 186 are other material risk takers. Of the 186 other material risk takers, 36 are on the payroll of Nykredit Bank, 48 are on the payroll of the Bank's subsidiaries, and 102 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs tasks across the Group companies.

Material risk takers are identified in compliance with EU regulation in this area.

Remuneration of material risk takers
Pursuant to the Danish Financial Business Act, material risk takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

The 2019 bonus provisions in respect of the Bank's Executive Board and other risk takers amounted to DKK 48 million (2018: DKK 37 million). The 2019 bonus provisions corresponded to 52% of their fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 13.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Retention payment
To retain selected executive and key staff members, these may receive retention payment, the expense of which is borne by Nykredit A/S. For 2019 provisions for retention payment amounted to DKK 5 million (2018: DKK 4 million).

Bonus programmes
A general bonus programme applies to Nykredit's executives who report directly to the Group Executive Board.

The Bank's Executive Board participates in this bonus programme. The programme is discretionary, which means that executives are not guaranteed a bonus. The bonus limit applying to an executive is fixed individually, but is subject to a maximum of three months' salary. Of the bonus amount, the payout of at least 40% is deferred over five years, and a considerable part of the bonus is paid out as remuneration bonds.

Special individual bonus programmes apply to some of the staff of Markets Trading, Asset Management, Investments as well as Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is based on their job performance. The 2019 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 55 million (2018: DKK 58 million). The 2019 bonus provisions corresponded to 56% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected staff members responsible for corporate and institutional clients. The 2019 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 23 million (2018: DKK 23 million). The 2019 bonus provisions corresponded to 40% of their fixed salaries.

Bonus programmes under which the variable remuneration component may reach up to 25% of the base salary apply to other members of management and a small number of the members of staff in high-level positions or tasked with special projects.

The 2019 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 1 million (2018: DKK 1 million). The bonus provisions for 2019 corresponded to 4% of the Group's total fixed salary.

A number of staff members employed with the Group following the integration of Sparinvest are covered by an incentive programme previously applying at Sparinvest. For 2019 DKK 8 million had been provided for the programme.

The bonus programmes do not apply to other management or staff members, but they may receive individual one-off awards. For 2019 provisions of DKK 2 million had been made for one-off awards (2018: DKK 1 million). The 2019 provisions for one-off awards corresponded to 0.7% of the relevant group's fixed salaries.

Total provisions for bonuses and one-off awards for 2019 came to DKK 130 million (2018: DKK 120 million), excluding the long-term incentive programme. The total provisions for bonuses and one-off awards for 2019 corresponded to 23% of total fixed salaries.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Nykredit's internal controls and risk management relating to the financial reporting process have been designed to efficiently manage rather than eliminate the risk of errors and omissions in connection with financial reporting.

Financial reporting process
The Board of Directors and the Executive Board have the overall responsibility for the financial reporting process and for compliance with relevant accounting legislation and any other regulation of financial reporting.

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit Bank regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

The process is based on a number of fixed routines, including the planning process, which are prepared together with material business units, management support functions and the Executive Board.

Group Finance & Investments, which includes the finance functions of Nykredit A/S, Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S, Sparinvest SE and LR Realkredit, undertakes the Group's overall financial reporting and is responsible for ensuring that Group financial reporting complies with policies laid down and current legislation. Group Finance & Investments is also responsible for the day-to-day internal reporting in the Treasury and Markets areas.

Group Finance & Investments prepares monthly internal reports and performs budget control, which includes explaining the monthly, quarterly and annual results. Further, Group Finance & Investments is responsible for the Group's external annual and interim financial reporting.

The finance units of other subsidiaries, including Nykredit Leasing A/S and Nykredit Mægler, contribute to the Group's financial control and reporting. They are responsible for the financial reporting of the subsidiaries, which includes compliance with current legislation and the Group's accounting policies.

The finance units of each subsidiary is responsible for its own reporting. Financial data and Management's comments on financial and business results are reported monthly to Group Finance & Investments.

Control environment

Business procedures have been laid down and controls implemented for all material areas and risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Group level.

The Group Executive Board is responsible for risk delineation, management and monitoring.

In addition to this, the Board Audit Committee oversees the effectiveness of Nykredit's internal control systems, financial reporting, internal audit and risk management.

Risk assessment

The risk management of the Group Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements, including unlisted financial instruments and impairment charges for loans and advances
- Review of business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

The purpose of Nykredit's controls is to ensure that policies and guidelines laid down by the Executive Board are observed, and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

Business procedures have been laid down and controls implemented for all material and risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Nykredit Group level. The controls comprise manual and physical controls as well as general IT controls and automatic controls in the IT systems applied.

In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed. These procedures and controls include fixed analysis and reconciliation routines and compliance with fixed business procedures as well as ongoing dialogue with Nykredit's business units and management support functions for the purpose of obtaining a business assessment of the information in the financial statements.

Communication and information

The Board of Directors has adopted an overall communication policy, stating that Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics. The communication policy is reviewed once a year by the Board of Directors and was last revised in October 2019.

Nykredit's Boards of Directors and Executive Boards regularly receive internal and external financial reporting. Internal reporting includes analyses of material matters in, for instance, Nykredit's business areas and subsidiaries.

For further information on the Nykredit Group's risk and capital management, please refer to the publication Risk and Capital Management 2019, available at nykredit.com/riskandcapitalmanagement.

COMPANY DETAILS

COMPANY DETAILS
Nykredit Bank A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Denmark

Tel: +45 44 55 18 00
CVR no: 10 51 96 08
Financial year: 1 January – 31 December
Municipality of registered office: Copenhagen
Website: nykredit.com

Date of approval of Financial Statements
These Financial Statements were approved on 5 February 2020.

External auditors
Deloitte Chartered Accountant Company
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting
The Annual General Meeting of the Company will be held on 26 March 2020.

BOARD OF DIRECTORS
Michael Rasmussen, Chairman
Anders Jensen, Deputy Chairman
Tonny Thierry Andersen
David Hellemann
Allan Kristiansen*
Susanne Møller Nielsen*

* Elected by the staff of Nykredit Bank

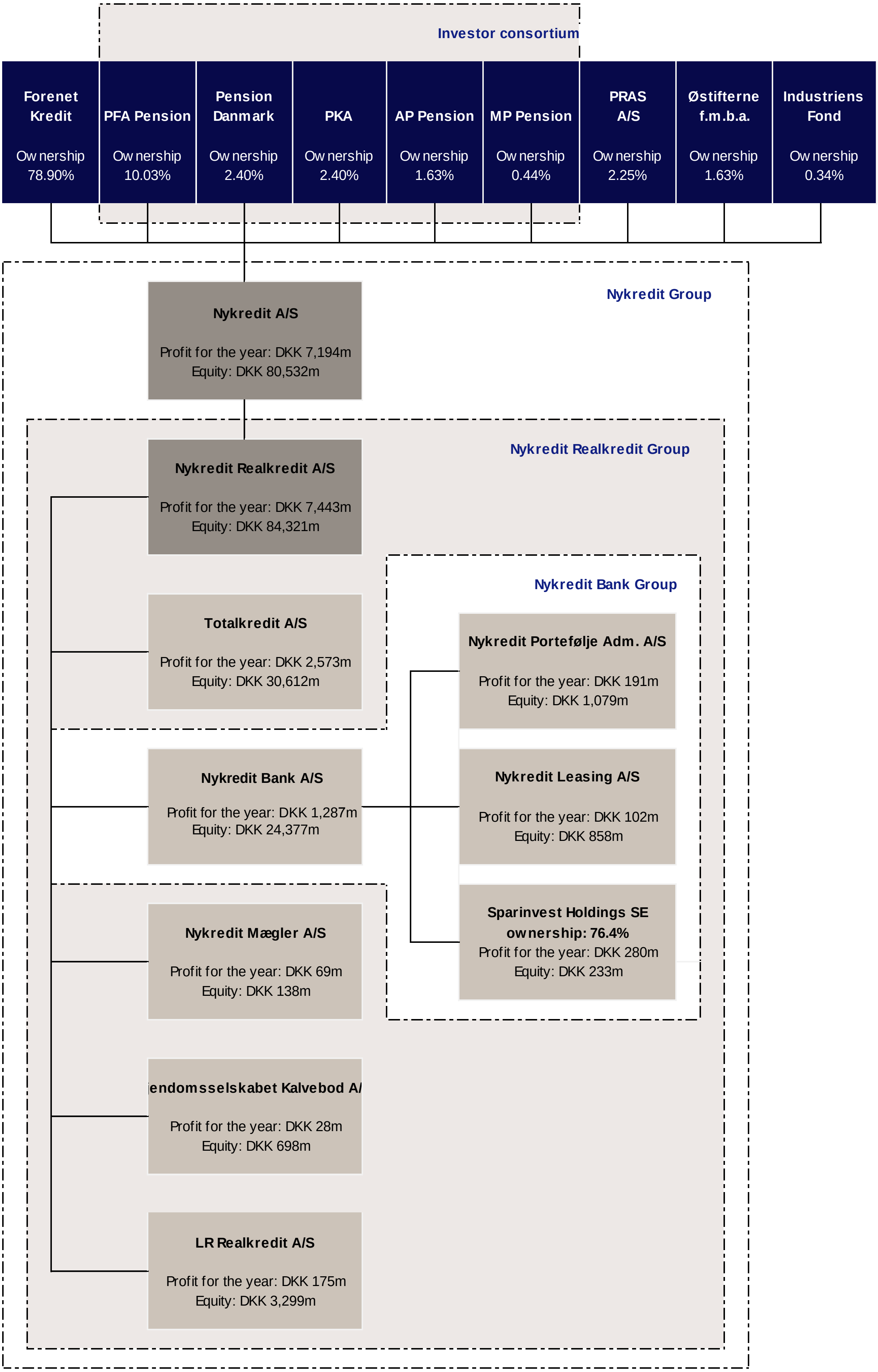
EXECUTIVE BOARD
Henrik Rasmussen
Dan Sørensen

See page 118 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

At nykredit.com you may read more about the Nykredit Group and download the following reports:

- Annual Report 2019
- Corporate Responsibility Report 2019
- Risk and Capital Management 2019

Information on corporate governance is available at nykredit.com/corporategovernance


Investor consortium
Forenet Kredit
Ownership 78.90%
PFA Pension
Ownership 10.03%
Pension Danmark
Ownership 2.40%
PKA
Ownership 2.40%
AP Pension
Ownership 1.63%
MP Pension
Ownership 0.44%
PRAS A/S
Ownership 2.25%
Østifterne f.m.b.a.
Ownership 1.63%
Industriens Fond
Ownership 0.34%
Nykredit Group
Nykredit A/S
Profit for the year: DKK 7,194m
Equity: DKK 80,532m
Nykredit Realkredit Group
Nykredit Realkredit A/S
Profit for the year: DKK 7,443m
Equity: DKK 84,321m
Nykredit Bank Group
Totalkredit A/S
Profit for the year: DKK 2,573m
Equity: DKK 30,612m
Nykredit Portefølje Adm. A/S
Profit for the year: DKK 191m
Equity: DKK 1,079m
Nykredit Bank A/S
Profit for the year: DKK 1,287m
Equity: DKK 24,377m
Nykredit Leasing A/S
Profit for the year: DKK 102m
Equity: DKK 858m
Sparinvest Holdings SE
ownership: 76.4%
Profit for the year: DKK 280m
Equity: DKK 233m
Nykredit Mægler A/S
Profit for the year: DKK 69m
Equity: DKK 138m
endomsselskabet Kalvebod A/
Profit for the year: DKK 28m
Equity: DKK 698m
LR Realkredit A/S
Profit for the year: DKK 175m
Equity: DKK 3,299m

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank has been included in that company's consolidated financial statements and in the consolidated financial statements of Forenet Kredit, Copenhagen, which owns 78.90% of Nykredit Realkredit A/S.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's Financial Statements, and profit for the year and equity are consequently identical in both entities' Financial Statements.

Since the majority of the activities of the Nykredit Bank Group are conducted through the Parent, Nykredit Bank A/S, the financial development has been affected by the same factors as described in the Management Commentary of the Nykredit Bank Group.

Income statement

Nykredit Bank A/S recorded a profit of DKK 1,288 million in 2019 (2018: DKK 1,660 million).

Income fell by DKK 424 million to DKK 3,431 million in 2019 (2018: DKK 3,855 million).

Net interest and fee income rose by DKK 13 million to DKK 2,747 million (2018: DKK 2,734 million), while value adjustments and other operating income saw a total decrease of DKK 438 million to DKK 683 million (2018: DKK 1,121 million).

Costs rose to DKK 1,966 million (2018: DKK 1,819 million). Please refer to the previous section "Costs" of this Annual Report.

Impairment charges for loans and advances were a charge of DKK 183 million (2018: DKK 238 million).

Profit from equity investments in associates and Group enterprises came to a gain of DKK 289 million (2018: DKK 250 million). Of this amount, Nykredit Portefølje Administration contributed DKK 191 million and Nykredit Leasing DKK 102 million.

Principal balance sheet items

The balance sheet total increased to DKK 225.9 billion at end-2019 (end-2018: DKK 186.6 billion).

Cash balances and receivables from credit institutions etc increased to DKK 33.4 billion (end-2018: DKK 17,9 billion).

Loans and advances at amortised cost amounted to DKK 112.8 billion (end-2018: DKK 96.7 billion).

Bonds and equities amounted to DKK 49.8 billion (end-2018: DKK 48.4 billion). As for the entire Group, the size of the portfolios reflects the Bank's capital markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 85.2 billion (end-2018: DKK 54.6 billion).

Deposits and other payables came to DKK 89.1 billion (end-2018: DKK 82.9 billion).

Equity

Equity increased by profit for the year of DKK 1.3 billion and the capital increase of DKK 2.0 billion to DKK 24.4 billion (end-2018: DKK 21.1 billion).

Total capital ratio, %

The total capital ratio declined to 19.8% (2018: 20.6%).

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2019.

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. Readers of the financial reports are thus provided 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) reflects 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 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 interest income from bank lending and deposits. The corresponding item in the income statement (page 24) 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 performed 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 divisions 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 bonuses etc such as MineMål paid to the customers. The amount includes contributions received. The change is aimed at presenting the earnings of the individual business areas excluding the impact of the customer benefits programmes while also presenting the impact on income of the programmes in a separate item. In the financial highlights and the presentation of business areas (note 3) the change reclassifies net income from "Net interest income" to "Net income relating to customer benefits programmes". The change will not impact total income or total results. The income statement and balance sheet on pages 24-25 have not been impacted by the change.

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 % pa of average equity. Average equity is calculated on the basis of the value at the beginning of the year and at the end of all quarters of the year.

Costs as % of income 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.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2019 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements for Nykredit Bank A/S and the Management Commentary are prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2019 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 2019.

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 Annual Report is recommended for approval by the General Meeting.

Copenhagen, 5 February 2020

Executive Board	**Board of Directors**
Henrik Rasmussen	Michael Rasmussen Chairman
Dan Sørensen	Anders Jensen Deputy Chairman
	Tonny Thierry Andersen
	David Hellemann
	Allan Kristiansen *
	Susanne Møller Nielsen*

* Staff-elected member

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Nykredit Bank A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nykredit Bank A/S for the financial year 1 January to 31 December 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2019, and of its financial performance and cash flow for the financial year 1 January to 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2019 and of its financial performance for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Nykredit Bank A/S for the first time on 23 September 1994 for the financial year 1994. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 26 years up to and including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Loan impairment charges</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
The Group's loans and advances amount to DKK 114,215 million at 31 December 2019 (DKK 97,993 million at 31 December 2018), and impairment charges therefore for the period amount to DKK 210 million in 2019 (DKK 274 million in 2018) in the consolidated financial statements.
We consider the measurement of impairment charges a key audit matter as the determination of expected losses is based on judgements made by the management and subject to significant uncertainty. Due to the significance of such judgements and the loan volumes of the Group and the Parent, auditing impairment charges for loans and advances is a key audit matter.
The principles for determining expected credit losses are described in the Summary of significant accounting policies. Management has described the management of credit risks and the review for impairment in more detail in notes 15, 16 and 46 to the consolidated financial statements.
The areas of loans and advances involving the highest level of management judgement, thus requiring greater audit attention, are:

Identification of credit-impaired exposures
Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses
Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses.

</td><td>

Based on our risk assessment, our audit comprised a review of relevant central and decentral business procedures, test of controls and analysis of the amount of impairment charges.

Our audit procedures included testing relevant controls regarding:

Current assessment of credit risk
Assessment and validation of input and assumptions applied in calculating Stage 1 and Stage 2 impairment charges
Determining management judgements in the model and Stage 3.

Furthermore, our audit procedures included:

Reviewing, on a sample basis, exposures to ensure timely identification of credit-impaired loans and advances
Challenging the parameters and significant assumptions applied in the calculation models and reviewing the staging methodology and the data used
Challenging the procedures and methodologies applied for the areas involving the highest level of management judgement by using our industry knowledge and experience
Challenging management judgements in the calculation model used with special focus on management consistency and bias, including documentation of the adequacy of management judgements
Reviewing, on a sample basis, credit-impaired loans and advances, including checking for adequate impairment charges.

</td></tr>
</table>

<table>
<tr><th>Fair value of swaps</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Determining the value of swaps is subject to significant uncertainty and complexity and is highly based on management judgement. Due to the significance of such management judgement, swaps are a key audit matter. The Group's swaps amount to DKK 20,400 million (DKK 16,763 million at 31 December 2018) and DKK 11,604 million (DKK 9,722 million at 31 December 2018) for positive and negative fair values at 31 December 2019.
The principles for determining the value are described in the Summary of significant accounting policies, and Management has further described the management of market risks and the determination of value in notes 41 and 46 to the consolidated financial statements.
The areas involving the highest level of judgements and complexity, thus requiring greater audit attention, are:

Assessment of customers' ability to pay
Practice for methodologies applied in the valuation of swaps.

</td><td>
Our audit comprised a review of relevant business procedures, test of key controls and analysis of valuations.
Furthermore, our audit procedures included:

Assessing the model applied to calculate the risk of customers' non-payment by using our industry knowledge and experience
Assessing the changes in the assumptions against sector trends and historical observations
Performing a risk-based test of valuation of swaps with customers.

</td></tr>
</table>

Acquisition of Sparinvest	*How the matter was addressed in our audit*
On 30 August 2019, Nykredit acquired 75% of the shares in Sparinvest for DKK 2,192 million, refer to note 49. In accordance with the requirements of IFRS and the Danish Executive Order on Financial Reports, Management has prepared a purchase price allocation statement in which it has measured the assets and liabilities acquired at fair value. Determining the purchase price allocation is subject to significant uncertainty and is highly based on judgements made by the management. Due to the significance of such judgements and the amount of the activities acquired, auditing the acquisition of shares in Sparinvest is a key audit matter. The areas involving the highest level of judgements made by the management, thus requiring greater audit attention, are: ▪ Determining the fair value of customer relationships.	Based on our risk assessment, we have examined the purchase price allocation and evaluated the methodology applied and the assumptions made according to the description of the key audit matter. Furthermore, our audit procedures included: ▪ Challenging Management's determination of customer relationships and assessing in this respect whether the assumptions underlying the determination, including run-off, give a true and fair view of the value of the customer relationships

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements or the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Business Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 5 February 2020

Deloitte
Chartered Accountant Company
CVR no 33 96 35 56

Henrik Wellejus State-Authorised Public Accountant Identification No 24807	Bjørn Würtz Rosendal State-Authorised Public Accountant Identification No 40039

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2018	2019		Note	2019	2018
		INCOME STATEMENTS			
1,858	1,762	Interest income based on the effective interest method	7	1,932	2,023
(138)	(147)	Other interest income	7	(147)	(138)
(186)	(203)	Negative interest, income	7a	(203)	(186)
(300)	(321)	Positive interest expenses	7a	(321)	(300)
366	365	Interest expenses	8	358	364
1,469	**1,368**	**Net interest income**		**1,545**	**1,636**
5	7	Dividend on equities etc	9	7	5
1,634	1,705	Fee and commission income	10	2,405	2,038
374	332	Fee and commission expenses	11	439	407
2,734	**2,747**	**Net interest and fee income**		**3,518**	**3,273**
1,117	672	Value adjustments	12	670	1,114
4	11	Other operating income		44	30
1,799	1,946	Staff and administrative expenses	13	2,338	2,005
-	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	14	13	0
19	20	Other operating expenses		24	23
238	183	Impairment charges for loans, advances and receivables etc	15, 16	210	274
250	289	Profit from investments in associates and Group enterprises	17	6	3
2,049	**1,570**	**Profit before tax**		**1,653**	**2,118**
389	282	Tax	18	366	458
1,660	**1,288**	**Profit for the year**		**1,288**	**1,660**
-	-	Minority interests calculated		(1)	-
1,660	**1,288**	**Profit for the year excluding minority interest**		**1,288**	**1,660**
		Proposal for the distribution of profit			
250	289	Statutory reserves		-	-
-	-	Minority interests calculated		(1)	-
1,410	999	Retained earnings		1,288	1,660
		COMPREHENSIVE INCOME			
1,660	**1,288**	**Profit for the year**		**1,288**	**1,660**
		Other comprehensive income			
1,660	**1,288**	**Comprehensive income for the year**		**1,288**	**1,660**
		Distribution of comprehensive income			
1,660	1,288	Nykredit Bank		1,288	1,660
-	-	Minority interests - calculated		(1)	-
1,660	**1,288**	**Comprehensive income for the year**		**1,288**	**1,660**

BALANCE SHEETS

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2018	2019		Note	2019	2018
		ASSETS			
8,585	7,110	Cash balances and demand deposits with central banks	19	7,110	8,585
9,323	26,270	Receivables from credit institutions and central banks	20	26,418	9,324
96,699	112,839	Loans, advances and other receivables at amortised cost	21	114,215	97,993
41,926	43,308	Bonds at fair value	22	44,317	42,772
6,282	6,344	Bonds at amortised cost	23	6,344	6,282
233	118	Equities etc	24	128	234
8	15	Investments in associates	25	15	8
1,643	2,284	Investments in Group enterprises	25	0	-
14	1,699	Intangible assets	26	1,867	14
		LAND AND PROPERTY			
-	-	Leased property	27	23	-
-	**-**	**Total leased property**		**23**	**-**
-	-	Property and plant		1	-
-	-	Equipment	27	5	0
17	0	Current tax assets	34	1	17
127	111	Deferred tax assets	35	111	127
2	-	Assets in temporary possession	28	-	2
21,664	25,726	Other assets	29	25,839	21,707
59	62	Prepayments		134	69
186,581	**225,886**	**Total assets**		**226,528**	**187,135**

BALANCE SHEETS

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
2018	2019		Note	2019	2018
		LIABILITIES AND EQUITY			
54,620	85,154	Payables to credit institutions and central banks	30	85,154	54,620
82,942	89,057	Deposits and other payables	31	88,881	82,864
5,411	3,780	Bonds in issue at amortised cost	32	3,780	5,411
7,618	7,174	Other non-derivative financial liabilities at fair value	33	7,133	7,618
-	46	Current tax liabilities	34	71	35
12,751	14,101	Other liabilities	36	14,611	13,191
6	9	Deferred income		13	10
163,347	**199,321**	**Total payables**		**199,644**	**163,749**
		PROVISIONS			
-	-	Provisions for deferred tax	35	166	151
117	137	Provisions for losses under guarantees	37	137	117
22	52	Other provisions	37	148	22
139	**189**	**Total provisions**		**450**	**290**
2,000	**2,000**	**Subordinated debt**	38	**2,000**	**2,000**
		Equity			
8,045	10,045	Share capital		10,045	8,045
		Other reserves			
1,181	1,464	- statutory reserves		-	-
11,869	12,868	- retained earnings		14,332	13,050
21,095	**24,377**	**Nykredit Bank**		**24,377**	**21,095**
-	-	Minority interests		57	-
21,095	**24,377**	**Total equity**		**24,434**	**21,095**
186,581	**225,886**	**Total liabilities and equity**		**226,528**	**187,135**
		OFF-BALANCE SHEET ITEMS	39		
22,626	36,073	Contingent liabilities		35,974	22,527
8,724	12,522	Other commitments		12,745	8,924
31,350	**48,595**	**Total**		**48,719**	**31,450**

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

2019	Share capital[1]	Retained earnings	Nykredit Bank Group´s equity	Minority interests	Total equity
Equity, 1 January	**8,045**	**13,050**	**21,095**		**21,095**
Profit (loss) for the year	-	1,288	1,288	(1)	1,288
Total comprehensive income	**-**	**1,288**	**1,288**	**(1)**	**1,288**
Premium paid on acquisition of shares in subsidiary	-	(6)	(6)	-	(6)
Addition of purchased subsidiary	-	-	-	166	166
Distributed dividend	-	-	-	(108)	(108)
Capital increase	2,000	-	2,000	-	2,000
Total changes in equity	**2,000**	**1,282**	**3,282**	**57**	**3,339**
Equity, 31 December	**10,045**	**14,332**	**24,377**	**57**	**24,434**
2018					
Equity, end-2017, see the Annual Report	8,045	11,832	19,877		19,877
Changes in impairment charges owing to implementation of IFRS 9	-	(566)	(566)		(566)
Changes in taxes due owing to implementation of IFRS 9	-	125	125		125
Equity, 1 January	**8,045**	**11,391**	**19,436**		**19,436**
Profit for the year	-	1,660	1,660		1,660
Total comprehensive income	**-**	**1,660**	**1,660**		**1,660**
Total changes in equity	**-**	**1,660**	**1,660**		**1,660**
Equity, 31 December	**8,045**	**13,050**	**21,095**		**21,095**

[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

2019	Share capital[1]	Statutory reserves	Retained earnings	Total equity
Equity, 1 January	**8,045**	**1,181**	**11,869**	**21,095**
Profit for the year	-	289	999	1,288
Total comprehensive income	**-**	**289**	**999**	**1,288**
Premium paid on acquisition of shares in subsidiary	-	(6)	-	(6)
Capital increase	2,000	-	-	2,000
Total changes in equity	**2,000**	**283**	**999**	**3,282**
Equity, 31 December	**10,045**	**1,464**	**12,868**	**24,377**
2018				
Equity, end-2017, see the Annual Report	8,045	930	10,902	19,877
Changes in impairment charges owing to implementation of IFRS 9	-	-	(566)	(566)
Changes in taxes due owing to implementation of IFRS 9	-	-	125	125
Equity, 1 January	**8,045**	**930**	**10,461**	**19,436**
Profit for the year	-	250	1,410	1,660
Total comprehensive income	**-**	**250**	**1,410**	**1,660**
Total changes in equity	**-**	**250**	**1,410**	**1,660**
Equity, 31 December	**8,045**	**1,181**	**11,869**	**21,095**

CASH FLOW STATEMENT

Nykredit Bank Group	2019	2018
		DKK million
PROFIT FOR THE YEAR	**1,287**	**1,660**
Adjustments		
Interest income, net	(1,545)	(1,636)
Amortisation and impairment charges for intangible assets	13	-
Other non-cash changes	68	20
Impairment charges for loans, advances and receivables etc	246	322
Tax on profit for the year	366	458
Total	**435**	**824**
Change in operating capital		
Loans, advances and other receivables	(16,296)	(15,437)
Deposits and other payables	4,931	5,781
Payables to credit institutions and central banks	30,518	14,529
Bonds	(697)	(1,453)
Equities etc	99	(20)
Other operating capital	(2,994)	(6,456)
Total	**15,561**	**(3,056)**
Interest income received	1,561	1,909
Interest expenses paid	(118)	(367)
Corporation tax paid, net	(318)	(297)
Cash flows from the above operating activities	**17,121**	**(987)**
Cash flows from investing activities		
Intangible assets	(1,864)	-
Property, plant and equipment	(42)	-
Total	**(1,906)**	**-**
Cash flows from financing activities		
Issuance of subordinated debt	2,000	-
Bonds in issue	(1,691)	(1,109)
Total	**309**	**(1,109)**
Total cash flows for the year	**15,524**	**(2,096)**
Cash and cash equivalents, beginning of year:	**17,909**	**19,991**
Foreign currency translation adjustment of cash	95	14
Total cash flows for the year	15,524	(2,096)
Cash and cash equivalents, year-end	**33,528**	**17,909**
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	7,110	8,585
Receivables from credit institutions and central banks	26,418	9,324
Total	**33,528**	**17,909**

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

All figures in the Annual 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.

CHANGE IN ACCOUNTING POLICIES

IFRS 16 "Leases" and annual improvements to IFRS standards 2015-2017 implemented as at 31 December 2018.

- IFRS 16 implies capitalisation of rights-of-use to leased assets, including owner-occupied property, and the recognition of liabilities arising from the lease. The change had no impact on the Group's assets and liabilities as at 31 December 2018. The acquisition of Sparinvest resulted in increased assets and liabilities of approximately DKK 24 million. The rental expense is recognised as a depreciation of the leased asset and an interest expense on the lease liability. The impact on the Group's equity, profit after tax and comprehensive income was insignificant in 2019.

  The leasehold premises of Nykredit Bank A/S do not meet the “right-of-use assets" criteria and are therefore not capitalised in the balance sheet.

- The annual improvement of IFRS standards 2015-2017 has led to an amendment of IAS 12 "Income Taxes". The amendment had no impact om the accounting policies.

  Following an organisational adjustment, minor changes have been made to the presentation of business areas (note 3) which do not affect results, comprehensive income, balance sheet or equity.

Other new and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for the financial year beginning on 1 January 2019:

Amendment to IFRS 9 "Financial Instruments". The amendment implies that the criteria for measurement at amortised cost is met, also in the event where reasonable compensation in case of loan prepayment constitutes payment to the party that triggers the early termination of the contract (amended standard) (approved for use in the EU).

IAS 28 "Long-Term Interests in Associates and Joint Ventures" (amended standard) (approved for use in the EU).

IFRIC 23 "Uncertainty over Income Tax Treatments". Issued on 7 June 2017 (approved for use in the EU).

The implementation has not significantly impacted profit, comprehensive income, balance sheet or equity.

Other general comments on accounting policies

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the Financial Statements, certain disclosures have been excluded.

Apart from the above, the Group accounting policies are otherwise unchanged compared with the Annual Report for 2018.

REPORTING STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU for the financial year beginning on 1 January 2019:

Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", relating to minor amendments regarding the definition of materiality (approved for use in the EU, effective from 1 January 2020).

Amendment to IFRS 3 "Business Combinations" relating to the definition of a business (not approved for use in the EU, effective from 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (not approved for use in the EU, effective from 1 January 2020).

IFRS 17 "Insurance Contracts" (not approved for use in the EU, effective from 1 January 2021).

In Management's view, the implementation of the above standards and amendments to standards will have only an immaterial impact on Nykredit's Financial Statements

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Significant assessments

As part of determining the accounting policies, Management makes a number of assessments that may affect the financial statements. Significant assessments include:

Assessment of the time of recognition and derecognition of financial instruments and assessment 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.

Significant accounting estimates

The preparation of the Financial Statements involves the use of qualified accounting estimates. These estimates and assessments are made by 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 are inherently uncertain and unpredictable.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements are:

Determination of the value of assets and liabilities recognised at fair value

Value adjustment of financial assets and liabilities measured at fair value is based on officially listed prices. For financial instruments for which no listed prices in an active market or observable data are available, the valuation implies the use of significant estimates and assessments in connection with the choice of credit spread, maturity and extrapolation etc of each instrument.

Note 42 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the fair value measurement of financial instruments.

Particularly, the fair value measurement of unlisted derivative financial instruments involves significant estimates and assessments in connection with the choice of calculation methods and valuation and estimation techniques. Valuation of unlisted derivative financial instruments changes continuously, and Nykredit is closely monitoring market practice to ensure that the valuation of unlisted derivative financial instruments is consistent with market practice.

The valuation is based on yield curves, volatilities and market prices on which data is usually obtained through providers such as Reuters, Bloomberg and market makers. Market practice for the valuation of unlisted derivatives moreover includes increasing use of market inputs in the valuation, including CVA (Credit Valuation Adjustment). For further details, please refer to note 42. The fair value of unlisted derivative financial instruments was 9,3% of the Group's assets at end-2019 (9,5% at end-2018).

Measured on the basis of level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 20,3% and 0,5%, respectively, of the Group's balance sheet total at end-2019 for financial assets (25,9% and 0.8% at end-2018), and 7,1% and 0,0%, respectively, for financial liabilities (7,9% and 0.0% at end-2018).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 20,7% of the Group's assets at end-2019 (26,7% at end-2018).

Measurement of loans and advances etc – impairments

Credit risk reflects the risk of loss resulting from the groups counterparties defaulting on their obligations. The determination of credit risk relates to loans and advances without (stage 1) or with significant increase (stage 2) in credit risk and impaired loans and advances (stage 3).

In addition to balances with credit institutions as well as loans, advances and provisions, impairment calculations also include provisions for guarantees and unutilised credit commitments.

The determination of impairment of loans and advances etc involves significant estimates and assessments, including determining whether a significant increase in credit risk has occurred since initial recognition. 12-month expected credit losses are initially recognised for loans and advances measured at amortised cost. A non-significant increase will subsequently imply higher 12-month expected credit losses, while a significant increase in the credit risk or impairment of a loan will imply calculation of expected credit losses corresponding to lifetime expected credit losses.

Add to this that the loss determination also depends on the value of collateral security received and expected payments from customers and dividend in liquidation from estates in bankruptcy, where measurement is subject to a number of estimates. Similarly, the determination of the period in which the cash flows are received involves significant estimates.

In a number of instances, the model-based impairment provisions, primarily in stages 1 and 2, need to be supplemented by management judgement. This is typically in connection with eg macroeconomic events that may affect the level of impairment provisioning, but which have not yet been captured by the model-based impairments. This estimate is made by managers and staff with in-depth knowledge of the credits area. The reasons may be changes in agricultural settlement prices due to changed economic trends and/or changed export opportunities as well as financial and legal conditions in the real estate sector that may affect credit risk beyond the result derived on the basis of model-based impairments. The estimates are adjusted and evaluated on a regular basis.

RECOGNITION, CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments, including loans, advances and receivables, bonds in issue and other debt as well as derivative financial instruments represent more than 95% of the Group's assets as well as liabilities (95% at end-2018).

Recognition

Financial instruments are recognised on the settlement date. With respect to financial instruments that are subsequently measured at fair value, changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities in "Other assets" and "Other liabilities", respectively, in the balance sheet and set off against "Value adjustments" in the income statement.

Assets measured at amortised cost following initial recognition are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the Group has transferred all risks and returns related to ownership in all material respects.

Initially, financial instruments are recognised at fair value at the time of recognition. Financial instruments are subsequently measured at amortised cost or fair value depending on the categorisation of the individual instrument. Financial instruments subsequently measured at amortised cost are recognised inclusive or exclusive of the transaction costs related to the origination of financial assets or liabilities.

Classification and measurement of financial instruments

Valuation principles and classification of financial instruments are described below as well as in note 42.

Financial assets are classified as follows:

- The asset is held to collect cash flows from payments of principal and interest (hold to collect business model). Measured at amortised cost after initial recognition.
- The asset is held to collect cash flows from payments of principal and interest and selling the asset (hold to collect and sell business model). Measured at fair value with changes recognised through other comprehensive income with reclassification to the income statement on realisation of the assets. The Group had no financial instruments in this category in 2018 and 2019.
- Other financial assets are measured at fair value through profit or loss. These include assets managed on a fair value basis or held in the trading book, or assets which have contractual cash flows that are not solely payments of principal and interest on the amount outstanding, including derivative financial instruments. It is also possible to measure financial assets at fair value with value adjustment through profit or loss, when such measurement significantly reduces or eliminates an accounting mismatch that would otherwise have occurred on measurement of assets and liabilities or recognition of losses and gains on different bases.

For the first two categories, it is a condition that the objective of the business model is to hold assets to collect contractual cash flows representing payments of principal and interest etc combined with limited sales activity.

If this is not the objective of the business model, the financial assets will be placed in a category, which is subject to fair value adjustment through profit or loss. Financial assets, which, if measured at amortised cost would result in a measurement mismatch, are also recognised in this category.

The Group's financial assets and business models are continuously reviewed to ensure correct classification thereof. The review includes an assessment of whether collecting cash flows is a significant element of holding the assets, including whether the cash flows represent solely payments of principal and interest.

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flows are based on collection of interest and principal payments. Some product types are subject to daily interest rate adjustment, but with an interest rate fixing based on a longer time horizon. However, this is not assessed to significantly postpone the time value of the money in the currently low interest rate environment.

Generally, financial liabilities are measured at amortised cost after initial recognition. Financial liabilities may also be measured at fair value if the instrument is part of an investment strategy or a risk management system based on fair values and is continuously stated at fair value in the reporting to Management, and when measurement at fair value reduces or eliminates an accounting mismatch.

Loans, advances and receivables as well as bonds and financial liabilities at amortised cost

Receivables from and payables to credit institutions and central banks, the Group's bank lending, corporate bonds in issue, a part of the senior debt in issue and subordinated debt as well as deposits and other payables are included in this category.

Loans, advances and receivables as well as liabilities are measured at fair value on initial recognition inclusive or exclusive of the inherent transaction costs, and subsequently at amortised cost. For loans, advances and receivables, amortised cost equals cost less principal payments, impairment provisions for losses and other accounting adjustments, including amortisation of any fees and transaction costs that form part of the effective interest of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Using this method, transaction costs are distributed over the life of the asset or liability.

If the interest rate risk of fixed-rate financial instruments is effectively hedged using derivative financial instruments, the amortised cost of the asset is added to or deducted from the fair value of the hedged interest rate risk.

Value adjustments due to credit risk are recognised in "Impairment charges for loans, advances and receivables etc".

Financial assets and liabilities measured at fair value through profit or loss

A financial asset or a financial liability is attributable to this category

- if the asset is not held within a business model whose objective is to hold assets to collect cash flows representing payments of principal and interest and which has limited sales activity
- if measurement of the asset or liability at amortised cost would result in a measurement mismatch.

Equity and bond portfolios are generally measured at fair value through profit or loss. The business model behind the bond portfolio is not intrinsically based on collecting cash flows from payments of principal and interest but is based on, for example, short-term trading activity and investments focused on cost minimisation, where contractual cash flows do not constitute a central element but follow solely from the investment. A part of the Group's bond portfolio is measured at amortised cost.

Derivative financial instruments (derivatives), which are assets or liabilities, are measured at fair value through profit or loss. In Nykredit Bank, hedging interest rate risk (hedge accounting) is still made according to the IAS 39 rules, in part as IFRS 9 does not yet comprise provisions on macro hedging.

Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Please also see note 42.

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" through profit or loss for the period in which they arose. Value adjustment of mortgage loans attributable to credit risk is recognised in "Impairment charges for loans, advances and receivables etc" together with other impairment charges for loans and advances and provisions for guarantees.

Impairment charges for loans, advances and receivables

Impairments corresponding to expected credit losses are placed in stages, which reflect the changes in credit risk since initial recognition.

- Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions at initial recognition are made corresponding to the expected credit losses over a period of 12 months for loans and advances at amortised cost.
  If there is an insignificant change in credit risk, the impairment provisions will be adjusted but kept in stage 1.
- 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 time-to-maturity.
- Stage 3 covers loans and advances that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans.

Impairment calculations are based on continuous development of existing methods and models for impairment, taking into account forward-looking information and scenarios.

The definition of default is dictated by a customer's financial position and payment behaviour. An exposure is considered to be in default when a customer is in arrears with a significant amount at the time when a third reminder is sent, which will occur sooner than the rule of assumption of 90 days under the accounting rules. Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

In expected credit loss calculations, the time-to-maturity corresponds at a maximum to the contractual maturity, as adjustments are made for expected prepayments, as required. Nevertheless, for credit-impaired financial assets, the determination of expected losses should be based on contractual maturity.

Group Credits is responsible for these processes and calculations. In addition the Group's Capital, Risk and Finance units also participate as stakeholders coordinating and performing the determination and presentation of impairment for accounting purposes. The procedures and calculations are widely based on the Group's risk models.

Stage 1 and stage 2 impairments

Model-based impairment in stages 1 and 2 is based on transformations of PD and LGD values to short term (12 months) or long term (remaining life of the product/cyclicality). The parameters are based on Nykredit's IRB models, and forward-looking information is determined according to the same principles as apply to regulatory capital and stress tests. For a small fraction of portfolios with no IRB parameters, simple methods are used based on appropriate loss ratios.

A key element of the determination of impairment is establishing when a financial asset should be transferred from stage 1 to stage 2. The following principles apply:

- For assets/facilities with 12-month PD <1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% and an increase in 12-month PD of 0.5 percentage points
- For assets/facilities with 12-month PD >1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% or an increase in 12-month PD of 2.0 percentage points
- The Group considers that a significant increase in credit risk has occurred no later than when an asset is more than 30 days past due, unless special circumstances apply.

In stages 1 and 2, impairments are based on a number of potential outcomes (scenarios) of a customer's financial situation. In addition to past experience, the models should reflect current conditions and future outlook at the balance sheet date. The inclusion of scenarios must be probability-weighted and unbiased.

The choice of macro scenarios is significant to total impairments which are very sensitive to choice of scenarios and probability-weights.

Generally, three scenarios apply:

- scenario reflecting Nykredit's best estimate (baseline)
- scenario reflecting higher expected credit losses
- scenario with lower expected credit losses to cover an appropriate number of likely losses based on Nykredit's best estimate. Due to the currently favourable economic trends and the financial strength of our customers, the baseline scenario and a more positive scenario currently seem to coincide. In case of changed economic trends, a scenario with an improved future outlook will be part of the calculation method.

The calculation of macro-economic scenarios is based on the assumptions of eg interest rates and property prices used to determine the internal capital adequacy requirement. The baseline scenario is considered best estimate and is included in the transaction matrices. The slightly weaker scenario which leads to high expected credit losses corresponds to a "mild" stress in the capital model (used to determine the internal capital adequacy requirement).

Stage 3 impairment

Nykredit Bank makes continuous individual reviews and performs risk assessments of significant loans, advances and receivables to determine whether these are impaired.

Stage 3 includes loans and advances etc where observations indicate that the asset is impaired. Most often, this is where

- borrowers are experiencing considerable financial difficulties owing to eg changes in income, capital and wealth, leading to the assumption that the customers are unable to fulfil their obligations
- borrowers fail to meet their payment obligations or default on an obligation
- there is an increased probability of the borrowers' bankruptcy, or borrowers are offered more lenient contractual terms (for example, interest rate and loan term) due to deterioration in the borrowers' financial circumstances.

Relative to large stage 3 exposures, credit officers perform an individual assessment of scenarios as well as changes to credit losses etc. Relative to small stage 3 exposures, the credit loss is determined using a portfolio model according to the same principles as are used in an individual assessment.

Model-based impairment is subject to management judgement, which is supplemented with an assessment of an improved/worsened macroeconomic scenario for the long-term Probability of Default (PD).

Differences between stages due to credit improvements

When the criteria for migration between stages due to increased credit risk or credit impairment are no longer present, impairment provisions will be reversed to the initial stages.

From stage 2 to stage 1 this could happen if the change in PD and/or arrears fails to meet the criteria described above.

The same applies to impairment provisions in stage 3, which will be transferred to stage 2 if the conditions for credit impairment no longer apply.

Provisions in general

Provisions for loan impairment and receivables are taken to an allowance account and deducted from the relevant asset items. Similarly, provisions for guarantees and unutilised credit commitments are made under liabilities and equity.

Provisions for expected credit losses equal the difference between the present value of the contractual payments and an amount, which, based on eg scenario assessments and the time value of money, constitutes the expected cash flows.

Write-offs, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement in "Impairment charges for loans, advances and receivables etc".

Where events subsequently occur showing a partial or complete impairment reduction, impairment provisions are reversed accordingly.

The Group amortises/depreciates a financial asset when reliable information indicates that the debtor is in serious financial difficulty and collection seems unrealistic. Financial assets amortised/depreciated may still be subject to the enforcement activities of the Group's collection procedures, taking into consideration any legal advice. Any collection is recognised in profit or loss. Personal liability claims are pursued in collaboration with an external business partner.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

Assets are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow to the Group, and if the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow from the Group, and if the value of the liability can be measured reliably.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised in the income statement for the period in which it arose.

All costs incurred by the Group are recognised in the income statement, including depreciation, amortisation, impairment charges, provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Hedge accounting

The Group applies derivative financial instruments (interest rate swaps) to hedge interest rate risk on loans and advances, subordinated debt and bonds in issue measured at amortised cost.

Changes in the fair values of derivative financial instruments that are classified and qualify as fair value hedges of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

The hedges are established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness is measured and assessed on a regular basis.

If the criteria for hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life.

Offsetting

Financial assets and liabilities are offset and presented as a net amount when the Group has a legally enforceable right of set-off and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously.

Offsetting mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres. Impairments are offset against the relevant assets (loans, advances and receivables etc as well as bonds).

Consolidation

Nykredit Bank A/S (the Parent) and the enterprises in which Nykredit Bank A/S exercises direct or indirect control over the financial and operational management and receives a variable return are included in the Consolidated Financial Statements. Nykredit Bank A/S and its subsidiaries are collectively referred to as the Nykredit Bank Group.

Enterprises in which the Nykredit Bank Group has joint control together with other enterprises which are not part of the Group are considered joint ventures. The Group's investments in joint ventures are recognised and measured according to the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are prepared in accordance with the Group's accounting policies. The financial statements of partly owned subsidiaries are fully consolidated, and minority interests' share of the Group's profit or loss and equity is stated as separate items in the income statement and under Group equity, respectively. All intercompany income and costs, dividends, intercompany shareholdings, intercompany derivatives and balances as well as realised and unrealised intercompany gains and losses are eliminated.

Acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

Divested enterprises are included up to the time of divestment.

Segment information and presentation of financial highlights

Segment information is provided for business areas, and income and assets relating to foreign activities are specified. Apart from activities related to Sparinvest SE, Luxembourg, Nykredit Bank has no significant activities outside Denmark.

The income statement format of the financial highlights on page 3 and the business areas in note 3 mirror the internal management reporting presented to and evaluated by Management of the Nykredit Realkredit Group. Management does not perform separate assessments of the banking part of the business areas. 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 24) 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 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 areas.

Business areas are defined on the basis of differences in customer segments and services. Items not allocated to the business areas are included in Group Items.

Segment information is provided exclusively at Group level.

Currency

The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains and losses arising on the settlement of these transactions are recognised in "Value adjustments" through profit or loss.

On the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustments are recognised in "Value adjustments" through profit or loss.

Currency translation differences arising on translation of non-monetary assets and liabilities are recognised in the income statement together with other fair value adjustment of the relevant items.

The financial statements of foreign entities are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

Repo transactions and reverse repurchase lending

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds".

The amount received is recognised under payables in "Payables to credit institutions and central banks" or "Deposits and other payables".

Payment paid for securities acquired as part of reverse repurchase lending is recognised in "Receivables from credit institutions and central banks" or "Loans, advances and other receivables at amortised cost".

Where the Group resells assets received in connection with reverse repurchase lending, and where the Group is obliged to return the instruments, this liability is recognised at fair value and included in "Other non-derivative financial liabilities at fair value".

Repo deposits from and reverse repurchase lending to customers and credit institutions are recognised and measured at amortised cost, and the return is recognised as interest income and interest expenses in the income statement.

Leases

Leases where Nykredit is the lessor are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". On initial recognition, receivables under finance leases are measured at an amount equal to the net investment in the lease. Lease payments receivable are recognised in "Interest income" calculated as a return on the lease receivable or as principal of the lease receivable, respectively.

Direct costs of establishment of leases are recognised in the net investment.

Leases where the Group is the lessee include primarily leases (owner-occupied properties), which are recognised in the balance sheet as right-of-use assets (leasehold premises) as well as liabilities arising from those leases. The asset is depreciated over the course of its useful life, and the lease liability will be reduced by the principal amount, which is determined as the lease payments less the interest portion of the lease liability.

This is a new practice, as IFRS 16 "Leases" has been implemented as at 31 December 2018. The lease term used to determine the rental obligation corresponds to the period in which the Group as lessee has the right to, and expects to, use the underlying assets. The assessment is made at portfolio basis with a rental period of 7 years on average for leases which have not been terminated. For leases which have been terminated or are expected to be terminated, the period reflects the remaining lease term.

The present value of the liability has been calculated using a discount rate equal to a risk-free swap rate and a Nykredit-specific credit risk charge which matches the loan term.

The calculated interest on the liability is included in the income statement in "Interest expenses", while depreciation/amortisation is included in "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets". The value of the leased asset is recognised in "Land and buildings", while the liability is included in the liability item "Other liabilities".

Business combinations

On acquisition of new enterprises where control is obtained over the acquired enterprise, the purchase method is applied. The profit and balance sheet of the acquired enterprise will be recognised in the financial statements as from the date of acquisition.

The balance sheet of the acquired enterprise is recognised at fair value as from the date of acquisition. The difference between the fair value of the net assets acquired and the purchase sum is as far as possible recognised as separable intangible assets, for example customer relations etc, while the remaining value is considered as goodwill.

Please refer to note 49.

INCOME STATEMENT

Interest income and expenses etc

Interest comprises interest due and accrued up to the balance sheet date.

Interest income comprises interest and interest-like income, including interest-like commission received, and other income that forms an integral part of the effective interest of the underlying instruments. The item also includes interest payable or deductible relating to voluntary payment of tax on account and paid tax as well as index premiums on assets, forward premiums on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

Interest income from loans and advances measured at amortised cost for which stage 3 impairment is made is included in "Interest income" at an amount reflecting the effective interest from the impaired value of loans and advances.

Any interest income from the underlying loans and advances exceeding this amount is included in "Impairment charges for loans, advances and receivables".

Interest expenses comprise all interest-like expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Negative interest

Negative interest income is recognised in "negative Interest income", and negative interest expenses are recognised in "negative Interest expenses". Negative interest is specified in a note.

Dividend

Dividend from equity investments is recognised as income in the income statement in the period in which the dividend is declared.

Fees and commissions

Fees and commissions comprise income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs relating to loans and advances measured at amortised cost are treated as interest if they form an integral part of the effective interest of a financial instrument.

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including income under leasing activities as well as gain on the sale of non-current assets.

Value adjustments

Value adjustments consist of foreign currency translation adjustments and value adjustments of assets and liabilities measured at fair value.

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Anniversary bonus, termination benefits as well as holiday pay/allowance obligations are recognised successively.

Administrative expenses comprise IT and marketing costs as well as leasehold rent.

Other operating expenses

"Other operating expenses" comprises operating expenses not attributable to other income statement items, including contributions to guarantee and resolution schemes for mortgage banks as well as one-off expenses.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax and adjustment of tax for previous years, is recognised in the income statement.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date. The Danish tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account.

Based on the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised.

Deferred tax is determined on the basis of the intended use of each asset or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date.

Deferred tax assets, including the tax base of any tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against tax on future positive taxable income. On each balance sheet date, it is assessed whether it is probable that a deferred tax asset can be used.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to do so.

The Nykredit Bank Group and the Nykredit Group's other Danish companies are jointly taxed with Forenet Kredit. Current Danish corporation tax payable is distributed among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

ASSETS

Loans, advances and other financial assets

Reference is made to the above description under "Significant accounting estimates and assessments" and "Financial instruments" for these items.

Investments in associates

Investments in associates include enterprises that the Nykredit Bank Group does not control, but in which the Group exercises significant influence. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally considered associates.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportional ownership interest of the enterprises' equity value determined in accordance with the Group's accounting policies less/plus the proportionate share of unrealised intercompany gains and losses plus goodwill.

The proportionate share of associates' profit or loss after tax is recognised in the consolidated income statement.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises at the time of acquisition.

Goodwill is recognised at cost on initial recognition in the balance sheet and subsequently at cost less accumulated impairments. Goodwill is not amortised.

Goodwill is tested for impairment once a year and is written down to the recoverable amount through profit or loss, if this is lower than the carrying amount. The recoverable amount is calculated as the present value of the future net cash flows expected from the cash-generating units to which the goodwill relates. Identification of cash-generating units is based on the management structure and the way the units are managed financially.

Goodwill impairment is reported in the income statement and is not reversed.

Impairment testing and the assumptions used for testing are described in note 26 .

Other intangible assets

Customer relationships etc are recognised at cost less accumulated amortisation. Customer relationships are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 7 years.

Land and buildings including leased properties

Owner-occupied properties

Owner-occupied properties where the Group acts as lessee, are described under "Leases".

Equipment

Equipment is measured at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to five years
- Fixtures, equipment and cars up to five years
- Leasehold improvements; maximum term of the lease is 15 years.

The assets' residual values and useful lives are reviewed at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the divestment of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof as well as investments in subsidiaries and associates in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Properties acquired in connection with the termination of an exposure are recognised in "Assets in temporary possession".

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment arising on initial classification as assets in temporary possession and gains and losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are recognised in "Impairment charges for loans, advances and receivables etc" in the income statement.

Income and expenses relating to subsidiaries in temporary possession are recognised separately in the income statement if the impact is significant.

LIABILITIES AND EQUITY

Payables

Reference is made to the above description under "Financial instruments" for these items.

Provisions

Provisions are recognised where, as a result of an event having occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably, and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for losses under guarantees etc

Provisions for losses under guarantees and unutilised credit commitments etc are recognised applying the same principles as are used for impairment charges for loans, advances and receivables. Reference is made to the preceding paragraph.

Bonds in issue at amortised cost

On initial recognition, bonds in issue are measured at fair value corresponding to consideration received less any costs incurred. Subsequently, the bonds in issue are measured at amortised cost. If a derivative financial hedging instrument measured at fair value is attached to bonds in issue, the bonds that are hedged by means of the derivative financial instrument will be subject to regular value adjustment. This way, the value adjustment of the hedged instrument and the hedging derivative financial instrument is made symmetrically.

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.

On initial recognition, subordinated debt is measured at fair value less any transaction costs. The subordinated debt is subsequently measured at amortised cost, and differences, if any, between the proceeds less transaction costs and the redemption value are recognised in the income statement over the term of the loan by applying the effective interest method.

When the interest rate risk relating to fixed-rate subordinated debt is effectively hedged using derivatives, amortised cost is supplemented with the fair value of the hedged interest rate risk.

Equity

Share capital

Shares in issue are classified as equity where there is no legal obligation to transfer cash or other assets to the shareholder.

Retained earnings

Retained earnings comprise reserves which are in principle distributable to the Company's shareholders. However, under the Danish Financial Business Act, distribution is subject to Nykredit's compliance with the capital requirements applying to the Company and the Group.

Proposed dividend

Dividend expected to be distributed for the year is carried as a separate item in equity. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration).

Minority interests

Minority interests comprise the share of a subsidiary's equity owned by other parties than the Group companies.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities.

Operating activities include the Group's principal and other activities which are not part of its investing or financing activities.

Investing activities comprise the purchase and sale of non-current assets and financial investments not included in cash and cash equivalents.

Financing activities comprise subordinated debt raised as well as redeemed, including the sale and purchase of self-issued subordinated debt, and payments to or from shareholders.

Furthermore, the cash flow statement shows the changes in the Group's cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

ACCOUNTING POLICIES APPLYING SPECIFICALLY TO THE PARENT NYKREDIT BANK A/S

The Financial Statements of the Parent Nykredit Bank A/S are prepared in accordance with the Danish Financial Business Act and the Danish FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports).

In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Group's accounting policies as described above.

Amendments to the Danish Executive Order on Financial Reports

Compared with the Annual Report for 2018, the accounting policies have been changed following the implementation of the leases standard, which has led to the capitalisation of the rights-of-use for a number of leases and the liabilities arising from such leases. Reference is made to the Group's accounting policies.

No other amendments to the Danish Executive Order on Financial Reports have affected the Parent's accounting policies for 2019.

Other ordinary income

The item "Other operating expenses" contains a large share of income from administrative services, etc, provided by the Parent to the other Group companies, for which settlement is made on the basis of intercompany agreements. In addition, the item contains other operating income not attributable to other income statement items, including income relating to gains on the sale of investment and owner-occupied properties as well as other non-current assets.

Investments in Group enterprises etc

Investments in Group enterprises (subsidiaries) are recognised and measured according to the equity method.

The proportional ownership interest of the equity value of the enterprises less/plus unrealised intercompany gains and losses is recognised in "Investments in Group enterprises" in the Parent's balance sheet. Any positive difference between the total cost of investments in Group enterprises and the fair value of the net assets at the time of acquisition is recognised as goodwill in "Intangible assets" in the balance sheet.

Nykredit's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses less depreciation, amortisation and impairment charges is recognised in the Parent's income statement.

Total net revaluation of investments in Group enterprises is transferred to equity in "Statutory reserves" through the distribution of profit for the year.

Statutory reserves

The Parent's statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent and are adjusted for other changes in the equity of subsidiaries and associates. The reserves are non-distributable.

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		2. CAPITAL AND CAPITAL ADEQUACY		
21,095	**24,377**	**Equity**	**24,434**	**21,095**
-	-	Minority interests not included	(57)	-
(32)	(30)	Prudent valuation adjustment	(30)	(32)
(16)	(1,700)	Intangible assets excluding deferred tax liabilities	(1,868)	(16)
-	(41)	Provisions for expected credit losses in accordance with IRB approach	(41)	-
-	-	Other additions/deductions	35	-
(47)	**(1,771)**	**Common Equity Tier 1 capital deductions**	**(1,961)**	**(47)**
21,048	**22,605**	**Common Equity Tier 1 capital**	**22,473**	**21,048**
-	-	Minority interests	7	-
-	**-**	**Total Additional Tier 1 capital after deductions**	**7**	**-**
21,048	**22,605**	**Tier 1 capital**	**22,479**	**21,048**
2,000	2,000	Tier 2 capital	2,000	2,000
336	307	Tier 2 capital additions/deductions	307	336
-	-	Minority interests	4	-
23,384	**24,913**	**Own funds**	**24,790**	**23,384**
93,375	107,120	Credit risk	99,211	87,742
12,794	11,227	Market risk	11,319	12,794
6,899	7,180	Operational risk	8,143	7,765
113,067	**125,527**	**Total risk exposure amount**	**118,672**	**108,300**
		Financial ratios		
18.6	18.0	Common Equity Tier 1 capital ratio, %	18.9	19.4
18.6	18.0	Tier 1 capital ratio, %	18.9	19.4
20.6	19.8	Total capital ratio, %	20.8	21.5

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 Nykredit Bank. To this should be added the permanent buffer requirement of 2.5% and the countercyclical buffer of 1% in Denmark which must also be met with Common Equity Tier 1 capital.

2. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

As a subsidiary of Nykredit Realkredit A/S, Nykredit Bank is subject to the Nykredit Group's capital policy and management. Nykredit's objective is to maintain active lending activities regardless of economic trends, while retaining a competitive credit rating.

To ensure flexibility and leeway, an element of the capital policy is to concentrate capital to the widest extent possible in the Parent, Nykredit Realkredit A/S. Capital is contributed to subsidiaries, including Nykredit Bank, as required.

Stress tests and capital projection

Nykredit Bank conducts a large number of stress tests and capital projections. The tests are applied to determine required own funds, and the test results are included in the Board of Directors' annual assessment of the internal capital adequacy requirement as well as in the continuous capital planning.

The stress test calculations include the macroeconomic factors of greatest importance historically to the customers.

The most important macroeconomic factors identified are:
Property prices
Interest rates
Unemployment
GDP growth

Nykredit Bank operates with two scenarios of the economic development: A baseline scenario and a slightly weaker economic climate.

In a slightly weaker economic climate, the capital requirement for credit risk builds on correlations between the macroeconomic factors, the Probability of Default (PD) and Loss Given Default (LGD). These correlations are an essential element of the capital projection model. Operating losses in a stress scenario increase the capital requirement, while operating profits are not included.

Baseline scenario

This scenario is a projection of the Danish economy based on Nykredit's assessment of the current economic climate.

Stress scenario: Slightly weaker economic climate in 2020-2022

The stress scenario is designed to illustrate a slightly weaker economic climate relative to the baseline scenario. The capital charge reflects how much the capital requirement would increase if this scenario occurred. The results are included in the determination of the internal capital adequacy requirement.

The capital charge for a slightly weaker economic climate came to DKK 994 billion at end-2019.

DKK million

Nykredit Bank Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. In March 2019 the business areas were reorganised, now comprising Banking, Totalkredit Partners and Wealth Management. 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.

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

Results 2019	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Wealth Management	Group Items	Total
Results by business area								
Net interest income	344	622	966	488	1,454	50	15	1,520
Net fee income	155	163	318	228	546	19	(27)	538
Wealth management income	346	143	490	124	614	984	12	1,610
Net interest from capitalisation	(20)	(49)	(68)	(56)	(124)	(8)	104	(28)
Net income relating to customer benefits programmes[1]	-	-	-	-	-	-	(9)	(9)
Trading, investment portfolio and other income	85	139	225	425	650	60	9	720
Income	**911**	**1,019**	**1,930**	**1,210**	**3,140**	**1,106**	**105**	**4,350**
Costs	760	400	1,160	468	1,628	642	105	2,375
Business profit before impairment charges	**150**	**620**	**770**	**741**	**1,511**	**464**	**0**	**1,975**
Impairment charges for loans and advances	15	194	209	(4)	205	0	5	210
Business profit (loss)	**136**	**426**	**561**	**745**	**1,306**	**464**	**(5)**	**1,765**
Legacy derivatives	(1)	(92)	(92)	(21)	(113)	0	-	(112)
Profit (loss) before tax	**135**	**334**	**469**	**725**	**1,194**	**464**	**(5)**	**1,653**
Of which transactions between the business areas	319	66	384	(298)	86	(416)	330	0
Average allocated business capital	2,697	6,660	9,357	7,494	16,851	975	1,162	18,988
Business profit as % of average business capital	5.0	6.4	6.0	9.9	7.8	47.5	-	9.3
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	48,749	48,749
Loans and advances at amortised cost	11,686	23,938	35,623	25,794	61,418	3,943	106	65,466
Assets by business area	**11,686**	**23,938**	**35,623**	**25,794**	**61,418**	**3,943**	**48,854**	**114,215**
Unallocated assets								112,313
Total assets								**226,528**
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	3,331	3,331
Deposits and other payables at amortised cost	35,379	21,059	56,438	9,495	65,933	16,121	3,496	85,549
Liabilities by business area	**35,379**	**21,059**	**56,438**	**9,495**	**65,933**	**16,121**	**6,827**	**88,881**
Unallocated liabilities								113,213
Equity								24,434
Total liabilities and equity								**226,528**

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

Results 2018	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Results by business area								
Net interest income	394	612	1,007	474	1,481	53	(1)	1,533
Net fee income	152	153	305	227	533	14	(26)	521
Wealth management income	361	147	508	122	630	714	16	1,361
Net interest from capitalisation	(19)	(42)	(62)	(53)	(116)	(7)	93	(30)
Trading, investment portfolio and other income	59	232	290	427	717	36	3	756
Income	**946**	**1,102**	**2,048**	**1,198**	**3,245**	**810**	**85**	**4,141**
Costs	714	364	1,078	470	1,547	453	28	2,029
Business profit before impairment charges	**232**	**738**	**970**	**727**	**1,697**	**356**	**58**	**2,112**
Impairment charges for loans and advances	6	130	135	124	259	24	(9)	274
Business profit	**227**	**608**	**835**	**603**	**1,438**	**333**	**67**	**1,838**
Legacy derivatives	1	176	177	104	280	(0)	-	280
Profit before tax	**227**	**784**	**1,011**	**707**	**1,718**	**332**	**67**	**2,118**
Of which transactions between the business areas	323	63	386	(231)	155	(432)	277	-
Average allocated business capital	2,458	5,562	8,020	7,071	15,091	974	1,293	17,357
Business profit as % of average business capital	9.2	10.9	10.4	8.5	9.5	34.1	-	10.6

BALANCE SHEET	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	37,427	37,427
Loans and advances at amortised cost	11,507	21,236	32,743	23,342	56,085	3,955	526	60,566
Assets by business area	**11,507**	**21,236**	**32,743**	**23,342**	**56,085**	**3,955**	**37,953**	**97,993**
Unallocated assets								89,141
Total assets								**187,135**
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	5,745	5,745
Deposits and other payables at amortised cost	30,332	19,055	49,388	11,708	61,096	12,090	3,787	76,974
Liabilities by business area	**30,332**	**19,055**	**49,388**	**11,708**	**61,096**	**12,090**	**9,533**	**82,719**
Unallocated liabilities								83,320
Equity								21,095
Total liabilities and equity								**187,135**

DKK million

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	2019			2018		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	1,520	25	1,545	1,533	103	1,636
Dividend on equities etc		7	7		5	5
Fee and commission income, net	538	1,429	1,967	521	1,110	1,632
Net interest and fee income		**1,461**	**3,518**		**1,219**	**3,273**
Wealth management income	1,610	(1,610)	-	1,361	(1,361)	-
Net interest from capitalisation	(28)	28	-	(30)	30	-
Net interest from capitalisation	(9)	9	-	-	-	-
Trading, investment portfolio and other income	720	(720)	-	756	(756)	-
Value adjustments		670	670		1,114	1,114
Other operating income		44	44		30	30
Total income	**4,350**			**4,141**		
Costs	2,375	-	2,375	2,029	-	2,029
Business profit before impairment charges	**1,975**			**2,112**		
Impairment charges for loans and advances etc	210	-	210	274	0	274
Profit from investments in associates		6	6		3	3
Business profit	**1,765**			**1,838**		
Legacy derivatives	(112)	112	-	280	(280)	-
Profit (loss) before tax	**1,653**	**-**	**1,653**	**2,118**	**-**	**2,118**

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 thus corresponds to "Net interest and fee income", "Value adjustments" and "Other operating income" 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 (loss) before tax" is unchanged.

Nykredit Bank Group	2019	2018
		DKK million
5. INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees, net:		
- securities trading and custody accounts	1,005	1,260
- payment services	157	136
- loan fees and guarantee commission	118	109
- other fees	1,126	532
Revenue from contracts with customers (IFRS 15) by business area		
Total Retail	447	720
Corporates & Institutions	312	342
Total Banking	**759**	**1,062**
Wealth Management	1,568	910
Group Items	78	66
Total	**2,405**	**2,038**

[1] 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 (2019) / IAS 17 (2018) "Leases". Fees and transaction costs that are integral to the effective interest rate of an instrument 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:

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. Revenue arising from these activities will not be determined until at the end of the financial year at the latest, and revenue recognised in the Annual Report is consequently considered final as at 31 December.

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.

DKK million

Nykredit Bank Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

2019	Interest income	Interest expenses	Net interest income	Dividend on equities	Net value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	33	(37)	70	-	-	70
Lending and deposits	1,872	(51)	1,922	-	5	1,928
Repo transactions and reverse repurchase lending	(164)	(36)	(128)	-	-	(128)
Bonds in issue at amortised cost	-	22	(22)	-	-	(22)
Subordinated debt	-	38	(38)	-	-	(38)
Other financial instruments	1	101	(100)	-	-	(100)
Total	**1,742**	**37**	**1,705**	**-**	**5**	**1,710**
Financial portfolios at fair value and financial instruments at fair value						
Bonds	99	-	99	-	55	154
Equities etc	-	-	-	7	71	78
Derivative financial instruments etc	(259)	-	(259)	-	435	176
Total	**(160)**	**-**	**(160)**	**7**	**561**	**408**
Foreign currency translation adjustment					103	103
Net interest income etc and value adjustments	**1,582**	**37**	**1,545**	**7**	**670**	**2,221**

2018	Interest income	Interest expenses	Net interest income	Dividend on equities	Net value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	10	20	(10)	-	-	(10)
Lending and deposits	1,996	(26)	2,022	-	23	2,045
Repo transactions and reverse repurchase lending	(165)	(104)	(61)	-	-	(61)
Bonds at amortised cost	(6)	-	(6)	-	-	(6)
Bonds in issue at amortised cost	-	58	(58)	-	-	(58)
Subordinated debt	-	39	(39)	-	-	(39)
Other financial instruments	3	77	(74)	-	-	(74)
Total	**1,837**	**64**	**1,774**	**-**	**23**	**1,797**
Financial portfolios at fair value and financial instruments at fair value						
Bonds	94	-	94	-	(17)	77
Equities etc	-	-	-	5	36	41
Derivative financial instruments etc	(232)	-	(232)	-	987	755
Total	**(138)**	**-**	**(138)**	**5**	**1,006**	**874**
Foreign currency translation adjustment					85	85
Net interest income etc and value adjustments	**1,699**	**64**	**1,636**	**5**	**1,114**	**2,756**

DKK million				
Nykredit Bank A/S			Nykredit Bank Group	
2018	2019		2019	2018
		7. INTEREST INCOME		
25	54	Receivables from credit institutions and central banks	54	26
1,838	1,720	Loans, advances and other receivables	1,890	2,001
88	100	Bonds	99	88
(232)	(259)	Derivative financial instruments	(259)	(232)
		Of which		
84	77	- foreign exchange contracts	77	84
(315)	(336)	- interest rate contracts	(336)	(315)
(1)	0	- equity contracts	0	(1)
(1)	(0)	- other contracts	(0)	(1)
1	(1)	Other interest income	1	3
1,720	**1,615**	**Total**	**1,785**	**1,885**
		Of which interest income from reverse repurchase lending entered as:		
1	17	Receivables from credit institutions and central banks	17	1
5	-	Loans, advances and other receivables	-	5
		Of total interest income:		
1,858	1,762	Interest income based on the effective interest method	1,932	2,023
115	42	Interest income accrued on impaired financial assets measured at amortised cost	42	115
43	33	Interest income accrued on fixed-rate bank loans	80	87
-		Interest income from finance leases	143	143

Interest income accrued on bank loans and advances for which stage 3 impairment is made totalled DKK 42 million (2018: DKK 115 million). Nykredit Bank A/S generally does not charge interest on stage 3 impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		7A. NEGATIVE INTEREST		
		Interest income		
(37)	(38)	Receivables from credit institutions and central banks	(38)	(37)
(149)	(165)	Loans, advances and other receivables	(165)	(149)
(186)	**(203)**	**Total**	**(203)**	**(186)**
		Of which interest income from reverse repurchase lending entered as:		
(23)	(17)	Receivables from credit institutions and central banks	(17)	(23)
(148)	(164)	Loans, advances and other receivables	(164)	(148)
		Interest expenses		
(124)	(160)	Payables to credit institutions and central banks	(160)	(124)
(176)	(161)	Deposits and other payables	(161)	(176)
(300)	**(321)**	**Total**	**(321)**	**(300)**
		Of which interest expenses from repo deposits entered as:		
(54)	(47)	Payables to credit institutions and central banks	(47)	(54)
(57)	(36)	Deposits and other payables	(36)	(57)
		8. INTEREST EXPENSES		
97	123	Credit institutions and central banks	123	97
95	82	Deposits and other payables	74	93
58	22	Bonds in issue	22	58
39	38	Subordinated debt	38	39
76	100	Other interest expenses	101	77
366	**365**	**Total**	**358**	**364**
		Of which interest expenses from repo transactions entered as:		
6	-	Payables to credit institutions and central banks	-	6
		Bonds in issue		
11	5	Set-off of interest from the Bank's portfolio of self-issued bonds	5	11
		Of total interest expenses:		
366	44	Interest expenses accrued on financial liabilities measured at amortised cost	37	364

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		9. DIVIDEND ON EQUITIES ETC		
5	7	Dividend	7	5
5	**7**	**Total**	**7**	**5**
		10. FEE AND COMMISSION INCOME		
888	966	Securities trading and custody accounts	1,005	1,260
136	157	Payment services	157	136
15	15	Loan fees	34	32
79	84	Guarantee commission	84	77
517	485	Other fees and commission	1,126	532
1,634	**1,705**	**Total**	**2,405**	**2,038**
		Of which:		
160	166	Fees relating to financial instruments not measured at fair value	202	197
797	803	Fees from asset management activities and other fiduciary activities	1,503	1,175
		11. FEE AND COMMISSION EXPENSES		
374	332	Fee and commission expenses	439	407
374	**332**	**Total**	**439**	**407**
		Of which:		
71	66	Fees relating to financial instruments measured at amortised cost	94	89
74	63	Fees from asset management activities and other fiduciary activities	142	88
		12. VALUE ADJUSTMENTS		
23	5	Other loans, advances and receivables at fair value	5	23
(14)	58	Bonds	55	(17)
36	70	Equities etc	71	36
85	103	Foreign exchange	103	85
981	435	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	384	981
6	-	Other assets	52	6
1,117	**672**	**Total**	**670**	**1,114**
(371)	(908)	Of which value adjustment of assets and liabilities recognised at amortised cost	(908)	(371)
584	58	Of which value adjustment of interest rate swaps etc	58	584
		Of which value adjustment relating to fair value hedging for accounting purposes:		
1	(1)	Fair value hedging	(1)	1
		13. STAFF AND ADMINISTRATIVE EXPENSES		
7	7	Remuneration of Board of Directors and Executive Board	7	7
729	784	Staff expenses	1,040	860
1,063	1,156	Other administrative expenses	1,291	1,139
1,799	**1,946**	**Total**	**2,338**	**2,005**

DKK '000

Nykredit Bank Group

13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)

Remuneration of Board of Directors:

2019

Fees paid to the Board of Directors	Flemming Ellegaard	Susanne Møller Nielsen[1]	Allan Kristiansen[2]	Total
Fees	45	15	60	120
Total	**45**	**15**	**60**	**120**

1 Flemming Ellegaard resigned from the Board of Directors on 25 September 2019.
2 Susanne Møller Nielsen joined the Board of Directors on 25 September 2019.
3 In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Realkredit A/S of DKK 135 thousand and Nykredit A/S of DKK 279 thousand.

2018

Fees paid to the Board of Directors	Kent Andersen	Flemming Ellegaard	Allan Kristiansen[1]	Total
Fees	60	60	60	180
Total	**60**	**60**	**60**	**180**

1 In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Realkredit A/S of DKK 132 thousand and Nykredit A/S of DKK 273 thousand.

Members of the Board of Directors employed as Group Chief Executive or Group Managing Director of Nykredit A/S or Nykredit Realkredit A/S received the following remuneration in the Nykredit Group:

DKK '000

2019

Remuneration	Michael Rasmussen	Kim Duus[4]	Søren Holm[4]	Anders Jensen	David Hellemann	Tonny Thierry Andersen[3]	Total
Contractual salary	11,299	3,263	3,263	6,677	6,677	4,638	35,818
Pension contributions[1]	2,616	-	-	1,536	1,536	1,067	6,754
Total expenses for accounting purposes/earned income	**13,915**	**3,263**	**3,263**	**8,213**	**8,213**	**5,704**	**42,571**
Various benefits[2]	18	6	6	22	10	4	67

1 In addition to their contractual salaries, Michael Rasmussen, Anders Jensen, David Hellemann and Tonny Thierry Andersen receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm are covered by defined benefit pension plans.
2 In addition to the ordinary salary the members of the Executive Board may receive various benefits. Group Managing Directors may also choose to acquire a company car as part of Nykredit's company car scheme. Expenses incurred for a company car are deducted from the contractual salaries.
3 Tonny Thierry Andersen joined the Executive Board on 1 June 2019.
4 Kim Duus and Søren Holm left the Executive Board at 30 June 2019.

Members of the Executive Board receive fixed salaries covering all directorships and executive positions in Nykredit A/S as well as Group enterprises and associates. Retention agreements have been concluded with Michael Rasmussen, Anders Jensen and David Hellemann, see the table below.

Kim Duus and Søren Holm left their positions at end-June 2019. From the effective date of termination, they will receive 60% of their fixed salaries for five years as from 1 July 2019, as agreed under their contracts.

Nykredit Bank Group

13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)

Pension, retention and termination benefits	Michael Rasmussen	Anders Jensen	David Hellemann	Tonny Thierry Andersen
Retention terms[1, 2]	1 year's salary excl pensions	1 year's salary excl pensions	1 year's salary excl pensions	
Termination benefit	23 mths	12 mths	12 mths	6 mths
Notice of termination by the member of the Executive Board	6 mths	6 mths	6 mths	12 mths
Notice of termination by Nykredit	6 mths	6 mths	6 mths	12 mths

1 Nykredit A/S has entered into a retention agreement with Michael Rasmussen, Group Chief Executive. At 31 December 2019, the retention payment earned was DKK 11.3 million, payable over a 5-year period with the first payment in 2020. A retention payment of DKK 5.1 million for Michael Rasmussen (2018: DKK 3.1 million) was charged to the income statement in 2019.

2 Nykredit Realkredit A/S has entered into retention agreements with each of Group Managing Directors Anders Jensen and David Hellemann. The retention payments, which equal one year's salary excluding pension contributions, are payable on 1 January 2021 if Anders Jensen or David Hellemann have not resigned their positions or are not in breach of their contractual duties on the payment date. Provisions are made for the retention payment during the vesting period. Retention payments of DKK 2.1 million and DKK 2.1 million (2018: DKK 2.1 million and DKK 2.1 million), respectively, for Anders Jensen and David Hellemann were charged to the income statement in 2019.

Group Managing Directors will retire in the month they attain the age of 70 at the latest.

DKK '000

Nykredit Bank Group

2018

Remuneration	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	David Hellemann	Total
Contractual salary	11,045	6,527	6,527	6,527	6,527	37,153
Pension contributions[1]	2,557	-	-	1,501	1,501	5,559
Total	**13,602**	**6,527**	**6,527**	**8,028**	**8,028**	**42,712**
Defined benefit plans for a maximum of five years	-	852	852			1,704
Total expenses for accounting purposes/earned income	**13,602**	**7,379**	**7,379**	**8,028**	**8,028**	**44,416**
Various benefits[2]	17	13	14	19	16	79

1 In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and David Hellemann receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm are covered by defined benefit pension plans.

2 In addition to the ordinary salary the members of the Executive Board may receive various benefits. Group Managing Directors may also choose to acquire a company car as part of Nykredit's company car scheme. Expenses incurred for a company car are deducted from the contractual salaries.

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2018	2019		2019	2018
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Executive Board		
6	7	Salaries	7	6
6	**7**	**Total**	**7**	**6**
		Of which:		
1	1	Bonuses provided for in the Financial Statements	1	1
		Remuneration of Executive Board:		
DKK '000	DKK '000	**Fixed and variable remuneration recognised in the income statement for the financial year:**	DKK '000	DKK '000
		Henrik Rasmussen		
2,887	2,951	Base salary	2,951	2,887
555	750	Bonus	750	555
3,442	**3,701**	**Total**	**3,701**	**3,442**
		Dan Sørensen		
2,397	2,550	Base salary	2,550	2,397
612	530	Bonus	530	612
3,009	**3,080**	**Total**	**3,080**	**3,009**
6,451	**6,781**	**Earned in the financial year**	**6,781**	**6,451**
		Furthermore, a retention payment paid by Nykredit A/S has been agreed. For Henrik Rasmussen, this amount represented DKK 250 thousand and for Dan Sørensen DKK 175 thousand (2018: DKK 250 thousand and DKK 175 thousand).		
		Various benefits[1]		
125	136	Henrik Rasmussen	136	125
8	7	Dan Sørensen	7	8
DKK million	DKK million	**Loans, charges or guarantees issued or created in respect of the members of:**	DKK million	DKK million
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
0	0	Related parties of the Bank's Executive Board or Board of Directors	0	0
		Deposits from the members of:		
2	2	Executive Board	2	2
13	19	Board of Directors	19	13
2	3	Related parties of the Bank's Executive Board or Board of Directors	3	2

[1] In addition to the ordinary salary the members of the Executive Board may receive various benefits. The Executive Board may also choose to acquire a company car as part of Nykredit's company car scheme.

Balances with the above members of the Bank's Management and their related parties are subject to standard business terms and market-based interest terms. The lending rate for members of the Bank's Executive Board or Board of Directors and their related parties ranged between 2.75-12.5% (2018: 0.35-9.50%), and the deposit rate was around 0.0% (2018: 0.0%). Members of the Executive Board receive fixed salaries covering all directorships and executive positions in the Nykredit Bank Group. No changes were made to the composition of the Executive Board in 2019.

Variable remuneration
The Bank's Executive Board participates in Nykredit's general bonus schemes for executives. The programme is discretionary, which means that executives are not guaranteed a bonus. Provisions of DKK 1,280 thousand were made for bonuses in 2019. Adjustment relating to previous years was DKK 0 thousand. The bonus awarded to management executives is based on a bonus potential, currently three months' salary, determined on a year-by-year basis.

Other information
The period of notice is 12 months. If their contracts are terminated by Nykredit Bank A/S, Executive Board members are entitled to termination benefits equal to nine months' gross salary.

Nykredit Bank A/S 2018	2019	DKK million	Nykredit Bank Group 2019	2018
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Staff expenses		
580	615	Salaries	830	685
55	59	Pensions (defined contribution plans)	75	67
92	107	Payroll tax	131	105
3	3	Social security expenses	5	3
729	**784**	**Total**	**1,040**	**860**
		Payroll tax also includes payroll tax relating to the Executive Board.		
		Of which remuneration of staff members whose activities have a significant influence on the Bank's risk profile (material risk takers):		
49	57	Base salaries	93	57
36	39	Variable remuneration	48	37
85	**97**	**Total**	**142**	**94**
664	679	Average number of staff for the financial year, full-time equivalent	900	837

Staff whose activities significantly affect Nykredit Bank A/S's and the Nykredit Bank Group's risk profile comprise, in addition to the Executive Board, 191 staff members. 36 are on the payroll of Nykredit Bank, 53 are on the payroll of the Bank's subsidiaries, and 102 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs intercompany tasks, settled through intercompany agreements.

These staff members are subject to special salary programmes. A maximum of 60% of the variable remuneration is paid out when awarded, but the payout of at least 40% is deferred over the following four years.

Details of Nykredit's remuneration policy appear from page 12-13 of the Management Commentary under Remuneration and at nykredit.com.

Nykredit Bank A/S 2018	2019	DKK million	Nykredit Bank Group 2019	2018
2	2	Fees to the auditor appointed by the General Meeting, Deloitte, which carries out the statutory audit:	3	2
1	1	Statutory audit of the Financial Statements	1	1
-	1	Other assurance engagements	1	0
-	-	Tax advice	1	1
2	**4**	**Other services**	**7**	**4**

Other services concern fees paid to Deloitte Chartered Accountant Company for non-auditing services provided to the Group such as advice relating to IT platform, the acquisition of Sparinvest, consulting services with respect to governance, data analysis, sundry statements, review in connection with ongoing recognition of earnings and general accounting, regulatory and tax advice.

Nykredit Bank A/S 2018	2019	DKK million	Nykredit Bank Group 2019	2018
		14. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR TANGIBLE AND INTANGIBLE ASSETS		
-	-	Property, plant and equipment	2	0
-	-	Intangible assets	11	-
-	**-**	**Total**	**13**	**0**

DKK million

Nykredit Bank Group

15. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC, GROUP

15 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	Guarantees etc	Total	Total
Total impairment provisions	2019	2018	2019	2018	2019	2018	2019	2018
Beginning of year	**2,767**	**2,290**	**12**	**-**	**117**	**58**	**2,896**	**2,349**
Impact owing to implementation of IFRS 9		506		3		62	-	571
Balance, 1 January 2019	**2,767**	**2,796**	**12**	**3**	**117**	**120**	**2,896**	**2,919**
New impairment provisions as a result of additions and change in credit risk	936	1,278	-	12	86	82	1,023	1,372
Releases as a result of redemptions and change in credit risk	799	1,059	-	3	67	84	866	1,146
Impairment provisions written off	434	249	-	-	0	-	434	249
Interest on impaired facilities	56	-	-	-	0	-	56	-
Total impairment provisions, year-end	**2,526**	**2,767**	**12**	**12**	**137**	**117**	**2,675**	**2,896**
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	137	219	-	9	20	(3)	157	225
Write-offs for the year, not previously written down for impairment	115	94	-	-	-	-	115	94
Recoveries on claims previously written off	36	48	-	-	-	-	36	48
Total	**217**	**266**	**-**	**9**	**20**	**(3)**	**236**	**271**
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(26)	3	-	-	-	-	(26)	3
Total earnings impact	**191**	**268**	**-**	**9**	**20**	**(3)**	**210**	**274**

The contractual amount outstanding on financial assets written off during the year ended 31 December 2019 and still sought to be recovered is DKK 180 million (2018: DKK 162 million).

DKK million

Nykredit Bank Group

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

15 b. Total impairment provisions by stage	Loans, advances and receivables at amortised cost			Guarantees			
2019	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 31 December 2018	**317**	**187**	**2,274**	**36**	**29**	**53**	**2,897**
Transfer to stage 1	110	(53)	(56)	17	(6)	(11)	-
Transfer to stage 2	(12)	133	(121)	(5)	9	(5)	-
Transfer to stage 3	(3)	(20)	22	-	(1)	2	-
Impairment provisions for new loans and advances (additions)	61	8	37	8	6	6	127
Additions as a result of change in credit risk	156	108	565	23	19	23	895
Releases as a result of change in credit risk	221	165	414	27	18	22	866
Previously written down for impairment, now written off	-	-	434	-	-	-	434
Interest on impaired facilities	-	-	56	-	-	-	56
Total impairment provisions, year-end	**409**	**199**	**1,930**	**52**	**38**	**46**	**2,675**
Total		**2,538**			**137**		**2,675**
Impairment provisions, year-end, are moreover attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2019	**(3)**	**(48)**	**188**	**5**	**8**	**7**	**157**

	Loans, advances and receivables at amortised cost			Guarantees			
2018	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Impairment provisions as at 1 January 2018 deter-mined according to IFRS 9 principles	**463**	**177**	**2,160**	**36**	**25**	**59**	**2,920**
Transfer to stage 1	40	(23)	(16)	-	-	-	-
Transfer to stage 2	(75)	229	(155)	(4)	14	(10)	-
Transfer to stage 3	(12)	(46)	58	-	(9)	9	-
Impairment provisions for new loans and advances (additions)	38	21	156	4	1	10	230
Additions as a result of change in credit risk	158	117	799	23	24	20	1,140
Releases as a result of change in credit risk	293	286	479	23	26	35	1,143
Previously written down for impairment, now written off	-	-	249	-	-	-	249
Total impairment provisions, year-end	**317**	**187**	**2,274**	**36**	**29**	**53**	**2,897**
Total impairment provisions, year-end		**2,778**			**117**		**2,897**
Impairment provisions, year-end, are attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2018	**(99)**	**(150)**	**475**	**4**	**(2)**	**(5)**	**225**

DKK million

Nykredit Bank Group

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

15 c. Distribution of provisions for loan impairment and guarantees etc, year-end

2019	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	109,607	4,574	2,560	116,741
Total impairment provisions, year-end	396	199	1,930	2,526
Loans and advances, carrying amount	**109,210**	**4,374**	**630**	**114,215**
Guarantees and loan commitments				
Guarantees etc	59,379	1,094	241	60,714
Total impairment provisions, year-end	52	38	46	137
Guarantees and loan commitments, carrying amount	**59,327**	**1,056**	**195**	**60,577**

2018	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	93,750	4,001	3,009	100,760
Total impairment provisions, year-end	305	187	2,274	2,766
Loans and advances, carrying amount	**93,445**	**3,814**	**735**	**97,993**
Guarantees and loan commitments				
Guarantees etc	39,862	542	218	40,622
Total impairment provisions, year-end	36	29	53	118
Guarantees and loan commitments, carrying amount	**39,826**	**513**	**165**	**40,504**

DKK million

Nykredit Bank Group

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

15 d. Financial assets, gross, at amortised cost by stage

2019	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 31 December 2018	**93,750**	**4,001**	**3,009**	**100,760**
Transfer to stage 1	1,112	(1,003)	(109)	-
Transfer to stage 2	(2,223)	2,293	(71)	-
Transfer to stage 3	(296)	(329)	625	-
Other movements	17,264	(388)	(895)	15,981
Total, 31 December 2019	**109,607**	**4,574**	**2,560**	**116,741**
Impairment charges/provisions, total	396	199	1,930	2,526
Carrying amount	**109,210**	**4,374**	**630**	**114,215**

2018	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2018	**85,534**	**1,625**	**3,248**	**90,407**
Transfer to stage 1	443	(339)	(104)	-
Transfer to stage 2	(2,967)	3,100	(133)	-
Transfer to stage 3	(461)	(153)	614	-
Other movements	11,201	(232)	(616)	10,353
Total, 31 December 2018	**93,750**	**4,001**	**3,009**	**100,760**
Impairment charges/provisions, total	305	187	2,274	2,766
Carrying amount	**93,445**	**3,814**	**735**	**97,993**

DKK million

Nykredit Bank Group

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

15 e. Guarantees, gross, by stage

2019	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 31 December 2018	**21,736**	**679**	**230**	**22,644**
Transfer to stage 1	304	(265)	(39)	-
Transfer to stage 2	(441)	455	(14)	-
Transfer to stage 3	(77)	(62)	140	-
Other movements	13,255	287	(76)	13,467
Total, 31 December 2019	**34,776**	**1,094**	**241**	**36,111**
Impairment charges/provisions, total	52	38	46	137
Carrying amount	**34,724**	**1,056**	**195**	**35,974**

2018

	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2018	**24,317**	**607**	**214**	**25,138**
Transfer to stage 1	64	(64)	-	-
Transfer to stage 2	(360)	395	(35)	-
Transfer to stage 3	(58)	(49)	107	-
Other movements	(2,227)	(211)	(56)	(2,494)
Total, 31 December 2018	**21,736**	**679**	**230**	**22,644**
Impairment charges/provisions, total	36	29	53	118
Carrying amount	**21,699**	**650**	**177**	**22,526**

DKK million

Nykredit Bank Group

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

15 f. Loans, advances and guarantees etc, gross

	Loans and advances etc, gross				**Loans and advances etc, excluding impairment charges**			
2019	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc	109,607	4,574	2,560	116,741	48,749	-	-	48,749
Balances with credit institutions	9,586	-	-	9,586	4,209	-	-	4,209
Guarantees and loan commitments	59,379	1,094	241	60,714	-	-	-	-
Total, 31 December 2019	**178,571**	**5,668**	**2,801**	**187,040**	**52,958**	**-**	**-**	**52,958**

	Loans and advances etc, gross				**Loans and advances etc, excluding impairment charges**			
2018	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc	93,750	4,001	3,009	100,760	37,541	16	11	37,568
Balances with credit institutions	5,899	-	-	5,899	1,854	-	-	1,854
Guarantees and loan commitments	39,862	542	218	40,622	24,008	197	12	24,217
Total, 31 December 2018	**139,511**	**4,543**	**3,227**	**147,281**	**63,403**	**213**	**23**	**63,639**

DKK million

Nykredit Bank Group

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

15 g. Loans and advances by rating categories

	Bank loans and advances, gross			Total impairment provisions		
2019						
Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	14,670	44	-	44	1	-
9	25,405	70	-	45	4	-
8	10,773	141	-	51	4	-
7	9,243	131	-	53	4	-
6	30,865	428	-	65	7	-
5	9,663	651	-	49	16	-
4	3,187	673	-	34	19	-
3	2,573	447	-	13	15	-
2	3,061	1,019	-	26	43	-
1	165	804	-	17	62	-
0	-	68	-	-	15	-
Exposures in default	-	98	2,560	-	8	1,930
Total	**109,607**	**4,574**	**2,560**	**396**	**199**	**1,930**

	Bank loans and advances, gross			Total impairment provisions		
2018						
Rating category	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
10	13,505	33	-	28	2	-
9	15,063	57	-	26	3	-
8	8,880	64	-	50	4	-
7	9,365	80	-	54	3	-
6	29,250	540	-	62	9	-
5	9,753	488	-	33	18	-
4	4,543	703	-	32	31	-
3	2,311	383	-	8	20	-
2	815	528	-	7	20	-
1	265	544	-	5	53	-
0	-	310	-	0	19	-
Exposures in default	-	273	3,010	-	5	2,274
Total	**93,750**	**4,001**	**3,010**	**305**	**187**	**2,274**

DKK million

Nykredit Bank Group

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

15 h. Bank loans, advances and guarantees etc and total impairment provisions by sector

2019	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	**766**	**-**	**-**	**1**	**-**	**-**
Agriculture, hunting, forestry and fishing	3,864	335	161	20	14	130
Manufacturing, mining and quarrying	8,039	678	489	47	29	210
Energy supply	2,817	50	20	13	2	15
Construction	3,420	278	223	17	13	168
Trade	7,573	258	335	39	14	282
Transport, accommodation and food service activities	5,534	252	92	23	5	72
Information and communication	3,395	66	75	16	4	82
Finance and insurance	54,202	516	106	39	27	56
Real estate	13,434	810	494	79	37	357
Other	9,319	613	275	43	36	188
Total business customers	**112,363**	**3,856**	**2,270**	**335**	**179**	**1,559**
Personal customers	**32,020**	**1,811**	**531**	**114**	**59**	**417**
Total	**144,383**	**5,668**	**2,801**	**449**	**238**	**1,976**

2018	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Public sector	**640**	**0**	**2**	**1**	**0**	**1**
Agriculture, hunting, forestry and fishing	3,156	138	163	17	10	98
Manufacturing, mining and quarrying	7,209	238	307	24	9	240
Energy supply	1,365	6	19	9	0	8
Construction	2,506	96	188	12	6	153
Trade	5,407	262	547	22	17	296
Transport, accommodation and food service activities	6,164	119	75	16	5	40
Information and communication	3,219	69	47	12	5	28
Finance and insurance	40,979	719	469	47	21	175
Real estate	12,378	816	608	59	23	393
Other	6,866	527	268	52	31	365
Total business customers	**89,890**	**2,992**	**2,694**	**272**	**126**	**1,797**
Personal customers	25,744	1,551	533	68	90	531
Total	**115,634**	**4,543**	**3,227**	**340**	**216**	**2,328**

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC, PARENT

16 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	Guarantees etc	Total	Total
Total impairment provisions	2019	2018	2019	2018	2019	2018	2019	2018
Beginning of year	**2,670**	**2,214**	**12**	**-**	**117**	**58**	**2,799**	**2,272**
Impact owing to implementation of IFRS 9		506		3		62	-	571
Balance, 1 January 2019	**2,670**	**2,720**	**12**	**3**	**117**	**120**	**2,799**	**2,843**
New impairment provisions as a result of additions and change in credit risk	883	1,208	-	12	86	82	970	1,302
Releases as a result of redemptions and change in credit risk	766	1,017	-	3	67	84	833	1,104
Impairment provisions written off	425	241	-	-	-	-	425	241
Interest on impaired facilities	56	-	-	-	-	-	56	-
Total impairment provisions, year-end	**2,419**	**2,670**	**12**	**12**	**137**	**117**	**2,568**	**2,800**
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	118	192	-	9	20	(3)	137	198
Write-offs for the year, not previously written down for impairment	108	88	-	-	-	-	108	88
Recoveries on claims previously written off	36	50	-	-	-	-	36	50
Total	**189**	**230**	**-**	**9**	**20**	**(3)**	**209**	**235**
Value adjustment of assets in temporary possession	-	-	-	-	-	-	-	-
Value adjustment of claims previously written off	(26)	3	-	-	-	-	(26)	3
Total earnings impact	**164**	**233**	**-**	**9**	**20**	**(3)**	**183**	**238**

The contractual amount outstanding on financial assets written off during the year ended 31 December 2019 and still sought to be recovered is DKK 180 million (2018: DKK 162 million).

DKK million

Nykredit Bank A/S

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

16 b. Total impairment provisions by stage

	Loans, advances and receivables at amortised cost			Guarantees			
2019	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Total, 31 December 2018	**308**	**182**	**2,192**	**36**	**29**	**53**	**2,799**
Transfer to stage 1	108	(53)	(55)	17	(6)	(11)	-
Transfer to stage 2	(12)	130	(117)	(5)	9	(5)	-
Transfer to stage 3	(2)	(20)	22	-	(1)	2	-
Impairment provisions for new loans and advances (additions)	56	7	28	8	6	6	111
Additions as a result of change in credit risk	154	106	532	23	19	23	858
Releases as a result of change in credit risk	216	159	391	27	18	22	833
Previously written down for impairment, now written off	-	-	425	-	-	-	425
Interest on impaired facilities	-	-	56	-	-	-	56
Total impairment provisions	**396**	**193**	**1,842**	**52**	**38**	**46**	**2,568**
Total impairment provisions, year-end		**2,432**			**137**		**2,568**
Impairment provisions, year-end, are attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2019	**(6)**	**(46)**	**169**	**5**	**8**	**7**	**137**

	Loans, advances and receivables at amortised cost			Guarantees			
2018	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles	**446**	**172**	**2,105**	**36**	**25**	**59**	**2,843**
Transfer to stage 1	34	(18)	(16)	-	-	-	-
Transfer to stage 2	(74)	223	(149)	(4)	14	(10)	-
Transfer to stage 3	(12)	(46)	58	-	(9)	9	-
Impairment provisions for new loans and advances (additions)	32	15	143	4	1	10	205
Additions as a result of change in credit risk	159	116	754	23	24	20	1,096
Releases as a result of change in credit risk	278	280	463	23	26	35	1,105
Previously written down for impairment, now written off	-	-	240	-	-	-	240
Total impairment provisions	**308**	**182**	**2,192**	**36**	**29**	**53**	**2,799**
Total impairment provisions, year-end		**2,682**			**117**		**2,799**
Impairment provisions, year-end, are attributable to:							
Credit institutions	12	-	-				12
Earnings impact for 2018	**(86)**	**(148)**	**435**	**4**	**(2)**	**(5)**	**198**

DKK million

Nykredit Bank A/S

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

16 c. Distribution of provisions for loan impairment and guarantees etc, year-end

2019	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	109,101	3,809	2,360	115,271
Total impairment provisions, year-end	396	193	1,842	2,432
Loans and advances, carrying amount	**108,705**	**3,616**	**518**	**112,839**
Guarantees and loan commitments				
Guarantees etc	59,057	1,094	241	60,391
Total impairment provisions, year-end	52	38	46	137
Guarantees and loan commitments, carrying amount	**59,004**	**1,056**	**195**	**60,255**

2018	Stage 1 (12-month expected credit losses)	Stage 2 (12-month expected credit losses)	Stage 3 (12-month expected credit losses)	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	93,356	3,205	2,821	99,382
Total impairment provisions, year-end	309	182	2,192	2,682
Loans and advances, carrying amount	**93,047**	**3,023**	**629**	**96,699**
Guarantees and loan commitments				
Guarantees etc	39,961	541	218	40,720
Total impairment provisions, year-end	36	29	53	118
Guarantees and loan commitments, carrying amount	**39,925**	**512**	**165**	**40,602**

DKK million

Nykredit Bank A/S

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

16 d. Financial assets, loans and advances gross, at amortised cost by stage

2019	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 31 December 2018	**93,047**	**3,023**	**629**	**96,699**
Transfer to stage 1	953	(904)	(49)	-
Transfer to stage 2	(2,096)	2,152	(57)	-
Transfer to stage 3	(293)	(313)	606	-
Other movements	17,490	(149)	1,231	18,572
Total, 31 December 2019	**109,101**	**3,809**	**2,360**	**115,271**
Impairment charges/provisions, total	396	193	1,842	2,432
Carrying amount	**108,705**	**3,616**	**518**	**112,839**

2018	Stage 1	Stage 2	Stage 3	Total
Gross lending as at 1 January 2018	**79,564**	**1,515**	**3,109**	**84,188**
Transfer to stage 1	331	(314)	(17)	-
Transfer to stage 2	(2,579)	2,700	(121)	-
Transfer to stage 3	(447)	(142)	589	-
Other movements	16,487	(554)	(739)	15,194
Total, 31 December 2018	**93,356**	**3,205**	**2,821**	**99,382**
Impairment charges/provisions, total	309	182	2,192	2,683
Carrying amount	**93,047**	**3,023**	**629**	**96,699**

DKK million

Nykredit Bank A/S

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

16 e. Guarantees, gross, by stage

2019	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 31 December 2018	**21,736**	**679**	**230**	**22,644**
Transfer to stage 1	304	(265)	(39)	-
Transfer to stage 2	(441)	455	(14)	-
Transfer to stage 3	(77)	(62)	140	-
Other movements	13,355	287	(76)	13,566
Total, 31 December 2019	**34,876**	**1,094**	**241**	**36,210**
Impairment charges/provisions, total	52	38	46	137
Carrying amount	**34,823**	**1,056**	**195**	**36,074**

2018	Stage 1	Stage 2	Stage 3	Total
Gross guarantees as at 1 January 2018	**24,317**	**607**	**214**	**25,138**
Transfer to stage 1	64	(63)	-	-
Transfer to stage 2	(360)	395	(35)	-
Transfer to stage 3	(58)	(49)	107	-
Other movements	(2,128)	(211)	(56)	(2,395)
Total, 31 December 2018	**21,835**	**679**	**230**	**22,743**
Impairment charges/provisions, total	36	29	53	117
Carrying amount	**21,799**	**649**	**177**	**22,626**

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		17. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
3	6	Profit from investments in associates	6	3
247	283	Profit from investments in Group enterprises	-	-
250	**289**	**Total**	**6**	**3**
		18. TAX		
		Tax on profit for the year has been calculated as follows:		
407	263	Current tax	334	455
(10)	-	Deferred tax	32	10
(34)	2	Adjustment of tax relating to previous years	2	(34)
27	17	Adjustment of deferred tax relating to previous years	(2)	27
389	**282**	**Tax**	**366**	**458**
		Tax on profit for the year can be specified as follows:		
451	345	Calculated 22% tax on profit before tax	364	466
(55)	(62)	Of which recognised as profit from investments	-	-
		Tax effect of:		
(1)	(2)	Non-taxable income	(2)	(2)
1	1	Non-deductible expenses and other adjustments	4	1
(7)	0	Adjustment of tax relating to previous years	0	(7)
389	**282**	**Total**	**366**	**458**
22.0	22.0	Current tax rates, %	22.0	22.0
3.0	4.1	Permanent deviations	-	0.4
19.0	**17.9**	**Effective tax rate, %**	**22.0**	**21.6**

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		19. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS		
375	628	Cash balances	628	375
8,210	6,482	Demand deposits with central banks	6,482	8,210
8,585	**7,110**	**Total**	**7,110**	**8,585**
		20. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
3,188	16,845	Receivables from central banks	16,845	3,188
4,045	5,216	Receivables from credit institutions	5,365	4,046
236	-	Reverse repurchase lending to central banks	-	236
1,854	4,209	Reverse repurchase lending to credit institutions	4,209	1,854
9,323	**26,270**	**Total**	**26,418**	**9,324**
		Receivables from credit institutions and central banks by time-to-maturity		
3,796	5,292	On demand	5,441	3,797
5,079	20,977	Up to 3 months	20,977	5,079
-	-	Over 3 months and up to 1 year	-	-
449	-	Over 1 year and up to 5 years	-	449
-	-	Over 5 years	-	-
9,323	**26,270**	**Total**	**26,418**	**9,324**

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		21. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
61,943	66,510	Bank loans and advances	67,992	63,333
37,427	48,749	Reverse repurchase lending	48,749	37,427
99,370	**115,259**	**Balance, year-end**	**116,741**	**100,760**
		Adjustment for credit risk		
(2,671)	(2,419)	Impairment provisions	(2,526)	(2,767)
96,699	**112,839**	**Balance after impairment, year-end**	**114,215**	**97,993**
		By time-to-maturity		
10,171	15,105	On demand	8,989	4,536
47,994	55,893	Up to 3 months	55,893	47,994
7,227	11,486	Over 3 months and up to 1 year	11,486	7,227
19,761	19,599	Over 1 year and up to 5 years	27,090	26,690
11,546	10,756	Over 5 years	10,756	11,546
96,699	**112,839**	**Total**	**114,215**	**97,993**
		Fixed-rate loans		
693	569	Of total loans and advances, fixed-rate loans represent	569	693
701	577	Market value of fixed-rate loans	577	701
		Finance leases		
-	-	Of total loans and advances at amortised cost, finance leases represent	5,915	5,521
-	**-**	**Carrying amount, beginning of year**	**5,521**	**5,055**
-	-	Additions	2,850	2,618
-	-	Disposals etc	2,456	2,152
-	**-**	**Carrying amount, year-end**	**5,915**	**5,521**
		By time-to-maturity		
-	-	Up to 3 months	625	581
-	-	Over 3 months and up to 1 year	1,321	1,161
-	-	Over 1 year and up to 5 years	3,774	3,596
-	-	Over 5 years	194	183
-	**-**	**Total**	**5,915**	**5,521**
		Gross investments in finance leases		
		By time-to-maturity		
-	-	Up to 1 year	1,998	1,804
-	-	Over 1 year and up to 5 years	3,947	3,789
-	-	Over 5 years	477	435
-	**-**	**Total**	**6,422**	**6,028**
-	-	Non-earned income	507	507
		Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is up to 13 years.		
-	-	Impairment provisions for finance leases represent	86	76
		Non-guaranteed residual values on expiry of the leases represent DKK 0.		

Nykredit Bank A/S 2018	2019	DKK million	Nykredit Bank Group 2019	2018
		21. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
%	%	**Loans, advances and guarantee debtors by sector as %, year-end**	%	%
1	1	**Public sector**	1	1
		Business customers		
2	2	Agriculture, hunting, forestry and fishing	3	3
6	5	Manufacturing, mining and quarrying	6	6
1	2	Energy supply	2	1
2	2	Construction	2	2
4	5	Trade	5	5
4	3	Transport, accommodation and food service activities	4	5
3	2	Information and communication	2	3
39	40	Finance and insurance	36	35
11	10	Real estate	9	11
6	6	Other	7	6
78	**78**	**Total business customers**	**77**	**77**
22	22	Personal customers	23	23
100	**100**	**Total**	**100**	**100**
		The sector distribution is based on the official Danish activity codes.		
		22. BONDS AT FAIR VALUE		
38,382	38,612	Covered bonds	39,612	39,228
1,020	3,393	Government bonds	3,401	1,020
2,699	1,482	Other bonds etc	1,482	2,699
42,101	**43,487**	**Total**	**44,495**	**42,947**
175	178	Set-off of self-issued bonds against bonds in issue	178	175
41,926	**43,308**	**Total**	**44,317**	**42,772**
		The effect of fair value adjustment is recognised in the income statement.		
373	1,285	Of which redeemed bonds	1,290	377
15,993	15,518	Assets sold as part of genuine sale and repurchase transactions	15,518	15,993
		Maturities based on the nominal maturities of the securities		
13,121	9,378	Up to 1 year	9,517	13,121
22,213	21,879	Over 1 year and up to 5 years	22,693	23,059
6,592	12,051	Over 5 years	12,107	6,592
41,926	**43,308**	**Total**	**44,317**	**42,772**

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		23. BONDS AT AMORTISED COST		
6,282	6,344	Covered bonds	6,344	6,282
6,282	**6,344**	**Total**	**6,344**	**6,282**
		This concerns only bonds issued by Nykredit Realkredit A/S.		
574	3,042	As collateral for the Danish central bank, Danmarks Nationalbank and foreign clearing centres etc, bonds at fair value and amortised cost have been deposited of a total market value of	3,042	574
		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.		
		24. EQUITIES ETC		
233	118	Equities measured at fair value through profit or loss	128	234
233	**118**	**Total**	**128**	**234**
		Specification of equity portfolios		
67	66	Listed on Nasdaq Copenhagen A/S	70	67
14	-	Listed on other stock exchanges	3	14
152	52	Unlisted equities carried at fair value	55	153
233	**118**	**Total**	**128**	**234**
		25. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
2	**2**	**Cost, beginning of year**	**2**	**2**
-	4	Additions	4	-
2	**6**	**Cost, year-end**	**6**	**2**
2	**5**	**Revaluations and impairment charges, beginning of year**	**5**	**2**
3	3	Profit before tax	3	3
5	**8**	**Revaluations and impairment charges, year-end**	**8**	**5**
8	**15**	**Balance, year-end**	**15**	**8**
		Investments in Group enterprises		
425	**425**	**Cost, beginning of year**	**-**	**-**
-	506	Additions	-	-
-	-	Disposals	-	-
425	**931**	**Cost, year-end**	**-**	**-**
971	**1,218**	**Revaluations and impairment charges, beginning of year**	**-**	**-**
	150	Received dividend		
316	367	Profit before tax	-	-
69	83	Tax	-	-
1,218	**1,352**	**Revaluations and impairment charges, year-end**	**-**	**-**
1,643	**2,283**	**Balance, year-end**	**-**	**-**
		Subordinated receivables		
384	546	Other enterprises	546	384
384	**546**	**Total**	**546**	**384**

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		25. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (CONTINUED)		
		Balances with associates and Group enterprises		
		Group enterprises		
		Asset items		
5,635	6,116	Loans, advances and other receivables at amortised cost	-	-
3	8	Other assets	-	-
5,638	**6,124**	**Total**	**-**	**-**
		Liability items		
77	176	Deposits and other payables	-	-
1	7	Other liabilities	-	-
78	**183**	**Total**	**-**	**-**
		26. INTANGIBLE ASSETS		
		26 a. Customer relationships		
35	**35**	Acquisition cost, beginning of year	**35**	**35**
-	-	Additions for the year	170	-
-	35	Disposals for the year	35	-
35	**-**	**Cost, year-end**	**170**	**35**
35	**35**	**Amortisation, beginning of year**	**35**	**35**
-	-	Amortisation for the year	8	-
-	35	Reversal of amortisation and impairment	35	-
35	**-**	**Amortisation, year-end**	**8**	**35**
-	**-**	**Total customer relationships, year-end**	**162**	**-**
		26 b. Goodwill		
14	**14**	**Cost, beginning of year**	**14**	**14**
-	1,685	Additions for the year	1,685	-
14	**1,699**	**Cost, year-end**	**1,699**	**14**
-	**-**	**Impairment, beginning of year**	**-**	**-**
-	-	Disposals for the year	-	-
-	**-**	**Impairment, year-end**	**-**	**-**
14	**1,699**	**Total goodwill, year-end**	**1,699**	**14**
14	14	Acquisition of Amber Fondsmæglerselskab A/S in 2011	14	14
-	1,685	Acquisition of Sparinvest Holdings SE in 2019	1,685	-
14	**1,699**	**Total goodwill, year-end**	**1,699**	**14**

Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill was allocated to the business area Wholesale.

Acquisition of Sparinvest Holdings SE in 2019: Goodwill was allocated to the business area Wealth Management.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		26. INTANGIBLE ASSETS (CONTINUED)		
		26 c. Software		
-	-	**Cost, beginning of year**	-	-
-	-	Additions for the year	9	-
-	**-**	**Cost, year-end**	**9**	**-**
-	**-**	**Amortisation, beginning of year**	-	-
-	-	Amortisation for the year	3	-
-	**-**	**Amortisation, year-end**	**3**	**-**
-	**-**	**Total software, year-end**	**6**	**-**
		27. EQUIPMENT		
		Equipment		
-	**-**	**Cost, beginning of year**	**-**	**1**
-	-	Additions	6	-
-	-	Disposals	1	1
-	**-**	**Cost, year-end**	**5**	**-**
-	**-**	**Depreciation and impairment, beginning of year**	**-**	**1**
-	-	Depreciation for the year	1	-
-	-	Reversal of depreciation and impairment	1	1
-	**-**	**Depreciation and impairment, year-end**	**-**	**-**
-	**-**	**Total equipment, year-end**	**5**	**-**
		Equipment is depreciated over 3-5 years and had an average residual depreciation period of 0 years at 31 December 2019 (end-2018: 0 years).		

Goodwill is allocated to the Nykredit Bank business area Wealth Management as the underlying cash flows are principally generated by this business area. Internal financial reporting is made at Group level to the management of Nykredit Bank, which also monitors the value of goodwill.

Goodwill is tested for impairment once a year and is determined at cost less accumulated impairment. If the impairment test indicates a value, which is lower than the carrying amount, goodwill will be written down to the recoverable amount. As no events etc have changed the present value calculations underlying the investment in Sparinvest in August, goodwill in connection with this investment has not been reassessed.

The recoverable amount is calculated as the present value of the expected cash flows from the unit to which allocation of goodwill is made.

Expected cash flows included in the value calculation and impairment test are based on a 5-year budget period that reflects existing budgets and the short-term earnings outlook as well as a subsequent terminal period where growth rates are kept at approximately 2% until the end of the terminal period. The discounting is based on a return requirement of 11%, or 8.5% after tax. This corresponds to the return requirement, which formed the basis for the investment in Sparinvest. An increased return requirement of 1pp would not lead to impairment.

Customer relationships relating to the investment in Sparinvest have been determined at DKK 170 million, which is amortised over 7 years. The value relates to the distribution network and administration and asset management activities.

DKK million	Nykredit Bank Group 2019	2018
27. LAND AND PROPERTY (CONTINUED)		
27 a. Leased property		
Cost, beginning of year	-	-
Additions, including improvements	24	-
Cost, year-end	**24**	**-**
Depreciation and impairment, beginning of year	-	-
Depreciation for the year	1	-
Depreciation and impairment, year-end	**1**	**-**
	-	-
Balance, year-end	**23**	**-**

	2019		2018	
DKK million	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
0-1 year	**4**	**4**	**-**	**-**
1-5 years	**16**	**15**	**-**	**-**
5-10 years	**4**	**4**	**-**	**-**
Over 10 years	**-**	**-**	**-**	**-**
Total	**24**	**23**	**-**	**-**

Leased assets concern properties from which Nykredit operates (owner-occupied properties). IFRS 16 was implemented in 2019, and additions for the year have mainly been calculated based on the present value of the remaining lease payments, excluding VAT and any services.
The discount rate is based on Nykredit's lending rate, which is determined on the basis of a swap rate with a term matching the remaining lease term plus a Nykredit-specific credit spread. The total interest rate ranges between 0.55% for ultra short-term contracts and 1.11% for long-term contracts. For leases which have been terminated, the determination is based on the period until the end of the lease term, while the remaining portfolio has an average remaining term of about 7 years based on an estimate of the period in which Nykredit expects to occupy the properties.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		28. ASSETS IN TEMPORARY POSSESSION		
-	**2**	**Assets, beginning of year**	**2**	**-**
2	-	Additions	-	2
-	2	Disposals	2	-
2	**-**	**Total**	**-**	**2**
		29. OTHER ASSETS		
842	860	Interest and commission receivable	897	876
17,763	21,004	Positive market value of derivative financial instruments etc	21,004	17,763
3,059	3,863	Other	3,938	3,068
21,664	**25,726**	**Total**	**25,839**	**21,707**
		Positive market value of derivative financial instruments etc		
		By time-to-maturity		
896	489	Up to 1 year	489	896
1,970	1,547	Over 1 year and up to 5 years	1,547	1,970
14,897	18,967	Over 5 years	18,967	14,897
17,763	**21,003**	**Total**	**21,003**	**17,763**
		"Interest and commission receivable" and "Other" fall due within 1 year.		
		Minimum margin		
		Upon entering into and in connection with the following valuation of derivatives contracts, provisions are made in the form of a so-called minimum margin for liquidity risk, credit risk and return on capital. The minimum margin is amortised over the time-to-maturity of the derivatives.		
373	350	The unamortised minimum margin at the beginning of the year amounted to	350	373
(23)	(33)	Net change over the year	(33)	(23)
350	**317**	**The unamortised minimum margin at year-end amounted to**	**317**	**350**
201	182	- of which recognised as FVA and CVA	182	201

"Assets in temporary possession" comprises properties acquired by foreclosure. Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc. The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		30. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
37,673	63,511	Payables to credit institutions	63,511	37,673
6,685	3,121	Payables to central banks	3,121	6,685
10,026	18,522	Repo transactions with credit institutions	18,522	10,026
236	-	Repo transactions with central banks	-	236
54,620	**85,154**	**Total**	**85,154**	**54,620**
		Payables to credit institutions and central banks by time-to-maturity		
7,432	18,569	On demand	18,569	7,432
24,126	43,083	Up to 3 months	43,083	24,126
6,661	9,472	Over 3 months and up to 1 year	9,472	6,661
16,400	14,031	Over 1 year and up to 5 years	14,031	16,400
54,620	**85,154**	**Total**	**85,154**	**54,620**
		31. DEPOSITS AND OTHER PAYABLES		
66,942	77,324	On demand	77,148	66,865
176	5	At notice	5	176
7,092	5,087	Time deposits	5,087	7,092
2,986	3,310	Special deposits	3,310	2,986
5,745	3,331	Repo deposits	3,331	5,745
82,942	**89,057**	**Total**	**88,881**	**82,864**
		By time-to-maturity		
66,944	77,570	On demand	77,393	66,867
13,370	8,678	Up to 3 months	8,678	13,370
209	171	Over 3 months and up to 1 year	171	209
617	724	Over 1 year and up to 5 years	724	617
1,801	1,914	Over 5 years	1,914	1,801
82,942	**89,057**	**Total**	**88,881**	**82,864**
		32. BONDS IN ISSUE AT AMORTISED COST		
5,585	3,959	Bonds in issue	3,959	5,585
(175)	(178)	Own portfolio	(178)	(175)
5,411	**3,780**	**Total**	**3,780**	**5,411**
		By time-to-maturity		
3,050	3,260	Up to 3 months	3,260	3,050
271	520	Over 3 months and up to 1 year	520	271
2,090	-	Over 1 year and up to 5 years	-	2,090
5,411	**3,780**	**Total**	**3,780**	**5,411**
		Issues		
2,164	595	EMTN issues*	595	2,164
3,237	3,185	ECP issues*	3,185	3,237
10	-	Other issues	-	10
5,411	**3,780**	**Total**	**3,780**	**5,411**
		* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.		

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		33. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
7,618	7,174	Negative securities portfolios	7,133	7,618
7,618	**7,174**	**Total**	**7,133**	**7,618**
		Other non-derivative financial liabilities by time-to-maturity		
-	-	On demand	-	-
7,618	7,174	Up to 3 months	7,133	7,618
7,618	**7,174**	**Total**	**7,133**	**7,618**
		34. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax		
1	**(17)**	**Corporation tax due, beginning of year**	**19**	**31**
(10)	-	Additions	26	(11)
282	263	Current tax for the year	334	331
(256)	(211)	Corporation tax paid for the year, net	(320)	(297)
(34)	10	Adjustment relating to previous years	10	(35)
(17)	**46**	**Balance, year-end**	**69**	**19**
		Current tax recognised in the balance sheet		
(17)	(0)	Current tax assets	(1)	(17)
-	46	Current tax liabilities	71	35
(17)	**46**	**Balance, year-end, net**	**69**	**19**
		35. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS		
		Deferred tax		
(144)	**(127)**	**Deferred tax, beginning of year**	**24**	**(15)**
(10)	18	Deferred tax for the year recognised in profit for the year	32	11
27	(2)	Adjustment of deferred tax relating to previous years	1	28
-	-	Adjustments from additions	(2)	-
(127)	**(111)**	**Deferred tax, year-end**	**55**	**24**
		Deferred tax recognised in the balance sheet		
(127)	(111)	Deferred tax assets	(111)	(127)
-	-	Provisions for deferred tax	166	151
(127)	**(111)**	**Deferred tax, year-end, net**	**55**	**24**
		Deferred tax relates to:		
(60)	(42)	Loans and advances	185	143
(3)	(1)	Bonds	(1)	(3)
(2)	(1)	Intangible assets	(1)	(2)
(2)	(1)	Property, plant and equipment	(1)	(2)
-	-	Other assets and prepayments	(62)	(51)
8	5	Bonds in issue	5	8
(68)	(70)	Other liabilities	(71)	(69)
(127)	**(111)**	**Total**	**55**	**24**

DKK million				
Nykredit Bank A/S			Nykredit Bank Group	
2018	2019		2019	2018
		36. OTHER LIABILITIES		
792	712	Interest and commission payable	713	794
10,712	12,165	Negative market value of derivative financial instruments etc	12,165	10,712
1,247	1,223	Other	1,733	1,684
12,751	**14,101**	**Total**	**14,611**	**13,191**
		Negative market value of derivative financial instruments etc		
		By time-to-maturity		
1,127	483	Up to 1 year	483	1,127
924	825	Over 1 year and up to 5 years	825	924
8,661	10,858	Over 5 years	10,858	8,661
10,712	**12,165**	**Total**	**12,165**	**10,712**
		"Interest and commission payable" and "Other" fall due within one year.		
		37. PROVISIONS		
		Provisions for losses under guarantees		
58	**117**	**Balance, beginning of year**	**117**	**58**
62	-	Adjustment at 1 January 2018 owing to implementation of IFRS 9	-	62
81	86	Additions	86	81
84	67	Reversal of unutilised amounts	67	84
117	**137**	**Balance, year-end**	**137**	**117**
		Other provisions		
53	**22**	**Balance, beginning of year**	**22**	**53**
13	60	Additions	157	13
32	2	Reversal of unutilised amounts	2	32
12	29	Disposals	29	12
22	**52**	**Balance, year-end**	**148**	**22**
		Total provisions for losses under guarantees and other provisions		
111	**139**	**Balance, beginning of year**	**139**	**111**
62	-	Adjustment at 1 January 2018 owing to implementation of IFRS 9	-	62
94	146	Additions	243	94
116	69	Reversal of unutilised amounts	69	116
12	29	Disposals	29	12
139	**188**	**Balance, year-end**	**284**	**139**

As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.

The balance sheet items in the Financial Statements represent the Bank's best estimates of the expected costs relating to provisions.

The provisions concern contractual obligations relating to loans and advances and other banking activities, as well as provisions for restructuring costs.

It is estimated that the majority of provisions will be settled within 1-2 years.

DKK million

Nykredit Bank A/S 2018	Nykredit Bank A/S 2019		Nykredit Bank Group 2019	Nykredit Bank Group 2018
		38. 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.		
2,000	2,000	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**	**Total subordinated debt**	**2,000**	**2,000**
2,000	2,000	Subordinated debt that may be included in own funds	2,000	2,000
		39. OFF BALANCE SHEET ITEMS		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
22,626	36,073	Contingent liabilities	35,974	22,527
8,724	12,522	Other commitments	12,745	8,924
31,350	**48,595**	**Total**	**48,719**	**31,450**
		39 A. CONTINGENT LIABILITIES		
10,197	22,859	Financial guarantees	22,859	10,197
6,914	6,885	Registration and refinancing guarantees	6,885	6,914
5,515	6,329	Other contingent liabilities	6,230	5,416
22,626	**36,073**	**Total**	**35,974**	**22,527**
		Other contingent liabilities chiefly comprises purchase price and payment guarantees.		
		Contingent liabilities by remaining terms		
11,749	23,312	Up to 1 year	46,624	11,749
2,988	5,293	Over 1 year and up to 5 years	10,586	2,988
7,889	7,468	Over 5 years	14,736	7,789
22,626	**36,073**	**Total**	**71,948**	**22,527**
		The breakdown of remaining term of guarantees is based on the expiry of the individual agreements. Where a guarantee does not have a fixed term, expiry is based on an estimate.		
		39 B. OTHER COMMITMENTS		
8,712	12,510	Irrevocable credit commitments	12,510	8,712
12	12	Other	235	211
8,724	**12,522**	**Total**	**12,745**	**8,924**
		"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds.		

Moreover, the Nykredit Bank Group had credit commitments of a term of less than 1 year totalling DKK 23.4 billion as at 31 December 2019.

39. OFF-BALANCE SHEET ITEMS (CONTINUED)

Other contingent liabilities

Legal proceedings

The Bank's operations involve the Bank in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.

Bankernes EDB Central (BEC)

Bankernes EDB Central (BEC) is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate otherwise for reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Guarantee and resolution schemes

Nykredit Bank A/S participates in the mandatory Danish deposit guarantee scheme. A new scheme was introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of failing institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

The Danish Resolution Fund, which is a finance scheme, was also established in 2015. The Danish Resolution Fund is funded by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

Joint taxation

The Company is jointly taxed in Denmark with Forenet Kredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends of these companies.

40. 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 2019 and 2018.

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 ongoing 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 2018 and 2019 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		40. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
		40 a. Transactions with the Parent, Nykredit Realkredit A/S, and its Group enterprises and associates		
		Income statement		
55	147	Interest income	147	55
(5)	-	Negative interest, income	-	(5)
(83)	-	Negative interest, expenses	-	(83)
64	38	Interest expenses	38	64
232	454	Fee and commission income	454	232
96	5	Fee and commission expenses	5	96
87	103	Value adjustments	103	85
559	570	Costs	663	603
		Asset items		
472	44	Receivables from credit institutions and central banks	44	472
12,960	12,013	Bonds at fair value	12,631	13,460
364	307	Other assets	307	365
		Liability items		
39,855	68,919	Payables to credit institutions and central banks	68,919	39,585
173	-	Deposits and other payables	-	173
67	30	Other liabilities	30	67
2,000	2,000	Subordinated debt	2,000	2,000
		40 b. Transactions with other Group enterprises		
		Income statement		
14	19	Interest income	-	-
3	1	Interest expenses	-	-
9	13	Fee and commission income	-	-
1	3	Fee and commission expenses	-	-
24	18	Staff and administrative expenses	-	-
		Asset items		
5,635	6,116	Loans, advances and other receivables at amortised cost	-	-
3	8	Other assets	-	-
		Liability items		
77	176	Deposits and other payables	-	-
1	48	Other liabilities	-	-

41. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 41 a. and 41 b. show the fair values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheet.

Financial instruments measured at fair value

The Group's fair value assets and liabilities are generally measured based on publicly listed prices or market terms in active markets on the balance sheet date. If an asset or liability measured at fair value has both a purchase and a sales price, the mean value is used as a basis for measurement. The measurement is the value at which a financial asset may be traded, or the amount at which a financial liability may be settled, between two independent and willing parties.

If the market for a financial asset or liability is illiquid, or if there are no publicly recognised prices, Nykredit determines the fair value using generally accepted valuation techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

Valuation techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are measured at fair value using valuation methods according to which the fair value is estimated as the price of an asset traded between independent parties or based on the company's equity value, if the equity value is assumed equal to the fair value of the instrument.

Financial instruments measured at amortised cost

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the Financial Statements, the following methods and significant assumptions have been applied:

- For loans, advances and receivables as well as deposits and other payables measured at amortised cost, carrying a variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of assets and liabilities without a fixed term has been assumed to be the value disbursable at the balance sheet date.
- The fair value of bonds in issue is measured based on valuation techniques, taking into account comparable transactions and observable inputs such as yield curves, at which Nykredit might launch issues.

Note 41 a shows the fair value of the financial instruments measured at amortised cost and the instances where the fair value does not correspond to the carrying amount.

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 market place.

Bonds at fair value are recognised at listed prices if external prices have been updated within the past three 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 three 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 OEI 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 527 million at 31 December 2019 against DKK 588 million at end-2018.

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 31 December 2019, the non-amortised minimum margin amounted to DKK 135 million against DKK 147 million at end-2018. With regard to liquidity and credit risk, DKK 182 million for end-2019 and DKK 201 million for 2018 have been included above in the net adjustment of FVA and CVA. 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 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 1,033 million at 31 December 2019. Credit value adjustments came to DKK 2,301 million at 31 December 2019 (2018: DKK 2,308 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 76 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 31 December 2019, the proportion was thus 1.6% compared with 2.6% at end-2018. The proportion of financial liabilities was 0.0% against 0.0% at end-2018.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.1 billion (2018: DKK 1.6 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 108 million at 31 December 2019 (0.44% of equity at 31 December 2019). The earnings impact for 2019 was estimated at DKK 158 million (0.75% of equity at 31 December 2018).

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 2019 and 2018, 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. In 2019, financial assets of DKK 1.4 billion were transferred from Listed prices to Observable inputs and DKK 0.8 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.2 billion were transferred from Listed prices to Observable inputs and DKK 0.1 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 31 December 2019, the amount was DKK 1.3 billion against DKK 0.4 billion at end-2018.

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

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

41 a. Fair value disclosures of assets and liabilities recognised at amortised cost

2019	Carrying amount	Fair value	Balance	Fair value calculated on the basis of: Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	114,215	114,406	191	-	-	114,406
Bonds at amortised cost	6,344	6,352	8	-	6,352	-
Total	**120,559**	**120,758**	**199**	**-**	**6,352**	**114,406**
Liabilities						
Bonds in issue at amortised cost	3,780	3,801	(21)	-	3,801	-
Total	**3,780**	**3,801**	**(21)**	**-**	**3,801**	**-**
Transfer from assets			199			
Total balance			**179**			

2018	Carrying amount	Fair value	Balance	Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	97,993	98,265	272	-	-	98,265
Bonds at amortised cost	6,282	6,293	11	2,838	3,455	-
Total	**104,276**	**104,558**	**282**	**2,838**	**3,455**	**98,265**
Liabilities						
Bonds in issue at amortised cost	5,411	5,441	(30)	-	5,441	-
Total	**5,411**	**5,441**	**(30)**	**-**	**5,441**	**-**
Transfer from assets			282			
Total balance			**252**			

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2019

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	18,390	25,927	-	44,317
- equities measured at fair value through profit or loss	89	-	39	128
- positive fair value of derivative financial instruments	5	19,965	1,033	21,004
Total	**18,484**	**45,892**	**1,072**	**65,448**
Percentage	**28.2**	**70.1**	**1.6**	**100.0**

Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,234	3,899	-	7,133
- negative fair value of derivative financial instruments	30	12,135	-	12,165
Total	**3,264**	**16,034**	**-**	**19,298**
Percentage	**16.9**	**83.1**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	**-**	**82**	**1,495**	**1,577**
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	2	(119)	(117)
Purchases for the year	-	7	-	7
Sales for the year	-	-	(162)	(162)
Transferred from Listed prices and Observable inputs	-	6	388	394
Transferred to Listed prices and Observable inputs	-	(57)	(569)	(627)
Fair value, year-end, assets	**-**	**39**	**1,033**	**1,072**

DKK million

Nykredit Bank Group

41. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2018

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	10,504	32,268	-	42,772
- equities measured at fair value through profit or loss	152	-	82	234
- positive fair value of derivative financial instruments	56	16,212	1,495	17,763
Total	**10,712**	**48,480**	**1,577**	**60,769**
Percentage	**17.6**	**79.8**	**2.6**	**100.0**
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,514	4,104	-	7,618
- negative fair value of derivative financial instruments	50	10,662	-	10,712
Total	**3,564**	**14,767**	**-**	**18,330**
Percentage	**19.4**	**80.6**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	**-**	**79**	**1,104**	**1,183**
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	6	377	383
Sales for the year	-	(3)	(57)	(60)
Transferred from Listed prices and Observable inputs	-	-	564	564
Transferred to Listed prices and Observable inputs	-	-	(493)	(493)
Fair value, year-end, assets	**-**	**82**	**1,495**	**1,577**

DKK million

Nykredit Bank Group

42. OFFSETTING

2019	Gross amounts	Financial instruments offset	Carrying amount after offsetting	Further offsetting, master netting agreements	Collateral	Net amounts
Financial assets						
Derivatives with a positive fair value	33,097	12,093	21,004	7,671	3,135	10,198
Reverse repo transactions	55,094	2,137	52,957	-	52,892	65
Total	**88,191**	**14,230**	**73,961**	**7,671**	**56,027**	**10,263**
Financial liabilities						
Derivatives with a negative fair value	24,258	12,093	12,165	7,671	4,239	255
Repo transactions	23,991	2,137	21,854	-	21,786	68
Total	**48,249**	**14,230**	**34,019**	**7,671**	**26,025**	**323**
2018						
Financial assets						
Derivatives with a positive fair value	25,920	8,157	17,763	6,929	2,707	8,127
Reverse repo transactions	41,249	1,732	39,517	-	39,333	184
Total	**67,169**	**9,889**	**57,280**	**6,929**	**42,040**	**8,311**
Financial liabilities						
Derivatives with a negative fair value	18,869	8,157	10,712	6,929	3,664	119
Repo transactions	17,739	1,732	16,007	-	15,993	14
Total	**36,608**	**9,889**	**26,719**	**6,929**	**19,657**	**133**

Financial assets and liabilities are offset and the net amount reported when the Group and the counterparty have a legally enforceable right of set-off and have agreed to settle on a net basis or to realise the asset and settle the liability.

Positive and negative fair values of derivative financial instruments with the same counterparty are offset if it has been agreed to settle contractual payments on a net basis when cash payments are made or collateral is provided on a daily basis in case of fair value changes. The Group's netting of positive and negative fair values of derivative financial instruments may be cleared through LCH (CCP clearing).

Furthermore, netting is carried out in accordance with enforceable master netting agreements. Master netting agreements and similar agreements entitle parties to offset in the event of default, which further reduces the exposure to a defaulting counterparty but does not meet the conditions for accounting offsetting in the balance sheet.

DKK million

Nykredit Bank Group

43. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2019	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	(168)	15	(11)	-	106	272	(165)	56,387
Forward contracts/futures, sold	161	(9)	12	-	268	104	164	51,213
Swaps	-	-	85	34	219	100	119	5,598
Options, purchased	-	1	1	-	2	-	2	218
Options, written	-	(1)	(1)	-	-	2	(2)	217
Interest rate contracts								
Forward contracts/futures, purchased	(20)	-	-	-	-	21	(21)	19,216
Forward contracts/futures, sold	(4)	-	-	-	5	9	(4)	19,545
Forward rate agreements, purchased	7	2	-	-	9	-	9	26,514
Forward rate agreements, sold	(8)	(2)	-	-	-	10	(10)	26,764
Swaps	(2)	(9)	689	8,000	20,181	11,504	8,677	559,713
Options, purchased	-	-	9	86	119	24	96	32,317
Options, written	-	-	(62)	(11)	-	73	(73)	15,759
Equity contracts								
Forward contracts/futures, purchased	-	-	-	-	-	-	-	1
Forward contracts/futures, sold	-	-	-	-	-	-	-	15
Swaps	-	-	-	-	-	-	-	-
Credit contracts								
Swaps	-	-	-	-	-	-	-	-
Total							**8,792**	

DKK million

Nykredit Bank Group

43. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

By time-to-maturity	Net market value				Gross market value			
2018	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	40	8	3	-	150	99	51	33,692
Forward contracts/futures, sold	(66)	(13)	(3)	-	68	150	(82)	26,269
Swaps	-	10	88	48	194	48	145	4,329
Options, purchased	-	-	-	-	1	-	1	82
Options, written	-	(1)	-	-	-	1	(1)	101
Interest rate contracts								
Forward contracts/futures, purchased	41	-	-	-	44	3	41	12,712
Forward contracts/futures, sold	(36)	-	-	-	5	41	(36)	6,599
Forward rate agreements, purchased	5	-	-	-	5	-	5	23,079
Forward rate agreements, sold	(5)	(1)	-	-	-	5	(5)	23,812
Swaps	(184)	(45)	1,030	6,093	16,569	9,674	6,895	500,825
Options, purchased	534	8	14	126	702	20	683	34,129
Options, written	(534)	-	(86)	(31)	-	651	(651)	18,765
Equity contracts								
Forward contracts/futures, purchased	-	-	-	-	-	-	-	30
Forward contracts/futures, sold	1	-	-	-	1	-	1	21
Swaps	-	-	-	-	-	-	-	-
Credit contracts								
Swaps	-	-	-	-	-	-	-	10
Total							**7,045**	

DKK million

44. UNSETTLED SPOT TRANSACTIONS

Nykredit Bank Group	2019				2018
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	10,404	9	16	(7)	(2)
Foreign exchange contracts, sold	6,452	5	5	(0)	8
Interest rate contracts, purchased	8,695	65	6	59	-
Interest rate contracts, sold	11,482	12	17	(6)	-
Equity contracts, purchased	178	-	1	(1)	-
Equity contracts, sold	168	1	-	1	-
Total	**37,380**	**93**	**47**	**46**	**6**
Total, the year before	**24,269**	**24**	**19**	**6**	**(11)**

Nykredit Bank A/S	2019				2018
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	10,404	9	16	(7)	(2)
Foreign exchange contracts, sold	6,452	5	5	-	8
Interest rate contracts, purchased	8,695	65	6	59	-
Interest rate contracts, sold	11,482	12	17	(6)	-
Equity contracts, purchased	178	-	1	(1)	-
Equity contracts, sold	168	1	0	1	-
Total	**37,380**	**93**	**47**	**46**	**6**
Total, the year before	**24,269**	**24**	**19**	**6**	**(11)**

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		45. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING		
		Nykredit Bank applies repo transactions and reverse repurchase lending in its day-to-day business operations. All transactions were entered into using bonds as the underlying asset. Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.		
		Of the asset items below, reverse repurchase lending represents:		
2,090	4,209	Receivables from credit institutions and central banks, carrying amount	4,209	2,090
2,082	4,192	Bonds received as collateral but not offset against the balance	4,192	2,082
8	**17**	**Total less collateral**	**17**	**8**
39,159	50,886	Loans, advances and other receivables, gross	50,886	39,159
1,732	2,137	Set-off against "Deposits and other payables"	2,137	1,732
37,427	**48,749**	**Carrying amount after set-off**	**48,749**	**37,427**
37,251	48,700	Bonds received as collateral but not offset against the balance	48,700	37,251
176	**49**	**Total less collateral**	**49**	**176**
		Of the liability items below, repo transactions represent:		
10,262	18,522	Payables to credit institutions and central banks, carrying amount	18,522	10,262
10,257	18,484	Bonds provided as collateral	18,484	10,257
7,477	5,469	Deposits and other payables, gross	5,469	7,477
1,732	2,137	Set-off against "Loans, advances and other receivables"	2,137	1,732
5,745	**3,331**	**Carrying amount after set-off**	**3,331**	**5,745**
5,737	3,302	Bonds provided as collateral	3,302	5,737

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

46. RISK MANAGEMENT

Risk profile

Nykredit's risk profile mainly relates to loans and credit facilities provided to personal and business customers. The business activities and the management of the investment portfolio involve credit, market, liquidity and operational risks, including IT and compliance risks.

Credit, market and operational risks are mitigated by having adequate capital. Liquidity risk is mitigated by having a sufficient stock of liquid assets.

Nykredit publishes a report annually entitled Risk and Capital Management, available at nykredit.com/riskandcapitalmanagement. It describes the Group's risk and capital management in detail and contains a wide selection of risk key figures in accordance with the disclosure requirements of the Capital Requirements Regulation (CRR). The report is not audited.

Credit risk

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

Credit risk is managed in accordance with the credit policy. The credit policy is reviewed and adopted by the Board of Directors and is based on the Nykredit Group's strategy and the aim that customers should perceive Nykredit as a reliable and qualified financial partner.

Based on the credit policy, all credit applications are assessed by financially trained and qualified staff. Specifically, they assess the willingness and ability of customers to meet their obligations to Nykredit. The assessment of a customer's creditworthiness factors in any security provided, including mortgages on real estate.

Nykredit's customer centres have been authorised to process most credit applications independently, as it is Nykredit's aim that most credit decisions should be made locally by a financially trained and qualified customer adviser. The authority comes with a requirement of renewal of certification in credit policy and business processes every three years, in addition to the statutory certification.

Nykredit has five regional credit units, which process credit applications from business customers exceeding the authority assigned to the customer centres. Applications exceeding the regional credit units' authority are processed centrally by Group Credits, unless they involve exposures requiring escalation to the Credits Committee, the Bank Executive Board or the Board of Directors.

The Board of Directors of Nykredit Bank is presented with Nykredit's largest credit applications for approval/granting or briefing on a current basis. The Board of Directors of Nykredit Bank is briefed quarterly about any write-offs and impairment charges and annually about any exposures to members of the Board of Directors, the Executive Board etc.

When a customer applies for a bank facility, the customer and its financial circumstances are assessed. Overall guidelines on customer assessment have been laid down centrally and depend, for example, on the customer's relationship with the Bank's business areas. Nykredit's credit models form a material part of the assessment of personal and business customers.

At least once a year, the Bank's exposures exceeding DKK 1 million are reviewed. This forms part of the monitoring of credit exposures and is based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for changing a rating or for impairment provisions.

When opening credit lines for financial products, the Bank requires that a contractual basis be established providing it with a netting option. The contractual framework is based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. Generally, no set-off has been made for collateral security or netting agreements in the Financial Statements. Set-off has been made, however, for repo transactions/reverse repurchase lending with a few counterparties and for the market values of derivatives cleared through a central clearing house.

Credit models

Nykredit uses internal ratings-based (IRB) models in its risk management and for the determination of the capital requirement for credit risk for the greater part of the loan portfolio. 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). These three key parameters are referred to as risk parameters. Nykredit estimates these risk parameters on the basis of Nykredit's default and loss history.

Modelling principles

According to the CRR, PDs must be estimated on the basis of historical 1-year PDs while at the same time reflecting a suitable weighting between the long-term average and the current level. For the purpose of determining capital requirements, LGD estimates must always reflect an economic downturn.

Elements of credit risk determination	
PD	Probability of Default (PD) is the probability of a customer defaulting on an obligation to Nykredit.
LGD	Loss Given Default (LGD) is the estimated loss rate of an exposure in case of a customer's default.
EAD	Exposure at Default (EAD) is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk Exposure Amount (REA) is calculated by risk-weighting credit exposures relating to the individual customer. The risk weighting is calculated on the basis of PD and LGD.
Default	An exposure is in default at the time of sending the third reminder (typically 25 days past due). Exposures for which impairment provisions have been made under certain circumstances are also considered in default. The same applies to customers classified in stage 3 and some customers classified in stage 2 in accordance with the rules of IFRS 9. The stages are described in detail in the accounting policies. Exposures for which a direct loss has been incurred are also considered in default.

Rating scale and limit values

Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	<100.00%
Exposures in default	100.00%	100.00%

The above principles applied to estimate the risk parameters ensure that the Group's REA remains more stable throughout an economic cycle than if the calculations had exclusively reflected the current economic climate.

Probability of Default (PD)

PD expresses the probability of a customer defaulting on an obligation to Nykredit within a period of one year. Nykredit calculates a PD for each individual customer.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Exposures in default are placed in a category of their own. The individual rating categories have been defined based on fixed PD ranges, which means that, in periods of high business activity, a high rating will be assigned to relatively more customers, while the opposite will apply during an economic downturn.

A rating reflects the customer's financial position and creditworthiness, and besides being included in the determination of capital requirements, the customer rating is also a key element of any customer assessment.

Manual correction of a customer's rating is possible if, due to objective data not already factored into the model, the calculated rating is not deemed to reflect the customer's real probability of default. Manual correction of the calculated rating is referred to as override.

Loss Given Default (LGD)

For each customer product, Nykredit calculates an LGD, reflecting the percentage share of the exposure which is expected to be lost in case of customer default.

Expected LGDs vary with economic trends. In periods of high business activity, default will often not lead to any loss, as the value of the security will typically exceed the value of the loan. This applies in particular to loans secured by mortgages on real estate. Conversely, more and greater losses would be expected during an economic downturn.

For the determination of capital requirements, LGDs are calibrated to reflect losses during a severe economic downturn.

Exposure at Default (EAD)

Nykredit estimates an EAD for all exposures to a customer, reflecting the total estimated exposure to a customer at the time of a possible default, including any additional drawn part of credit commitments. The latter is factored in using conversion factors.

Model validation and reliability

Nykredit continuously develops and improves its credit risk models, including internal models for calculation of impairment under IFRS 9. Important model elements are that the models must be appropriate and provide consistent and stable parameters.

A subcommittee of the Group Risk Committee oversees and controls model risks in the Group, including an assessment of all models, model changes and results of model validations. Main conclusions regarding model risks and from the validation work are reported to the Group Risk Committee and the Board Risk Committee.

Concentration risk

Assessing the Bank's concentration risk is a natural element of risk management.

Pursuant to the CRR, individual exposures may not exceed 25% of eligible capital. The Bank had no exposures exceeding this limit in 2019.

The Bank's largest single exposure to a non-financial counterparty was DKK 4.5 billion at end-2019, equal to 10.5% of eligible capital.

At end-2019 the Bank's 20 largest exposures to non-financial counterparties totalled DKK 24.9 billion, equivalent to 103% of eligible capital. In 2018 the Bank's 20 largest exposures to non-financial counterparties amounted to DKK 19.9 billion, equivalent to 85% of eligible capital.

Nykredit Bank has allocated capital under Pillar II to cover any potential concentration risk in addition to the regulatory capital requirement under Pillar I.

Risk exposure amount for credit risk

Nykredit Bank's REA for credit risk rose from DKK 72.2 billion in 2018 to DKK 79.9 billion in 2019.

Nykredit Bank Group		
REA for credit risk excluding counterparty risk (CCR)		
DKK million	**2019**	**2018**
Standardised approach	7,779	7,363
IRB approach	70,591	63,682
Other non credit-obligation assets	1,525	1,114
Total credit risk excluding CCR	**79,894**	**72,159**

Counterparty risk

Nykredit applies financial instruments, such as interest rate derivatives and repurchase agreements (repo transactions), for serving customers. Liquidity and market risks are also managed using financial instruments.

The market value of a derivative changes according to the underlying market parameters, such as interest rates and exchange rates. This may lead to market values in favour of both Nykredit and its counterparties.

In some cases, a counterparty is unable to meet its payment obligations (default). This gives rise to counterparty risk. Nykredit mitigates its counterparty risk through financial netting agreements as well as agreements on financial collateral. The contractual framework is based on market standards such as ISDA or GMRA agreements. Nykredit uses central counterparties (CCPs) for professional derivatives clearing. Interest rate swaps, FRAs and repo transactions are cleared through CCPs.

The counterparty risk exposure is affected by the market value of the financial instruments and the probability of non-payment by customers. Thus, counterparty risk involves both market risk and credit risk.

The calculated value adjustment of derivatives (CVA etc) is recognised in the Financial Statements. The value adjustment is thus affected by several factors, including the level of long-term interest rates, credit spreads, funding spreads, the maturities of the contracts as well as customers' credit quality.

REA for counterparty risk after netting and collateral was DKK 19.3 billion at end-2019. Of this amount, derivatives represented DKK 17.6 billion and repo transactions DKK 0.6 billion. The remaining DKK 1.1 billion related to credit valuation adjustment (CVA) and default fund contributions (CCP).

Value adjustment of derivatives

Nykredit makes fair value adjustment of derivatives, including credit valuation adjustments (CVA) and funding valuation adjustments (FVA), in accordance with the International Financial Reporting Standards (IFRS). This includes individual value adjustments of customers showing objective evidence of impairment (OEI), credit valuation adjustments based on customers' current credit quality as well as management judgement.

The Danish FSA has encouraged the adoption of a prudent approach to the assessment of customers with swap contracts. This means that swap contracts with customers showing OEI (rating 0 and exposures in default) are value adjusted in full. This despite the fact that customers with rating 0 still make timely payments to Nykredit.

Market risk

Nykredit assumes various market risks through its business activities. Market risk is the risk of loss as a result of movements in financial markets and includes interest rate, foreign exchange, equity price and volatility risks etc.

Market risk in Nykredit Bank consists of positions in the trading book and the banking book, based on the purpose of the position. Portfolios with positions held for trading are thus placed in the trading book, which consists mainly of mortgage bonds. Positions forming part of Nykredit Bank's lending business are placed in the banking book.

Market risk is further divided into general market risk, which means risk affecting the financial markets in general, and specific risk, which is the risk related to one individual issuer of securities. This distinction is applied in the day-to-day risk management as well as in the determination of risk exposures involving market risk used for the capital adequacy purposes.

Market risk mainly arises in connection with securities trading for customers in Nykredit Markets as well as swap and money market transactions. The Bank also assumes market risk in connection with placement of its own portfolio. This mainly involves interest rate risk and yield spread risk. Market risks in the Bank's subsidiaries are either negligible or hedged with the Bank as counterparty.

Nykredit Bank's market risk is determined for two purposes:

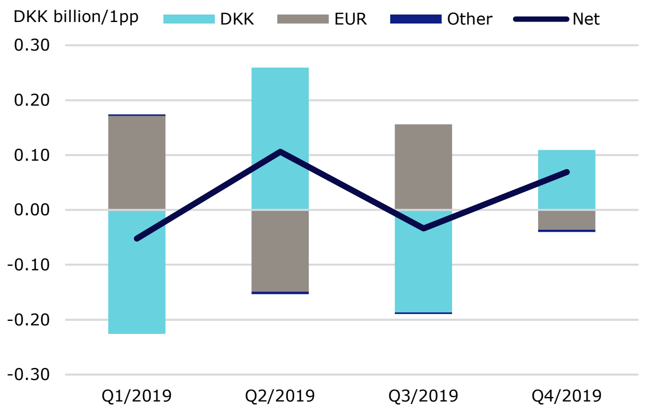
- Day-to-day management of all positions involving market risk
- Determination of the risk exposure amount (REA) for market risk for use in the determination of capital adequacy.

Market risk is generally managed through the Board's market risk policy and the accompanying guidelines, which include specific limits for the different types of risk in both the trading book and the banking book.

The main principle is that losses on exposures involving market risk in the trading book must not have a significant earnings impact. Market risk is managed by means of estimated losses in stress scenarios. Statistical as well as forward-looking stress scenarios are used to calculate the estimated losses. In addition to the risk appetite stipulated for the trading book positions, the Board of Directors has also set a risk appetite for the banking book positions in the market risk policy.

The guidelines restrict the scope for assuming interest rate, equity price, foreign exchange, volatility and commodity risks. The guidelines permit the use of eg financial instruments if the risk involved can be measured and managed. The risk limit applying to a specific asset includes any use of financial instruments.

Nykredit Bank
Interest rate risk



Compliance with risk limits set out in the guidelines is monitored daily and independently of the acting entities of the Group. Any breaches are reported to the Asset/Liability Committee, the Board of Directors of Nykredit Bank or other levels of management depending on the nature of such breaches.

Day-to-day market risk management
The day-to-day determination, management and reporting of market risk take place by combining statistical models, stress tests, key figures and various subjective assessments.

The traditional risk measures, such as interest rate, equity price, volatility and foreign exchange risks, are monitored by means of portfolio sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions, for example a rise or fall in interest rates, equity prices or volatilities. Calculations are only made for one type of risk at a time.

The traditional risk measures do not indicate the probability of a particular event, but rather how much the occurrence of the event would affect the value of a portfolio.

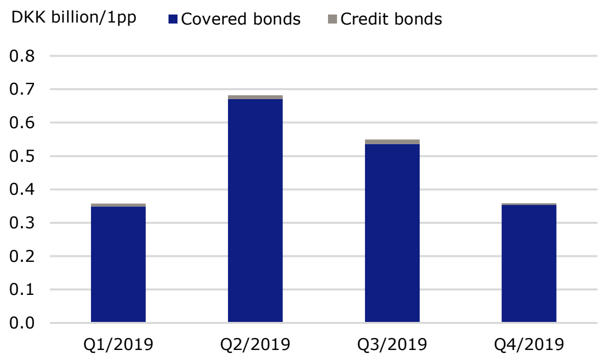
Value-at-Risk models (VaR models) are applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models allow for the effect and probability of several risks occurring at the same time.

Interest rate risk
Nykredit's interest rate risk is the risk of loss as a result of interest rate changes. Nykredit's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point. Developments in the Bank's interest rate exposure are shown in the chart below. The net interest rate exposure in the trading book was DKK 69 million at end-2019.

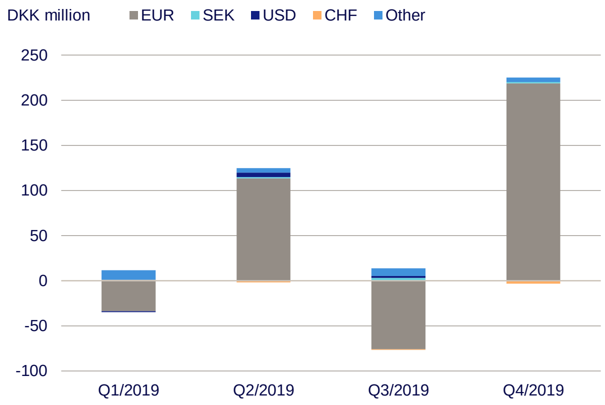
This means that the Bank would lose DKK 69 million at a general interest rate rise of 1 percentage point.

By comparison, the interest risk in the banking book is DKK 9 million.

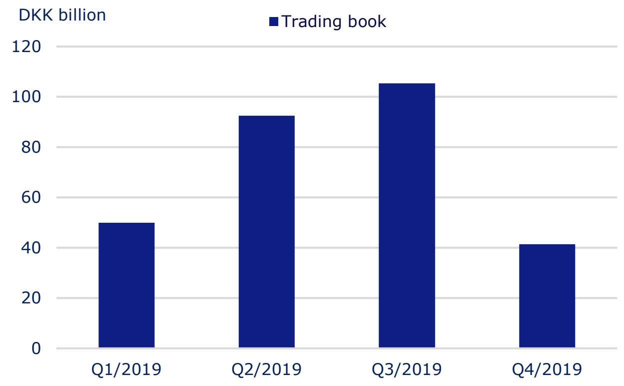
Nykredit Bank
Yield spread risk in the trading book



Nykredit Bank
Foreign exchange risk



Nykredit Bank
Market value of equity portfolio in the trading book.



Yield spread risk

Yield spread risk is the risk of spread widening between the yield of a given bond and general swap rates. The yield spread risk on the Bank's trading portfolio of covered bonds amounted to DKK 354 million and approximately DKK 5 million on the portfolio of corporate bonds at end-2019.

This means that Nykredit Bank would lose DKK 354 million on its trading portfolio of covered bonds if the spread between covered bond yields and swap rates widened by 1 percentage point.

In the banking book the yield spread risk amounted to DKK 64 million at end-2019.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices. The equity price risk is measured as the market value exposure of the portfolio. Nykredit Bank's net equity price risk in the trading portfolio was DKK 41 million at end-2019.

In the banking book the equity price risk amounted to DKK 62 million at end-2019, which comprises strategic equity holdings.

Foreign exchange risk

Foreign exchange risk is measured as the gain/loss in a given currency resulting from a DKK appreciation of 10%. Foreign exchange risk is thus the risk of loss as a result of changes in exchange rates.

Nykredit hedges its foreign exchange risk except for some minor tactical foreign exchange positions held to achieve a gain. Therefore, the Group had only minor foreign exchange positions in currencies other than EUR in 2019.

Volatility risk

The market value of options and financial instruments with embedded options, such as callable covered bonds, partly depends on the expected market volatility. Volatility risk is the risk of loss as a result of changes in market expectations for future volatility. Volatility risk is measured as the change in market value resulting from an increase in volatility of 1 percentage point, increased volatility implying a loss on Nykredit Bank's part.

This risk is determined for all financial instruments with embedded options and is managed by means of limits. The risk is low and stems mainly from the portfolio of Danish callable covered bonds, but also from other interest rate and equity derivatives.

REA for market risk

Nykredit Bank A/S is authorised by the Danish FSA to apply a VaR model for the calculation of risk exposures with general market risk in the trading book. The confidence level in the VaR model is 99%, while the time horizon for the calculation of the regulatory risk exposures is 10 days. A daily control is conducted of the model estimates versus the realised profit (loss) on the trading book positions, in order to ensure continuous robustness and correctness of the model estimates.

The VaR model is based on historical observations of the development on the financial markets. Risk exposures from a stressed VaR calculation are added to the risk exposures from the regular VaR calculation, in order to account for the fact that the current market conditions may differ from the historically observed (eg during a financial crisis). The stressed VaR is also calculated by using the regular VaR model on the trading book positions.

Risk exposures are calculated as the sum of the individual calculations including general risk from the VaR model and the specific risk and general risk from the standard approach. The total risk exposure from VaR was DKK 6.9 billion at end-2019, of which stressed VaR accounted for DKK 5.7 billion. The total risk exposure for market risk was DKK 11.3 billion at end-2019.

Nykredit Bank Group
REA – market risk

DKK million	2019	2018
Internal models (Value-at-Risk)	6,853	8,028
Standardised approach	4,465	4,763
Settlement risk	0	2
Total market risk exposure	**11,319**	**12,794**

Liquidity risk

Nykredit Bank's liquidity risk is the risk that the Bank is unable to fulfil its financial obligations and meet regulatory requirements and rating criteria in the short, medium and long term. Liquidity risk is also the risk of funding shortages preventing the Bank from pursuing the adopted business model, or the risk that the Bank's costs of raising liquidity become prohibitive.

Nykredit Bank funds its lending by deposits, but raises additional market funding to ensure compliance of regulatory requirements and sufficient liquidity to be able to provide financing for customers and the Bank's other business activities.

The composition of liquidity and funding is much affected by regulatory requirements and rating criteria. Nykredit Bank therefore has a strong focus on existing and future requirements, including the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Minimum Requirement for own funds and Eligible Liabilities (MREL) and Supervisory Diamond benchmarks.

The stock of liquid assets ensures that the Bank has a sufficiently large liquidity buffer of unencumbered securities for cash flows driven by customer behaviour, current costs and maturing market funding. The stock of liquid assets also ensures that the Bank can meet the LCR.

The Bank's liquid assets are mainly liquid Danish and other European government and covered bonds. These securities are recognised in the balance sheet as bonds at fair value and, in a liquid repo market, they are eligible as collateral with other banks and with the Danish or other European central banks and thus directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities and corporate bonds.

The Board of Directors and the Nykredit Realkredit Group's Asset/Liability Committee monitor the development in the Bank's liquidity on a current basis. The Bank manages the day-to-day liquidity risk.

The Board of Directors has considered and approved the liquidity contingency plan for responding to situations such as a liquidity crisis or situations where the Bank is unable to comply with the liquidity policy and the liquidity management guidelines laid down by the Board of Directors. The liquidity contingency plan must be endorsed by the Asset/Liability Committee, which also decides whether to initiate the plan. The liquidity contingency plan is considered and approved by the Board of Directors at least once a year.

Liquidity policy and liquidity management guidelines

The liquidity policy is laid down by the Board of Directors and defines Nykredit Bank's overall risk appetite, liquidity risk profile and funding structure.

In addition to the liquidity policy, Nykredit Bank's Board of Directors has laid down guidelines on the day-to-day liquidity management. In accordance with the guidelines provided by the Board of Directors, the Executive Board delegates limits for liquidity management to the Bank through the Asset/Liability Committee.

The guidelines provide limits for Nykredit Bank's day-to-day liquidity management and for short-term, medium-term and long-term management. Limits have also been set for the composition of the stock of liquid assets, the LCR, the loan portfolio, the use and diversification of funding sources, the Supervisory Diamond benchmarks and leverage.

Nykredit annually prepares a report on the Internal Liquidity Adequacy Assessment Process (ILAAP), which is submitted to the Boards of Directors of Nykredit Realkredit, Totalkredit and Nykredit Bank for their approval and to the Danish FSA for its assessment.

Liquidity Coverage Ratio (LCR)

The LCR is used to assess Nykredit Bank's short-term liquidity requirement. The LCR reflects the proportion of liquid assets relative to net cash outflows over a 30-day period and must be at least 100%.

Under the LCR rules, the Bank must hold liquid assets adequate to withstand a liquidity stress for a period of at least 30 days.

At end-2019 the Bank's LCR was 153% and the excess liquidity coverage totalled DKK 20.9 billion.

Operational risk

Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes conduct risk, legal risk, IT risk, compliance risk and model risk.

Nykredit is continuously working to create a risk culture where the awareness of operational risk is a natural part of everyday work. The objective is to support and develop an organisation where mitigation and management of operational risks are an integral part of both the day-to-day operations and the long-term planning. Operational risk must be limited continually, taking into consideration the costs involved.

Given its nature and characteristics, operational risk is best mitigated and managed through the day-to-day business conduct. The responsibility for the day-to-day management of operational risk is decentralised and lies with the individual business areas. Operational risk management activities are coordinated centrally to ensure coherence, consistency and optimisation across the Group.

As part of operational risk management, Nykredit is continuously working on identifying significant operational risks. Operational risks are mapped by each business area identifying and assessing its own significant risks. Nykredit's centralised risk control function conducts quarterly risk meetings with selected business areas. At these meetings, the operational risks are discussed and it is assessed whether the risks are adequately managed through controls and other risk-mitigating actions.

In addition to the above, operational risk events, including events with a gain and events with a potential, but not incurred loss/gain (near-miss events), are systematically recorded, categorised and reported with a view to creating an overview of loss sources and gaining experience for sharing across the organisation.

Nykredit has outsourced the operation of IT systems, and appropriate processes have been established for follow-up and reporting from suppliers. Furthermore, the IT security area is monitored constantly, and Nykredit participates actively in a wide Danish and international network on IT security through Finance Denmark. An IT security policy has been prepared as well as emergency response plans and business contingency plans.

Nykredit Bank Group

REA for operational risk

Nykredit Bank determines the capital requirement for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings for the past three years. REA for operational risk was DKK 8.1 billion throughout 2019.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		46. RISK MANAGEMENT (CONTINUED)		
		Credit, currency, equity and interest rate risk		
		Credit risk		
		The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
		Total credit exposure		
		Balance sheet items		
8,585	7,110	Cash balances and demand deposits with central banks	7,110	8,585
9,323	26,270	Receivables from credit institutions and central banks	26,418	9,324
-	-	Loans, advances and other receivables at fair value (reverse repurchase lending)	-	-
96,699	112,839	Loans, advances and other receivables at amortised cost	114,215	97,993
25,813	28,133	- of which lending in total Retail	35,623	32,743
23,342	25,794	- of which lending in Corporates & Institutions	25,794	23,342
3,951	3,943	- of which lending in Wealth Management	3,943	3,956
43,588	54,970	- of which lending in Group Items etc	48,854	37,952
48,208	49,652	Bonds	50,661	49,054
21,664	25,726	Other assets	25,839	21,707
		Off-balance sheet items		
22,626	36,073	Contingent liabilities	35,974	22,527
8,724	12,522	Other commitments	12,745	8,924
		Collateral security received		
		Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges over securities and/or tangible assets such as real estate and equipment, but also moveable property and guarantees are included. At end-2019 collateral security excluding guarantees included:		
7,254	7,937	Mortgages on residential property	7,937	7,254
8,249	9,792	Securities	9,792	8,249
4,539	6,344	Mortgages on real estate	6,344	4,539
141	102	Guarantees received	102	141
1,072	1,265	Deposits	1,265	1,072
2,260	1,753	Chattel mortgage and other	1,753	2,260

Leasing solutions are essentially secured by Nykredit Leasing's ownership of the leased equipment.

When opening credit lines for financial products, Nykredit Bank will also often require that a contractual basis be established, providing it with a netting option. The contractual basis typically reflects current market standards such as ISDA or GRMA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.

Nykredit Bank only used credit default swap transactions to a negligible extent.

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Credit, foreign exchange, equity price and interest rate exposures (continued)

Loans, advances, guarantees and provisions by sector

	Carrying amount				Provisions		
31 December 2019	Lending	Guarantees	Total	Proportion, %	Impairment provisions (stages 1-3)	Provisions (stages 1-3)	Total
Public sector	**652**	**113**	**765**	**1**	**1**	**-**	**1**
Business customers							
Agriculture, hunting, forestry and fishing	2,671	1,526	4,197	3	161	3	164
Manufacturing, mining and quarrying	8,374	547	8,921	6	282	3	285
Energy supply	2,669	188	2,857	2	28	1	30
Construction	2,669	1,054	3,723	2	181	17	198
Trade	6,882	949	7,831	5	319	16	335
Transport, accommodation and food service activities	5,208	572	5,780	4	91	8	99
Information and communication	2,926	508	3,434	2	100	3	102
Finance and insurance	53,697	1,005	54,702	36	118	4	122
Real estate	10,407	3,859	14,266	9	455	17	472
Other	7,545	2,397	9,941	7	254	12	266
Total business customers	**103,047**	**12,604**	**115,651**	**77**	**1,988**	**84**	**2,072**
Personal customers	10,516	23,257	33,773	22	536	53	589
Total	**114,215**	**35,974**	**150,188**	**100**	**2,526**	**137**	**2,663**
Of which reverse repurchase lending (loans and advances at amortised cost)	48,749	-	48,749	32	-	-	-
31 December 2018							
Public sector	**639**	**-**	**639**	**1**	**3**	**-**	**3**
Business customers							
Agriculture, hunting, forestry and fishing	2,572	759	3,332	4	121	4	125
Manufacturing, mining and quarrying	7,223	259	7,482	4	260	12	272
Energy supply	1,322	49	1,372	2	18	0	18
Construction	2,011	609	2,620	3	164	7	171
Trade	5,398	484	5,882	4	321	13	334
Transport, accommodation and food service activities	6,002	294	6,296	3	60	2	62
Information and communication	3,071	220	3,291	1	44	1	45
Finance and insurance	40,989	935	41,924	32	240	3	243
Real estate	10,636	2,692	13,328	10	455	21	475
Other	5,939	1,275	7,215	11	439	8	447
Total business customers	**85,164**	**7,577**	**92,742**	**74**	**2,121**	**71**	**2,192**
Personal customers	12,190	14,949	27,140	26	643	46	689
Total	**97,994**	**22,527**	**120,520**	**100**	**2,767**	**117**	**2,884**
Of which reverse repurchase lending (loans and advances at amortised cost)	37,427	-	37,427	31	-	-	-

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Bank lending (including repo transactions) by sector and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss.

2019

Rating category	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	2,379	7,143	888	1,621	1,688	995	14,714
9	1,513	17,129	1,747	3,230	1,055	800	25,475
8	1,982	848	1,862	2,476	2,655	1,092	10,914
7	1,697	670	2,045	1,462	2,335	1,164	9,374
6	2,283	19,646	1,890	1,830	3,226	2,419	31,293
5	670	5,002	1,050	934	947	1,711	10,314
4	814	209	389	194	787	1,468	3,860
3	110	1,960	145	88	191	526	3,020
2	1,956	814	224	206	624	257	4,080
1	79	310	92	37	297	154	969
0	14	7	3	15	20	8	68
Exposures in default	706	77	528	405	484	458	2,659
Total	**14,203**	**53,815**	**10,862**	**12,499**	**14,309**	**11,052**	**116,741**

Bank lending (excluding repo transactions) by sector and rating category

2018

Rating category	Manufacturing and construction	Credit and finance	Property management and trade	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	1,516	6,600	730	1,064	2,207	1,420	13,538
9	410	8,888	694	2,987	1,053	1,088	15,120
8	1,534	906	2,509	1,837	1,170	987	8,943
7	1,208	1,101	2,201	1,700	2,149	1,086	9,444
6	3,108	17,180	1,912	1,958	3,069	2,562	29,789
5	1,604	4,115	1,212	918	720	1,672	10,240
4	484	833	640	277	1,331	1,683	5,246
3	65	1,372	251	137	208	662	2,694
2	154	16	185	175	205	608	1,344
1	66	161	47	47	236	250	808
0	166	1	16	11	7	109	310
Exposures in default	683	56	693	671	475	705	3,283
Total	**10,997**	**41,228**	**11,090**	**11,781**	**12,830**	**12,833**	**100,760**

Rating categories include loans, advances and receivables at amortised cost determined before impairments.

DKK million

Nykredit Bank Group

46. RISK MANAGEMENT (CONTINUED)

Loans carrying a reduced interest rate

Group	2019	2018
Gross lending	330	577
Impairment provisions	263	461
Carrying amount	**67**	**116**
Of which non-accrual	65	115
Of which carrying a reduced interest rate	2	1

	2019				2018			
Provisioning rate	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
Group								
Total loans and advances	114,215	113,297	112,655	97,271	97,993	91,418	89,536	93,854
Total guarantees	35,974	36,563	28,470	22,536	22,527	21,779	21,692	22,318
Impairment provisions	2,526	2,751	2,741	2,708	2,767	2,697	2,751	2,783
Provisions for guarantees	137	134	132	154	117	115	103	187
Total	**152,851**	**152,745**	**143,999**	**122,669**	**123,404**	**116,009**	**114,082**	**119,142**
Provisioning rate, %	1.7	1.9	2.0	2.3	2.3	2.4	2.5	2.5
Provisioning rate excluding guarantees	2.2	2.4	2.4	2.7	2.7	2.9	3.0	2.9

Secured lending before impairment provisions	2019			2018		
Group	Public sector	Personal customers	Business customers	Public sector	Personal customers	Business customers
Unsecured lending	208	4,761	39,432	44	4,370	38,000
Lending secured by way of legal charge or other collateral security:						
Fully secured	296	2,621	51,426	385	3,206	41,532
Partially secured	149	3,716	14,132	212	5,355	7,656
Total lending before impairment provisions	**653**	**11,098**	**104,990**	**641**	**12,931**	**87,188**

Includes the Nykredit Bank Group's loans and advances at amortised cost. The determination is based on official Danish sector codes and is therefore not a reflection of Nykredit Bank's business segments. Of total stage 3 impairment provisions for business lending of DKK 1,6 billion (2018: around DKK 1.8 billion), approximately DKK 0,2 billion, or 13% (2018: around 24%), is attributable to exposures to customers whose severe financial positions have led to bankruptcy, bankruptcy proceedings or compulsory dissolution. Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations and personal circumstances such as divorce, unemployment or long-term illness are taken into consideration.

DKK million

Nykredit Bank A/S 2018	2019		Nykredit Bank Group 2019	2018
		46. RISK MANAGEMENT (CONTINUED)		
		Foreign exchange risk		
38,957	34,108	Total foreign exchange assets	34,108	38,957
		Of which		
28,189	24,778	- receivables with credit institutions, loans and advances, securities etc	24,778	28,189
10,768	9,330	- interest receivable and positive market value of financial instruments	9,330	10,768
40,238	51,039	Total foreign exchange liabilities	51,039	40,238
		Of which		
35,190	37,281	- payables to credit institutions, deposits, bond in issue etc	37,281	35,190
5,048	13,758	- interest payable and negative market value of financial instruments	13,758	5,048
17.0	225.7	Exchange rate indicator 1 (DKK million)	225.7	17.0
0.1	1.0	Exchange rate indicator 1 as % of Tier 1 capital after deductions	1.0	0.1
0.3	0.3	Exchange rate indicator 2 (DKK million)	0.3	0.3
-	-	Exchange rate indicator 2 as % of Tier 1 capital after deductions	-	-
		Interest rate risk by the currency involving the highest interest rate exposure		
250	127	DKK	149	256
(179)	(33)	EUR	(33)	(179)
(2)	(11)	CHF	(11)	(2)
1	(4)	SEK	2	1
-	(3)	GBP	(7)	-
5	1	NOK	-	5
(3)	1	USD	2	(3)
-	-	Other currencies	(3)	-
72	**77**	**Total interest rate exposure of debt instruments etc, year-end**	**99**	**78**
		Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a loss of DKK 159 million and a loss of DKK 63 million (2018: between a gain of DKK 20 million and a loss of 159 million).		
		Value-at-Risk		
14	5	Year-end	5	14
11	6	Average for the year	6	11
		Value-at-risk ranged between DKK 4 million and DKK 10 million (2018: DKK 8 million and DKK 14 million).		
		Value-at-Risk is a statistical measure of the maximum loss the Bank may incur at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.		
(1.9)	1.6	**Volatility risk**	1.6	(1.9)
		The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.		
842	423	**Yield spread risk**	423	842
		Yield spread risk totalled DKK 423 million at end-2019 (2018: DKK 842 million). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 423 million.		
173	104	**Equity price risk**	104	173
		Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities etc. After recognition of derivative financial instruments, the effect of a 10% change amounted to DKK 10 million (2018: DKK 17 million).		
157%	153%	**Liquidity risk, Liquidity Coverage Ratio (LCR)**	153%	157%

DKK million

Nykredit Bank Group

47. HEDGE ACCOUNTING

The interest rate risk etc relating to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:

2019	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
Assets			
Loans, advances and other receivables (interest rate risk)	569	577	8
Liabilities			
Deposits and other payables (interest rate and equity price risk)	112	133	(21)
Bonds in issue at amortised cost (interest rate risk)	762	784	(22)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	112	22	22
Interest rate swaps, deposits and other payables	584	(8)	(8)
Interest rate swaps, bonds in issue	796	26	26
Credit derivatives, deposits and other payables	-	-	-
Equity derivatives, deposits and other payables	-	-	-
Gain/loss for the year on hedging instruments		(15)	
Gain/loss for the year on hedged items		14	
Net gain/loss		**(1)**	

By time-to-maturity	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
Swaps hedging interest rate risk of financial assets	0	3	19
Swaps hedging interest rate risk of financial liabilities	0	23	(5)

The figures comprise Nykredit Bank A/S and the Nykredit Bank Group as these values are identical.

Interest rate swaps, credit derivatives and equity derivatives are included in the balance sheet items "Other assets" (positive market value) or "Other liabilities" (negative market value).

It is the Group's strategy to apply derivative financial instruments to hedge the interest rate risk of fixed-rate financial assets and liabilities, except for the interest rate risk of short-term loans, advances and deposits and to hedge close to 100%. This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development. When the deposit rate is tied to an equity index, risk is managed using equity derivatives. The average fixed rate of derivatives hedging financial assets and liabilities, respectively, is 4.8% or 2.1%.

The financial assets and liabilities that qualify as eligible hedged items are monitored on a current basis. These items may be included either as individual items or portfolios of assets and liabilities. Both are used for hedge accounting. Nykredit Bank's fixed-rate loans and fixed-rate deposits are grouped into portfolios. These include portfolios of loans, advances, deposits and other payables of a uniform risk level and are hedged using derivative financial instruments of similar characteristics (such as interest rate). Bonds in issue are hedged separately using interest rate swaps with characteristics similar to the bonds.

Hedge effectiveness is monitored daily. Effectiveness tests monitor that movements in market values of the hedged item and the hedging instrument are within a range of 80-125%. If the effectiveness test indicates undesired ineffectiveness, hedging adjustments are made. Ineffectiveness may typically arise in periods when market values are very low compared with the size of the portfolios. Moreover, ineffectiveness may arise in case of eg unexpected market movements or in case a counterparty terminates or prepays a hedged financial instrument. In this case, the swap portfolio hedging the deposits and loans and advances in question will be adjusted. Changes at the swap counterparty may also lead to some ineffectiveness.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment for accounting purposes of the financial assets and liabilities that form part of an effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (such as the interest rate risk). Reference is made to notes 42 and 43, which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

DKK million

Nykredit Bank Group

47. HEDGE ACCOUNTING (CONTINUED)

	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
2018			
Assets			
Loans, advances and other receivables (interest rate risk)	693	701	8
Liabilities			
Deposits and other payables (interest rate and equity price risk)	285	307	(22)
Bonds in issue at amortised cost (interest rate risk)	824	858	(34)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	597	23	23
Interest rate swaps, deposits and other payables	1,044	(7)	(7)
Interest rate swaps, bonds in issue	956	39	39
Credit derivatives, deposits and other payables	10	-	-
Equity derivatives, deposits and other payables	-	-	-
Gain/loss for the year on hedging instruments		(48)	
Gain/loss for the year on hedged items		45	
Net gain/loss		**(3)**	

DKK million

Nykredit Bank Group

48. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost 2019	Financial items at fair value 2019	Financial items at amortised cost 2018	Financial items at fair value 2018
Assets				
Receivables from credit institutions and central banks	33,528	-	17,909	-
Loans and advances at fair value (reverse repurchase lending)	-	-	-	-
Loans and advances etc	114,215	-	97,993	-
Bonds and equities	6,344	44,317	6,282	43,007
Positive market value of derivatives	-	21,004	-	17,763
Interest receivable etc	189	705	153	723
Total	**154,276**	**66,026**	**122,337**	**61,493**
Liabilities and equity				
Payables to credit institutions and central banks	85,154	-	54,620	-
Deposits and other payables	88,881	-	82,864	-
Bonds in issue at amortised cost	3,780	-	5,411	-
Other non-derivative financial liabilities at fair value	-	7,133	-	7,618
Subordinated debt	2,000	-	2,000	-
Negative market value of derivatives	-	12,165	-	10,712
Interest etc payable	100	613	113	681
Total	**179,916**	**19,911**	**145,008**	**19,011**

DKK million

Nykredit Bank Group

49. ACQUISITION OF GROUP ENTERPRISE AND INTANGIBLE ASSETS

Sparinvest A/S	Adjusted pre-acquisition balance sheet at 30 August 2019
Assets	
Cash balances and receivables from credit institutions	321
Receivables	39
Bonds	57
Equities	178
Intangible assets	25
Owner-occupied properties, including leased properties	248
Other property, plant and equipment	-
Other assets and prepayments etc	-
Total assets	**873**
Liabilities and equity	
Other payables	199
Provisions	2
Total liabilities and equity	**201**
Equity (net assets)	**673**
Minorities' share of equity (24.77%)	**166**
Equity excluding minorities (Nykredit Bank's share)	**506**
Cash purchase price including previous holdings of about 0.2%	2,192
Goodwill	**1,686**

The purchase price has been settled in cash. The Nykredit Group received DKK 321 million in cash in connection with the acquisition.

As from 30 August 2019 the subsidiary Nykredit Bank A/S has acquired about 75% of the capital and voting rights and has consequently obtained control of Sparinvest Holdings SE, Luxembourg. The acquisition of Sparinvest has increased the competitive power of Nykredit as well as the Totalkredit alliance.

The pre-acquisition balance sheet corresponds to the balance sheet of Sparinvest Holdings SE at 30 August 2019. A few adjustments have been made; for example the equity portfolio has been adjusted to fair value, and owner-occupied properties and other payables have been increased by DKK 24 million related to particularly leased properties in accordance with IFRS 16. To this should be added capitalisation of an intangible asset "customer relationships" at DKK 170 million as well as provisions for deferred tax of DKK 37 million. The value of goodwill is not deductible for tax purposes. The carrying amount of cash and cash equivalents, short-term receivables and payables is assumed to equal fair value.

The company's profit (loss) for the period from 31 August to 31 December 2019 has been included in the Nykredit Bank Group's Financial Statements for 2019, at a loss of DKK 3 million. Sparinvest's profit (loss) up to the acquisition date amounted to DKK 100 million; an amount which has not been recognised in the Financial Statements. Profit for 2019 stood at DKK 97 million. Nykredit Bank has paid advisory fees etc of DKK 39 million, which have been charged to the income statement.

Goodwill corresponding to the balance between the value of Nykredit's ownership interest in Sparinvest and purchase price has been calculated provisionally at DKK 1,686, which has been allocated to Wealth Management, a business area of the Nykredit Group. A number of minor assets and liabilities have not yet been reviewed. Goodwill is tested for impairment once a year and is written down to the recoverable amount if lower than the carrying amount. The recoverable amount equals the present value of the estimated future cash flows from the cash flow-generating units to which allocation of goodwill is made. In connection with the investment in Sparinvest, an intangible asset was identified, which must be capitalised according to the accounting rules. The value thereof has been determined at DKK 170 million, equal to the present value of particularly the distribution network. The asset is amortised over 7 years.

Nykredit Bank Group

50. OTHER INFORMATION

Events since the balance sheet date

No significant events have occurred in the period up to the presentation of the Annual Report for 2019 which affect the financial position of the Nykredit Bank Group.

Nykredit Bank Group

51. FINANCIAL RATIOS, DEFINITIONS

FINANCIAL RATIOS	DEFINITION
Return on equity before tax, %	The sum of profit (loss) before tax as a % of average equity
Return on equity after tax, %	The sum of profit (loss) after tax as a % of average equity
Income:cost ratio	Total income divided by total costs less tax
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital.
Foreign exchange position, %	Exchange rate indicator 1 at year-end divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:equity (loan gearing)	The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end
Growth in loans and advances for the year, %	Loans and advances at year-end divided by loans and advances at the beginning of the year
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits. Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (year-end/period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excluding repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period)
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of section 152 of the Danish Financial Business Act (Available excess liquidity relative to 10% of reduced payables). (Reduced payables include balance sheet total plus guarantees etc less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by eligible capital
Impairment charges for the year, %	Impairment charges for the year divided by loans and advances plus guarantees plus impairment provisions
Return on capital employed, %	Profit (loss) for the year divided by total assets

FINANCIAL RATIOS – CAPITAL AND CAPITAL ADEQUACY	DEFINITION
Total capital ratio, %	Own funds divided by the risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by the risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by the risk exposure amount

OTHER FINANCIAL RATIOS ON PAGE 5 AND IN NOTE 3	DEFINITION
Profit (loss) for the year as % pa of average equity*	Profit (loss) for the year exclusive minority interests divided by average equity
Costs as % of income	Costs divided by income
Business profit as % pa of average equity*	Business profit divided by average equity

* Equity is calculated as a five-quarter average.

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 2), have been calculated in accordance with the Danish FSA's guidelines for reporting purposes.

DKK million

Nykredit Bank Group	2019	2018	2017	2016	2015
52. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	1,545	1,636	1,594	1,498	1,888
Net fee income etc	1,973	1,637	1,714	1,097	954
Net interest and fee income	**3,518**	**3,273**	**3,308**	**2,595**	**2,842**
Value adjustments	670	1,114	2,562	84	945
Other operating income	44	30	34	28	25
Staff and administrative expenses	2,338	2,005	1,934	2,000	1,832
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	13	0	12	16	26
Other operating expenses	24	23	28	45	65
Impairment charges for loans, advances and receivables etc	210	274	(102)	(141)	(121)
Profit (loss) from investments in associates and Group enterprises	6	3	2	(0)	0
Profit before tax	**1,653**	**2,118**	**4,033**	**788**	**2,010**
Tax	366	458	901	161	468
Profit for the year	**1,287**	**1,660**	**3,133**	**627**	**1,542**
Comprehensive income					
Other comprehensive income	1,287	1,660	3,133	627	1,542
Comprehensive income for the year	**1,287**	**1,660**	**3,133**	**627**	**1,542**
SUMMARY BALANCE SHEET, YEAR-END	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
ASSETS					
Cash balances and receivables from credit institutions and central banks	33,528	17,909	19,991	35,723	13,425
Loans, advances and other receivables at fair value	-	-	27,566	30,091	39,467
Loans, advances and other receivables at amortised cost	114,215	97,993	55,783	55,003	46,747
Bonds and equities etc	44,445	49,288	47,453	42,576	40,412
Remaining assets	34,340	21,944	22,793	31,534	34,288
Total assets	**226,528**	**187,135**	**173,585**	**194,926**	**174,339**
LIABILITIES AND EQUITY					
Payables to credit institutions and central banks	85,154	54,620	40,218	51,606	34,957
Deposits and other payables	88,881	82,864	76,501	66,263	62,758
Bonds in issue at amortised cost	3,780	5,411	6,473	10,158	20,150
Other non-derivative financial liabilities at fair value	7,133	7,618	13,976	21,348	11,776
Remaining liabilities	14,695	13,236	14,298	26,546	28,266
Provisions	450	290	241	261	214
Subordinated debt	2,000	2,000	2,000	2,000	100
Equity	24,434	21,095	19,877	16,744	16,117
Total liabilities and equity	**226,528**	**187,135**	**173,585**	**194,926**	**174,339**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	35,974	22,527	25,080	17,152	15,180
Other commitments	12,745	8,924	6,835	5,375	5,566

Nykredit Bank Group	2019	2018	2017	2016	2015
52. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS[1]					
Total capital ratio, %	20.8	21.5	22.3	16.6	21.1
Tier 1 capital ratio, %	18.9	19.4	20.1	14.8	20.7
Return on equity before tax, %	7.3	10.3	21.7	4.8	14.0
Return on equity after tax, %	5.7	8.1	16.8	3.9	10.7
Income:cost ratio	1.64	1.92	3.15	1.41	2.12
Interest rate exposure, %	0.3	0.4	0.7	0.5	0.5
Foreign exchange position, %	1.0	0.3	0.2	1.0	1.1
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.3	1.2	1.1	1.3	1.4
Loans and advances:equity (loan gearing)	4.7	4.6	4.2	5.1	5.3
Growth in loans and advances for the year excluding repo transactions, %	8.1	8.6	1.4	17.7	(7.4)
Liquidity Coverage Ratio, %[2]	153.0	156.7	147.7		
Excess coverage:statutory liquidity requirements, %				263.5	347.2
Total large exposures, %				0.0	11.1
Large exposures, %[2]	110.7	91.8	96.1		
Impairment charges for the year, %	0.1	0.3	(0.1)	(0.1)	(0.1)
Return on capital employed, %	0.6	0.9	1.8	0.3	0.9
Average number of staff, full-time equivalent	900	837	822	800	761

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

[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures have been restated accordingly. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

Nykredit Bank A/S	2019	2018	2017	2016	2015
52. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Summary income statement					
Net interest income	1,368	1,469	1,446	1,363	1,763
Net fee income etc	1,380	1,265	1,372	800	690
Net interest and fee income	**2,747**	**2,734**	**2,817**	**2,163**	**2,453**
Value adjustments	672	1,117	2,563	85	951
Other operating income	11	4	4	1	0
Staff and administrative expenses	1,946	1,799	1,712	1,785	1,629
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	-	12	16	26
Other operating expenses	20	19	25	41	61
Impairment charges for loans, advances and receivables etc	183	238	(123)	(158)	(136)
Profit from investments in associates and Group enterprises	289	250	217	177	151
Profit before tax	**1,570**	**2,049**	**3,975**	**742**	**1,976**
Tax	282	389	843	115	433
Profit for the period	**1,288**	**1,660**	**3,133**	**627**	**1,542**
Comprehensive income					
Other comprehensive income	1,288	1,660	3,133	627	1,542
Comprehensive income for the year	**1,288**	**1,660**	**3,133**	**627**	**1,542**
Summary balance sheet, year-end	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Assets					
Cash balances and receivables from credit institutions and central banks	33,380	17,909	19,990	35,723	13,425
Loans, advances and other receivables at fair value	-	-	27,566	30,091	39,467
Loans, advances and other receivables at amortised cost	112,839	96,699	54,408	53,481	45,345
Bonds and equities etc	49,770	48,441	46,813	42,025	39,984
Profit from investments in associates and Group enterprises	2,299	1,650	1,400	1,181	1,004
Remaining assets	27,598	21,882	22,748	31,475	34,307
Total assets	**225,886**	**186,581**	**172,925**	**193,977**	**173,532**
Liabilities and equity					
Payables to credit institutions and central banks	85,154	54,620	39,948	51,066	34,417
Deposits and other payables	89,057	82,942	76,610	66,317	62,834
Bonds in issue at amortised cost	3,780	5,411	6,473	10,158	20,150
Other non-derivative financial liabilities at fair value	7,174	7,618	13,976	21,348	11,776
Remaining liabilities	14,118	12,757	13,929	26,195	27,956
Provisions	226	139	111	149	182
Subordinated debt	2,000	2,000	2,000	2,000	100
Equity	24,377	21,095	19,877	16,744	16,117
Total liabilities and equity	**225,886**	**186,581**	**172,925**	**193,977**	**173,532**
Off-balance sheet items					
Contingent liabilities	36,073	22,626	25,449	17,790	15,279
Other commitments	12,522	8,724	6,726	5,224	5,480

DKK million

Nykredit Bank A/S	2019	2018	2017	2016	2015
52. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
Financial ratios[1]					
Total capital ratio, %	19.8	20.6	21.4	16.0	20.1
Tier 1 capital ratio, %	18.0	18.6	19.4	14.3	19.7
Return on equity before tax, %	6.9	10.3	21.4	4.5	13.8
Return on equity after tax, %	5.7	8.1	16.8	3.8	10.7
Income:cost ratio	1.7	2.00	3.44	1.44	2.25
Interest rate exposure, %	0.3	0.3	0.6	0.5	0.5
Foreign exchange position, %	1.0	0.3	0.2	1.0	1.1
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.3	1.2	1.1	1.3	1.4
Loans and advances:equity (loan gearing)	4.6	4.6	4.1	5.0	5.3
Growth in loans and advances for the year excluding repo transactions, %	8.1	8.9	1.7	17.9	(7.5)
Excess coverage:statutory liquidity requirements, %		-	-	264.7	346.5
Liquidity Coverage Ratio[2]	153.0	156.7	147.7	-	-
Total large exposures, %		-	-	0.0	11.1
Large exposures, %[2]	109.9	91.7	96.0	-	-
Impairment charges for the year, %	0.1	(0.2)	(0.1)	(0.2)	(0.1)
Return on capital employed, %	0.6	0.9	1.8	0.3	0.9
Average number of staff, full-time equivalent	679	664	658	641	606

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

[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures for 2017 have been restated accordingly. Compared with the previous method, the benchmark was 0.0% at end-December 2017. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

DKK million

Nykredit Bank Group

53. GROUP STRUCTURE Name and registered office	Owner-ship interest as %, 31 December 2019	Profit for 2019	Equity 31 December 2019	Number of staff in 2019	Profit for 2018	Equity 31 December 2018	Number of staff in 2018
Nykredit Bank A/S (Parent), Copenhagen, a)	100	1,288	24,377	679	1,660	21,096	664
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	191	1,079	120	163	887	118
Nykredit Leasing A/S, Gladsaxe, c)	100	102	858	58	84	755	55
Sparinvest SE, Luxembourg, b)	76	280	233	2			

Geographical distribution of activities	Number of staff	Revenue[1]	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	900	4,381	1,653	366	-

[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

Name and registered office	Ownership interest as %, 31 December 2019	Revenue 2018	Profit for 2018	Assets, 31 December 2018	Liabilities, 31 December 2018	Equity, 31 December 2018	Nykredit's share of profit for the year 2018	Nykredit's share of equity value, 31 December 2018	Profit for 2018	Equity, 31 December 2018
Associates										
Core Property Management P/S, Copenhagen, a)	20	119	21	72	26	45	4	9	21	45
Youngmoney ApS a,b)	50	-	-	-	-	-		-	-	-

a) Investment company

b) Establied in 2019

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

Nykredit Bank Group

FINANCIAL CALENDAR FOR 2020

5 February	Publication of Annual Reports 2019 and announcements of Financial Statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
26 March	Annual General Meetings of Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
7 May	Publication of Q1 Interim Report 2020 of the Nykredit Realkredit Group.
20 August	Publication of H1 Interim Reports 2020 of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
4 November	Publication of Q1-Q3 Interim Report 2020 of the Nykredit Realkredit Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit Bank Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly except in July. Weekly board meetings are held when required for approval of exposures.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 21 March 2019. Re-election is not subject to any restrictions. The next annual general meeting of the Company is scheduled for 26 March 2020.

Staff-elected board members are elected for a term of four years.

Below, an account is given of the individual director's position, age, gender and years of service on the Board as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

Michael Rasmussen, Chairman
Group Chief Executive, Nykredit

Date of birth: 13 November 1964
Gender: Male
Joined the Board on 1 September 2013

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Totalkredit A/S
Finance Denmark
FR I af 16. september 2015 A/S
Investeringsfonden for Udviklingslande (IFU)
Sparinvest Holdings SE*

Deputy Chairman of:
Copenhagen Business School Handelshøjskolen

Member of Investor Board for Danish SDG Investment Fund (Verdensmålsfonden)

Anders Jensen, Deputy Chairman
Group Managing Director, Nykredit

Date of birth: 20 January 1965
Gender: Male
Joined the Board on 1 October 2014

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Nykredit Leasing A/S**
Nykredit Mægler A/S**

Director of:
Bokis A/S
e-nettet A/S**
Grænsefonden
Niels Brock (Copenhagen Business College)
Niels Brock International A/S*

Tonny Thierry Andersen*
Group Managing Director, Nykredit

Date of birth: 30 September 1964
Gender: Male
Joined the Board on 1 June 2019

Managing Director of:
Nykredit A/S*
Nykredit Realkredit A/S*

Flemming Ellegaard**
Chief Dealer

Date of birth: 1 January 1960
Gender: Male
Joined the Board on 1 January 2016

David Hellemann
Group Managing Director, Nykredit

Date of birth: 5 December 1970
Gender: Male
Joined the Board on 1 September 2016

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Ejendomsselskabet Kalvebod A/S
Greve Main 30 A/S
JN Data A/S
Kalvebod Ejendomme I A/S
Kalvebod Ejendomme II A/S
Kirstinehøj 17 A/S

Deputy Chairman of:
Bankernes EDB Central a.m.b.a.

Director of:
Totalkredit A/S
CBS Executive Fonden
Finanssektorens Uddannelsescenter**
Landsdækkende Banker**
Realkreditrådet**

Susanne Møller Nielsen ***
Senior Supporter

Date of birth: 21 May 1962
Gender: Female
Joined the Board on 25 September 2019

Allan Kristiansen***
Chief Relationship Manager

Date of birth: 6 March 1958
Joined the Board on 13 March 2003

Nykredit Bank Group

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Henrik Rasmussen
Managing Director

Date of birth: 26 December 1961
Gender: Male
Joined the Executive Board on 1 December 2015

Director of:
Nykredit Leasing A/S
Nykredit Mægler A/S

Dan Sørensen
Managing Director

Date of birth: 15 December 1967
Gender: Male
Joined the Executive Board on 1 December 2015

Director of:
Nykredit Portefølje Administration A/S
Sparinvest S.A*
LR Realkredit A/S*
Værdipapirfonden NPA
Værdipapirfonden Lokalinvest*
Værdipapirfonden Sparinvest*

* Joined in 2019
** Resigned in 2019
*** Staff-elected member