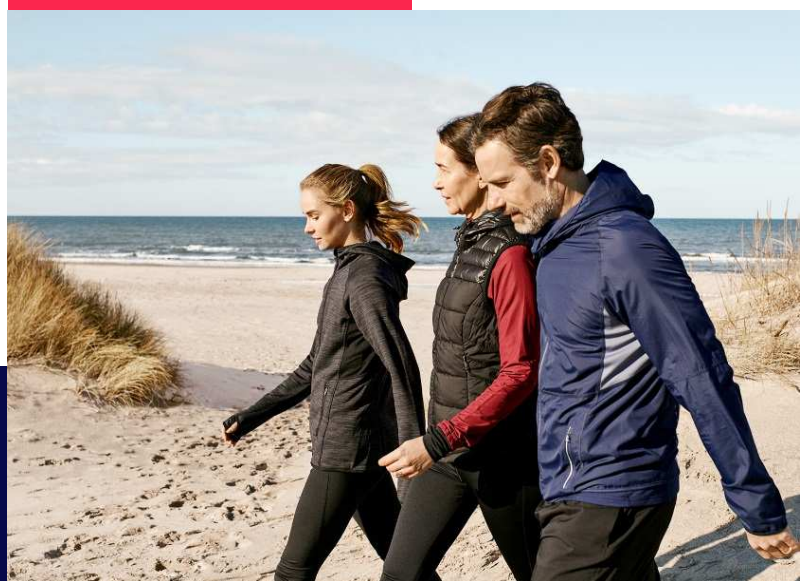


**Nykredit
Realkredit
Group**

**Q1-Q3 Interim Report
2019**

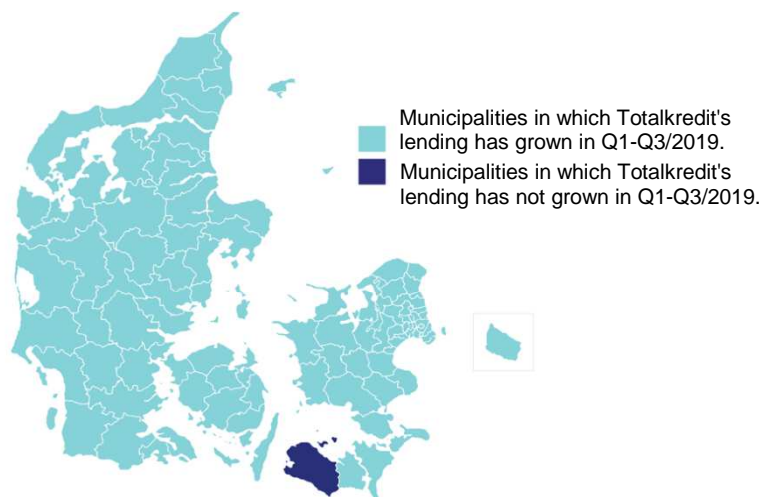


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HIGHLIGHTS



We are increasing lending throughout Denmark

We provide loans all across the country. Together with our partner banks, Totalkredit has once again increased lending to Danish homeowners all across Denmark.



We share our progress

Nykredit is partly owned by an association. This is why we can give money back to our customers. We have expanded our benefits programme – so customers with Totalkredit secured homeowner loans now also get KundeKroner discounts. Our customers have received more than DKK 1 billion from the KundeKroner, ErhvervsKroner and MineMål programmes in the first nine months of the year.

We make it more attractive to our customers

Totalkredit customers receive discounts under the KundeKroner benefits programme. This reduces their administration margin payments, which today average DKK 613 monthly for each DKK 1 million borrowed. This is the lowest level for more than five years.



We contribute to the green transition

We have seen growing demand for our green bonds and mortgage loans, making it more attractive for our corporate clients to finance energy-efficient buildings. We also offer green loans to finance electric and hybrid cars.

We are official Danish Tokyo 2020 Olympic partner

Next summer when the Olympic flame is lit in Tokyo, Nykredit will be official partner to the Danish athletes at the 2020 Olympic Games. We feel a special bond with the local communities, which, thanks to the engagement of volunteers all across Denmark, organise community sports activities. And being owned by an association, we know that together we can do more.

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Realkredit Group	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	Q3/ 2018	2018
BUSINESS PROFIT AND PROFIT FOR THE PERIOD							
Net interest income	6,929	6,896	2,337	2,310	2,283	2,339	9,226
Net fee income	2,008	1,521	853	671	484	494	1,950
Wealth management income	1,116	1,024	397	369	350	355	1,361
Net interest from capitalisation	(262)	(264)	(90)	(84)	(89)	(88)	(356)
Net income relating to customer benefits programmes ¹	(122)	(175)	(19)	(23)	(80)	(68)	(248)
Trading, investment portfolio and other income	1,164	354	(137)	623	679	(14)	87
Income	10,833	9,357	3,340	3,865	3,627	3,019	12,023
Costs	3,796	3,599	1,304	1,264	1,228	1,196	4,865
Business profit before impairment charges	7,037	5,758	2,036	2,601	2,399	1,822	7,157
Impairment charges for loans and advances	665	213	232	213	219	110	380
Business profit	6,372	5,545	1,804	2,388	2,180	1,712	6,777
Legacy derivatives	(597)	384	(328)	(50)	(219)	164	280
Profit before tax for the period	5,775	5,929	1,477	2,338	1,961	1,877	7,057
Tax	917	1,132	234	354	330	374	1,247
Profit for the period	4,857	4,797	1,243	1,984	1,631	1,506	5,810
Other comprehensive income, remaining items	(1)	(18)	2	29	(32)	(6)	(7)
Comprehensive income for the period	4,856	4,779	1,245	2,013	1,599	1,500	5,803
Interest on Additional Tier 1 capital charged against equity	174	174	57	59	58	58	233
Minority interests	3	-	3	-	-	-	-
SUMMARY BALANCE SHEET							
Assets	30.09.2019	30.09.2018	30.09.2019	30.06.2019	31.03.2019	30.09.2018	31.12.2018
Receivables from credit institutions and central banks	71,304	29,526	71,304	43,475	37,744	29,526	29,691
Mortgage loans at fair value	1,256,233	1,183,494	1,256,233	1,232,135	1,217,330	1,183,494	1,193,667
Bank loans excluding reverse repurchase lending	63,289	58,749	63,289	63,505	60,723	58,749	60,566
Bonds and equities	122,535	92,412	122,535	117,650	105,368	92,412	99,444
Remaining assets	89,235	61,057	89,235	83,943	67,543	61,057	64,624
Total assets	1,602,597	1,425,238	1,602,597	1,540,708	1,488,708	1,425,238	1,447,991
Liabilities and equity							
Payables to credit institutions and central banks	23,422	18,498	23,422	26,647	21,653	18,498	15,692
Deposits excluding repo deposits	83,466	72,715	83,466	79,959	79,682	72,715	76,946
Bonds in issue at fair value	1,319,545	1,184,320	1,319,545	1,263,666	1,215,506	1,184,320	1,196,229
Subordinated debt	11,084	10,940	11,084	11,077	11,034	10,940	11,011
Remaining liabilities	83,206	59,854	83,206	78,786	82,154	59,854	68,236
Equity	81,873	78,912	81,873	80,573	78,678	78,912	79,878
Total liabilities and equity	1,602,597	1,425,238	1,602,597	1,540,708	1,488,708	1,425,238	1,447,991
FINANCIAL RATIOS							
Profit for the period as % pa of average business capital (ROAC) ²	10.9	11.3	8.0	13.2	11.2	10.5	10.2
Profit for the period as % pa of average equity ³	8.2	8.4	6.1	10.2	8.3	8.0	7.5
Costs as % of income	35.0	38.5	39.0	32.7	33.8	39.6	40.5
Total provisions for loan impairment and guarantees	8,083	8,025	8,083	8,027	7,925	8,025	8,184
Impairment charges for the period, %	0.05	0.02	0.02	0.02	0.01	0.01	0.03
Total capital ratio, %	23.5	25.3	23.5	24.7	21.4	25.3	25.4
Common Equity Tier 1 capital ratio, %	20.4	20.9	19.4	20.5	20.4	20.9	21.0
Internal capital adequacy requirement, %	10.1	10.1	10.1	10.1	10.0	10.1	10.0
Average number of staff, full-time equivalent	3,443	3,385	3,573	3,434	3,322	3,403	3,382

¹ "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures" on page 28.

² "Profit for the period as % pa of average business capital (ROAC)" shows profit for the period relative to business capital. Profit corresponds to profit for accounting purposes less interest expenses for Additional Tier 1 (AT1) capital plus value adjustment of strategic equities recognised as "Other comprehensive income".

³ For the purpose of return on equity etc, the AT1 capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the period.

EXECUTIVE SUMMARY

In Q1-Q3/2019 all of Nykredit's business areas delivered a satisfactory financial performance. The period was marked by high remortgaging activity, increased customer growth and solid investment portfolio income, but also by negative value adjustment of legacy derivatives. Business profit rose to DKK 6,372 million (Q1-Q3/2018: DKK 5,545 million), and profit before tax for the period came to DKK 5,775 million (Q1-Q3/2018: DKK 5,929 million).

Due to the development in lending and assets under management in Q1-Q3/2019 as well as continued high remortgaging activity and a very positive trend in investment portfolio income, the outlook for business profit for 2019 has been raised by another DKK 0.5 billion. A business profit for 2019 of DKK 7.75-8.25 billion is now expected, while the outlook for profit before tax remains at DKK 7.25-7.75 billion.

Together we can do more for our customers

At Nykredit, we aim to create opportunities and provide security for our customers. We want to share their dreams and worries and help them find the right solutions. Being customer-owned, we are in a unique position to share our success and give money back to our customers. In the first nine months of the year our customers received more than DKK 1,117 million from the KundeKroner, ErhvervsKroner and MineMål benefits programmes.

As from 1 July 2017 all customers with Totalkredit mortgage loans have received KundeKroner discounts, and as from 1 July 2019 customers with Totalkredit secured homeowner loans have also received money back in the form of KundeKroner discounts. Business customers with Nykredit Realkredit mortgage loans get ErhvervsKroner discounts. KundeKroner and ErhvervsKroner are discounts that are automatically deducted from customers' administration margin.

Finally, our personal full-service customers who have consolidated all of their finances with Nykredit Bank also get a share of the contribution received from Forenet Kredit via the MineMål benefits programme. This means that customers receive a bonus of DKK 250 each quarter. From 1 July 2019 customers qualifying for the MineMål programme have also received a discount on home loan interest expenses of 0.15% of their debt outstanding with Nykredit Bank.

Lowest administration margin payments for more than five years

KundeKroner and ErhvervsKroner discounts have a large impact on the costs of a mortgage loan. For instance, homeowners' average administration margin payments to Totalkredit are today the lowest for more than five years. The programme also means that Totalkredit currently charges the lowest administration margin payments in the market on the most popular types of mortgage loans, such as fixed-rate mortgages and ARMs with 5-year interest reset.

Together we are stronger

The strong alliance between Totalkredit and the partner banks continues to drive growth in mortgage lending, which amounted to DKK 722 billion in nominal terms at 30 September 2019. This represents a 9.3% increase since 30 September 2018. And now more than 814,000 homeowners have Totalkredit loans.

We are very pleased to be welcoming new customers throughout Denmark, and Totalkredit recorded lending growth in 97 out of 98 municipalities in the first nine months of 2019. It makes us proud to know that we, in concert with our business partners, provide loans all across Denmark – also in regions where other lenders tend to hold back. The strong alliance with Nykredit's partner banks has been further consolidated with the implementation of the new shared property valuation unit serving the Totalkredit partners. The unit is up and running and will ensure uniform property valuations, fast response times and focus on customer experience.

Growth in Nykredit Bank

Nykredit's loan portfolio continues to develop, and bank lending increased by DKK 4.5 billion to DKK 63.3 billion, corresponding to a 7.7% increase since 30 September 2018. Including secured homeowner loans of DKK 6.7 billion transferred to Totalkredit, lending has increased by 8.5% since September 2018. Assets under management have also risen in the same period to DKK 327.0 billion, bearing testament to the current success of our Wealth Management division. The value of assets under management in Sparinvest totalled DKK 97.1 billion at 30 September 2019.

Acquisition of Sparinvest finalised

On 30 August Nykredit acquired 75% of the shares in Sparinvest. The acquisition of Sparinvest is a significant investment in the future competitiveness of both 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 manager, also in the long run.

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.

Recognition of Nykredit products

In the August issue of its magazine Tænk Penge, the Danish Consumer Council recommended Totalkredit as the mortgage lender offering the lowest mortgage rates in the sector. The Council states that consumers can save money when choosing a mortgage lender and has labelled Totalkredit as "recommended".

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.

Together we can do more for society

At Nykredit, we believe in all of Denmark. We are primarily owned by an association of homeowners and businesses that live and operate all over Denmark, and we are Denmark's leading lender. We have made a special commitment to offer financial solutions in urban and rural districts alike, at all times.

We aim to actively support Denmark's long-term, stable and sustainable development. We are committed to minimising any negative impacts of our business and to contributing positively to society by creating maximum shared value for our owners, our customers and Denmark as a whole.

Our contribution to the green transition

Sustainability has become an important part of our work, and we are working across the Group to support Denmark's green transition. This includes promoting a responsible and sustainable product range and reducing our resource consumption and carbon footprint.

We have set a goal to increase the amount of green assets in our loan portfolios year by year. To this end, we have launched green mortgage loans and bonds to make it more attractive to finance energy-efficient buildings. The green bonds have initially been offered to our major corporate clients.

We also offer green car loans to finance electric and hybrid cars. We believe that minor adjustments in, for example, the price of car loans, can help foster greener behaviour.

Strengthened focus on anti-money laundering and counter-terrorist financing

Nykredit wants to prevent money laundering and financing of terrorism and has taken new and specific initiatives to strengthen Nykredit's focus in this area.

Endorsing the Principles for Responsible Banking

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.

Improved transparency on ESG issues

We find it essential to be transparent about our positive and negative impact on society and to be clear in how we handle this impact. This provides us and our stakeholders with the best basis for contemplating how we reduce negative and enhance positive consequences. We are continually working to improve our documentation in relation to important environmental, social and governance (ESG) issues.

This information is also useful for ESG ratings. Nykredit's ESG performance is assessed regularly by rating agencies, reflecting how we manage ESG risks. Our investors use these ESG ratings to make investment decisions.

The methods and reporting of the ESG rating agencies vary between the different agencies and are most often solely based on public information.

Nykredit therefore remains focused on improving reporting and transparency. In 2019 Sustainalytics, has given Nykredit a "low risk" ESG rating. Sustainalytics considers Nykredit's ESG risk to be "low", ranking Nykredit among the highest rated banks in the agency's universe.


Official Danish Tokyo 2020 Olympic partner


Next summer when the Olympic flame is lit in Tokyo, Nykredit will be official partner to the Danish athletes at the 2020 Olympic Games together with other Danish companies. We are proud to support the Danish athletes before, during and after the Olympic Games. Nykredit feels a special bond with Denmark's community-based associations all across Denmark. We come from the long-standing Danish tradition of association and know that individual training will take us far, but only a team effort will get us across the finish line.

Conditional agreement on the acquisition of shares in LR Realkredit

In April Nykredit entered into a conditional agreement to acquire all shares in LR Realkredit A/S. The agreement is subject to approval by the authorities.

FINANCIAL REVIEW

	Business profit for Q1-Q3/2019	Profit for Q1-Q3/2019	Income for Q1-Q3/2019
	DKK 6,372 million	DKK 5,775 million	DKK 10,833 million
	Business profit	Profit before tax for the period	Income

	ROAC	Return on equity	Cost:income ratio
	10.9%	8.2%	35.0%
	Profit for the period as % pa of average equity	Profit for the period as % pa of average equity	Costs as % of income

FINANCIAL PERFORMANCE IN Q1-Q3/2019

Nykredit delivered a satisfactory profit before tax for Q1-Q3 2019 of DKK 5,775 million (Q1-Q3/2018: DKK 5,929 million). The business profit amounted to DKK 6,372 million (Q1-Q3/2018: DKK 5,545 million). The profit was positively impacted by increasing business volumes, exceptionally high remortgaging activity combined with equity market gains etc, which had a favourable impact on investment portfolio income. However, this should be viewed in the light of negative value adjustments of swaps, which were impacted by falling interest rates.

Due to the development in lending and assets under management in Q1-Q3/2019 as well as continued high remortgaging activity and a very positive trend in investment portfolio income, the outlook for business profit for 2019 has been raised by another DKK 0.5 billion. A business profit for 2019 of DKK 7.75-8.25 billion is now expected, while the outlook for profit before tax remains at DKK 7.25-7.75 billion.

Income

Total income was DKK 10,833 million in Q1-Q3/2019 (Q1-Q3/2018: DKK 9,357 million).

Net interest income came to DKK 6,929 million (Q1-Q3/2018: DKK 6,896 million). Continued increasing bank and mortgage lending affected net interest income positively, but margins are under pressure as more and more customers choose fixed-rate repayment loans.

Net fee income rose to DKK 2,008 million in Q1-Q3/2019 (Q1-Q3/2018: DKK 1,521 million), primarily due to significantly higher remortgaging activity in Q2 and Q3.

Wealth Management income came to DKK 1,116 million (Q1-Q3/2018: DKK 1,024 million); mainly driven by strong growth in assets under management. Income generated by Sparinvest has been included as from September.

Net interest expenses from capitalisation, which includes interest on subordinated debt, were stable at DKK 262 million (Q1-Q3/2018: DKK 264 million).

Net income relating to the customer benefits programmes KundeKroner, ErhvervsKroner and MineMål was a negative DKK 122 million (Q1-Q3/2018: a negative DKK 175 million). The amount includes contributions received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustments of swaps, increased to DKK 1,164 million (Q1-Q3/2018: DKK 354 million). Investment portfolio income was noticeably higher than in the same period last year, driven by considerable capital gains from, for instance, our Danish bank equity portfolio in H1/2019. The increase was partially offset by negative value adjustments of swaps, which were impacted by falling interest rates.

Costs

Costs as a percentage of income totalled 35.0% in Q1-Q3/2019 (Q1-Q3/2018: 38.5%) and mainly declined as a result of rising income.

Total costs came to DKK 3,796 million (Q1-Q3/2018: DKK 3,599 million); the increase was mainly due to the costs of integrating Sparinvest, the costs of establishing the new shared property valuation unit, provisions for termination benefits in connection with the reorganisation in March, extraordinary expenses related to increasing remortgaging activity as well as investments in compliance-related areas.

The average headcount was 3,443 (Q1-Q3/2018: 3,385). The increase can primarily be ascribed to the number of Sparinvest staff joining Nykredit, which totalled 130 at end-September 2019, as well as staff transferred to the shared property valuation unit, which totalled 115 at end-September 2019.

Impairment charges for loans and advances

Impairment charges for loans and advances remained low at DKK 665 million in Q1-Q3/2019 (Q1-Q3/2018: DKK 213 million). Credit quality remains strong, and the increase in loan impairments was therefore mainly driven by technical adjustments in the use of credit risk models etc.

Legacy derivatives

Legacy derivatives, which are not included in business profit, saw a negative value adjustment of DKK 597 million (Q1-Q3/2018: a gain of DKK 384 million). The decline was primarily driven by decreasing interest rates. Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 6.9 billion (end-2018: DKK 5.6 billion). The portfolio was written down to DKK 4.3 billion at end-September 2019.

Tax

Tax calculated on profit for the period was DKK 917 million (Q1-Q3/2018: DKK 1,132 million).

Balance sheet

Nominal mortgage lending was DKK 1,221 billion at end-September 2019, equal to an increase of DKK 50.0 billion on end-2018 and DKK 61.0 billion on end-September 2018. All business areas recorded growth.

The Group's market share of total Danish mortgage lending was 42.0% at end-September 2019 (end-2018: 41.3%).

Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 70.0 billion (end-2018: DKK 66.8 billion). At 30 September 2019 secured homeowner loans transferred to Totalkredit amounted to DKK 6.7 billion (end-2018: DKK 6.2 billion).

Guarantees provided by Nykredit amounted to DKK 6.6 billion at end-September 2019 (end-2018: DKK 5.9 billion).

Deposits, excluding repo deposits, increased by DKK 6.5 billion to DKK 83.5 billion (end-2018: DKK 76.9 billion).

Nykredit Bank's deposits exceeded lending by DKK 20.3 billion at end-September 2019 (end-2018: DKK 16.6 billion).

The purchase of shares in Sparinvest included DKK 1.8 billion-worth of intangible assets consisting of goodwill as well as customer-related assets.

Equity

The Nykredit Group's equity stood at DKK 81.9 billion at end-September 2019 (end-2018: 79.9 billion). In March 2019 dividend of DKK 2.8 billion was distributed to the Company's shareholders.

RESULTS FOR Q3/2019 RELATIVE TO Q2/2019

The Group recorded a profit before tax of DKK 1,477 million in Q3/2019 (Q2/2019: DKK 2,338 million).

Income dropped to DKK 3,340 million in Q3 (Q2/2019: DKK 3,865 million), primarily driven by market turmoil and falling interest rates resulting in an investment portfolio loss as well as negative value adjustments of swaps. However, we are still recording underlying business growth and rising income from net interest and Wealth Management.

Costs rose to DKK 1,304 million in Q3/2019 (Q2/2019: DKK 1,264 million), mainly driven by the costs of integrating Sparinvest, the higher costs of extraordinary remortgaging activity, onboarding of staff for the shared property valuation unit as well as investments in compliance.

Impairment charges for loans and advances were DKK 232 million (Q2/2019: DKK 213 million) and remain low.

Legacy derivatives resulted in a negative value adjustment of DKK 328 million (Q2/2019: a negative DKK 50 million), generated by a continued decline in interest rates and a tightening of the credit and funding spreads.

OUTLOOK FOR 2019

Nykredit maintains its outlook for profit before tax for 2019 of DKK 7.25-7.75 billion but raises its outlook for business profit for 2019 by DKK 0.5 billion to DKK 7.75-8.25 billion.

The business profit for Q1-Q3/2019 exceeded our expectations and was a result of high growth in lending and assets under management, continued high remortgaging activity, as well as a very favourable trend in investment portfolio income, driven by considerable capital gains in Q1-Q3/2019 from, for instance, our Danish bank equity portfolio.

As stated in the Annual Report for 2018, Nykredit has no specific outlook for the development in legacy derivatives. As the impact from this item year-to-date has been negative at approximately DKK 0.5 billion, the outlook for business profit and profit before tax, respectively, now differs.

The most significant uncertainty factors in respect of our outlook for 2019 relate to:

- the development in long-term yields and thus the value of legacy derivatives as well as derivatives currently offered
- investment portfolio income due to Nykredit's portfolio of bank equities etc, as well as
- loan impairments.

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.

A simplified transition approach has been applied to leases where Nykredit acts as lessee, and therefore comparative figures have not been restated. This implementation has increased Nykredit's assets and liabilities by about DKK 0.8 billion, or about 0.1% of the balance sheet total.

Further reference is made to note 1, accounting policies, in the Financial Statements.

Change in accounting policies following implementation of annual improvements to IFRS standards 2015-2017

With effect from 1 January 2019 IAS 12 "Income Taxes" has been changed. For Nykredit, this means that taxes relating to interest expenses for Additional Tier 1 capital will be recognised in profit as from 1 January 2019. The tax effect was previously recognised directly in equity together with the interest expense.

Changed presentation of impact of customer benefits programmes

The presentation of the impact of customer benefits programmes was changed with effect from 1 January 2019. The impact was previously presented under each business area. In future, the impact will be presented separately under Group Items as income. The change is aimed at providing a more transparent presentation of the performance of business areas, which, in future, will be presented excluding the impact of the Group's customer benefits programmes. Net income relating to customer benefits programmes will be presented as "Net income relating to customer benefits programmes" in Group Items. Comparative figures for 2017 and 2018 have been restated to reflect the change of presentation. The change does not affect the presentation in the income statement on page 30.

OTHER

KundeKroner, ErhvervsKroner and MineMål

The Committee of Representatives of Forenet Kredit decided on 21 March 2019 to make a total contribution of DKK 1.25 billion to Nykredit Realkredit, Nykredit Bank and Totalkredit to the benefit of the customers in 2020.

Totalkredit will thus receive DKK 725 million in 2020. Nykredit Realkredit A/S will receive DKK 225 million, and Nykredit Bank A/S will receive DKK 300 million, also in 2020. These amounts will be used to secure the funding of our customer benefits programmes.

Acquisition of Sparinvest finalised

In March 2019, Nykredit entered into a conditional agreement with Sparinvest, a Danish asset manager, to acquire 75% of its shares.

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, immediately after Sparinvest Holdings SE's general meeting. Sparinvest has subsequently become a 75% owned subsidiary of Nykredit Bank A/S.

Conditional agreement on purchase of shares in LR Realkredit A/S

On 11 April Nykredit entered into a conditional purchase agreement with the group of owners behind LR Realkredit A/S to acquire all shares in the company at a price of DKK 2.6 billion. The agreement is subject to approval by the authorities.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

MATERIAL RISKS

The Group's most material risks are described in detail in note 49 of the Annual Report for 2018, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

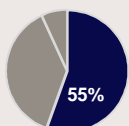
No events have occurred in the period up to the presentation of the Q1-Q3 Interim Report 2019 which materially affect the Group's financial position.



BUSINESS AREAS

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

Banking



Includes Retail and Corporates & Institutions.

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

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

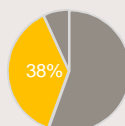
Business profit:
DKK 3,135 million

Income: DKK 6,664 million

Impairment charges for loans and advances: DKK 781 million

Total loans and advances:
DKK 665.1 billion

Totalkredit Partners



Includes Totalkredit-branded mortgage loans to personal and business customers arranged by 55 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Banking.

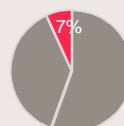
Business profit:
DKK 2,112 million

Income: DKK 2,443 million

Impairment charges for loans and advances: Net reversal of DKK 115 million

Total loans and advances:
DKK 606.5 billion

Wealth Management



Includes asset and wealth management products to institutional, corporate and personal clients, including wealth and investment products to our Sparinvest partner banks.

Business profit:
DKK 383 million

Income: DKK 797 million

Total loans and advances:
DKK 12.9 billion

Assets under management:
DKK 327.0 billion

Assets under administration:
DKK 852.8 billion

Percentages show the business divisions' share of business profit for Q1-Q3/2019 excluding Group Items.

To this should be added Group Items, which comprises other income and costs not allocated to business areas as well as core income from securities and investment portfolio income.

Please refer to note 3 in the Financial Statements for complete segment financial statements with comparative figures.

BANKING

DKK million

Results – Banking	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	2018
Net interest income	4,735	4,774	1,581	1,580	1,575	6,354
Net fee income	1,532	1,135	655	491	386	1,485
Wealth management income	444	466	152	147	144	630
Net interest from capitalisation	(254)	(259)	(86)	(88)	(79)	(343)
Trading, investment portfolio and other income	207	633	4	145	58	641
Income	6,664	6,748	2,306	2,275	2,084	8,767
Costs	2,748	2,707	881	972	895	3,733
Business profit before impairment charges	3,916	4,042	1,423	1,303	1,189	5,034
Impairment charges for mortgage lending	607	126	329	143	135	(11)
Impairment charges for bank lending	174	91	80	58	36	259
Business profit	3,135	3,824	1,014	1,102	1,018	4,786
Legacy derivatives	(597)	384	(327)	(50)	(219)	280
Profit before tax	2,538	4,208	687	1,052	799	5,066

Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

Q1-Q3 in summary

Banking continued its efforts to become the best bank for customers, and to strengthen the customer experience further we have, for example,

- implemented a new customer platform in Q3, which has laid the groundwork for providing enhanced and even more relevant customer advisory services
- created new self-service solutions for our business customers resulting in faster assessments and onboarding of new customers
- secured strong expertise within strategic financial advisory services and capital market transactions.

The steady focus on enhancing the customer experience resulted in a continued satisfactory intake of new full-service customers under Nykredit's homeowner banking programme, BoligBank. Our customer benefits programmes, MineMål, KundeKroner and ErhvervsKroner, which provide unique benefits to Nykredit's customers, form an active part of our customer advisory proposition.

Banking is making every effort to fulfil customers' wishes to take advantage of the favourable remortgaging opportunities, which have marked both Q2 and Q3/2019. The strong demand affords many opportunities in the market.

Nykredit business customers may now use our new self-service solution, which enhances customer experience through a faster assessment and onboarding of new customers. In addition, a specialist team has been set up to ensure smooth customer onboarding.

Banking is committed to ensuring that Nykredit complies with all the tightened regulatory requirements concerning the treatment of personal data and prevention of money laundering. Our efforts to strengthen anti-money laundering procedures were therefore taken to the next level in Q3.

Results for Q1-Q3/2019 relative to Q1-Q3/2018

Banking delivered a business profit of DKK 3,135 million in Q1-Q3/2019 (Q1-Q3/2018: DKK 3,824 million).

Increasing bank and mortgage lending affected net interest income positively, just as the significantly higher remortgaging activity in Q2 and in early Q3 impacted net fee income as demonstrated by a 35% increase on the same period last year. Total income amounted to DKK 6,664 million, a decrease of DKK 84 million on the same period last year (Q1-Q3/2018: DKK 6,748 million), primarily driven by lower trading, investment portfolio and other income, generated by negative value adjustments of swaps.

Costs rose by DKK 41 million to DKK 2,748 million (Q1-Q3/2018: DKK 2,707 million) owing to the considerable resources allocated to compliance as well as increased expenses in connection with remortgaging activity.

Impairment charges for loans and advances increased to DKK 781 million (Q1-Q3/2018: DKK 217 million) despite the continued favourable economic trends. This increase was due to an adjustment in the use of property values in the impairment model at portfolio level.

Legacy derivatives saw a negative value adjustment of DKK 597 million (Q1-Q3/2018: a gain of DKK 384 million).

Results for Q3/2019 relative to Q2/2019

Banking delivered a business profit of DKK 1,014 million in Q3/2019 (Q2/2019: DKK 1,102 million).

Income was DKK 2,306 million (Q2/2019: DKK 2,275 million). The increase was mainly driven by higher net fee income from high remortgaging activity. Part of the effect was reduced by negative value adjustments of swaps, which resulted in decreased trading, investment portfolio and other income.

Impairment charges for loans and advances were DKK 409 million (Q2/2019: DKK 201 million).

Legacy derivatives saw a negative value adjustment of DKK 327 million (Q2/2019: a charge of DKK 50 million), primarily driven by changes in interest rates and tightening of credit and funding spreads.

Selected balance sheet items

Banking	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Retail Personal Banking					
Loans and advances	185,483	184,406	182,903	183,533	184,391
- of which mortgage lending, nominal value	167,652	166,585	165,565	166,635	167,824
- of which secured homeowner loans	7,774	7,723	7,451	7,074	6,817
- of which bank lending	10,057	10,099	9,886	9,824	9,750
Deposits	33,573	33,185	30,788	30,332	29,055
Retail Business Banking					
Loans and advances	252,331	250,663	252,345	252,083	252,333
- of which mortgage lending, nominal value	229,079	228,097	230,038	230,847	231,477
- of which bank lending	23,252	22,565	22,306	21,236	20,856
Deposits	20,933	19,406	18,121	19,055	17,927
Corporates & Institutions					
Loans and advances	227,332	222,280	219,486	216,702	212,361
- of which mortgage lending, nominal value	203,283	197,674	196,971	193,360	190,064
- of which bank lending	24,049	24,606	22,515	23,342	22,298
Deposits	10,285	8,585	10,162	11,708	8,908

Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

Activities

Loan volumes totalled DKK 665.1 billion at 30 September 2019 (end-2018: DKK 652.3 billion), of which DKK 7.8 billion was secured homeowner loans (end-2018: DKK 7.1 billion).

Bank lending in Retail Personal Banking came to DKK 10.1 billion (end-2018: DKK 9.8 billion). Bank deposits in Retail Personal Banking rose by DKK 3.2 billion in the same period to DKK 33.6 billion.

Bank lending in Retail Business Banking increased by DKK 2.0 billion to DKK 23.3 billion (end-2018: DKK 21.2 billion).

Bank lending in Corporates & Institutions stood at DKK 24.0 billion (end-2018: 23.3 billion).

Arrears

At the June due date 75-day mortgage loan arrears were 0.74% of total mortgage payments due against 0.80% at the same date in 2018.



TOTALKREDIT PARTNERS

DKK million

Results – Totalkredit Partners	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	2018
Net interest income	2,097	2,037	725	697	675	2,754
Net fee income	464	380	194	170	100	478
Net interest from capitalisation	(138)	(115)	(50)	(47)	(40)	(177)
Trading, investment portfolio and other income	19	0	8	(6)	17	14
Income	2,443	2,302	877	814	752	3,070
Costs	446	405	156	138	152	551
Business profit before impairment charges	1,997	1,898	720	677	599	2,519
Impairment charges for mortgage lending	(115)	(22)	(173)	34	24	122
Business profit	2,112	1,919	893	643	576	2,397

Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

Q1-Q3 in summary

Totalkredit Partners focuses on further strengthening the alliance with our partner banks, and in Q1-Q3/2019 this resulted in

- Totalkredit being ranked the most price competitive provider of mortgage loans; the Danish Consumer Council has compared a number of mortgage loan rates and named Totalkredit "Best in test"
- the launch of a shared property valuation unit as from Q1/2019
- a joint IT platform, supporting our continued ability to offer customers the best home financing options.

The Totalkredit alliance is developing a joint future-proof IT platform, which in the coming years will ensure that the alliance as a whole is better positioned to offer customers the best home financing options. All three of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, including Totalkredit mortgage loans.

Implementation of the new shared property valuation unit serving the Totalkredit alliance was completed in Q3. As a result, Totalkredit has transferred a number of staff members from the partner banks. The unit will ensure uniform property valuations, fast response times and focus on customer experience.

Totalkredit business mortgages are offered to the segments Office and Retail, Residential Rental as well as Industry and Trades. A total of 39 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

Results for Q1-Q3/2019 relative to Q1-Q3/2018

Totalkredit Partners recorded business profit of DKK 2,112 million (Q1-Q3/2018: DKK 1,919 million).

Income, which amounted to DKK 2,443 million (Q1-Q3/2018: DKK 2,302 million), was satisfactory.

Net interest income increased to DKK 2,097 million (Q1-Q3/2018: DKK 2,037 million) and was positively affected by rising mortgage lending, but margins are under pressure as more and more customers opt for fixed-rate repayment loans.

Net fee income increased by DKK 84 million to DKK 464 million relative to the same period last year (Q1-Q3/2018: DKK 380 million), mainly driven by exceptionally high growth in remortgaging activity in Q2 and early Q3 but partially offset by high refinancing volumes in H1/2018.

Costs rose to DKK 446 million (Q1-Q3/2018: DKK 405 million), primarily due to higher expenses in connection with remortgaging activity, establishment of the new shared property valuation unit as well as rising expenses for compliance.

Impairment charges for loans and advances were DKK 115 million compared with a net reversal of DKK 22 million in the same period last year.

Results for Q2/2019 relative to Q1/2019

Totalkredit Partners delivered a business profit of DKK 893 million in Q3 (Q2/2019: DKK 643 million).

Income rose by DKK 63 million to DKK 877 million (Q2/2019: DKK 814 million), mainly driven by higher net interest income and net fee income related to high remortgaging activity.

Impairment charges for loans and advances were a net reversal of DKK 173 million (Q2/2019: impairment charge of DKK 34 million).

DKK million

Selected balance sheet items					
Totalkredit Partners	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Personal Banking					
Loans and advances	600,948	584,910	571,469	562,459	553,981
- of which mortgage lending, nominal value	590,877	574,364	560,664	551,454	542,802
- of which secured homeowner loans	10,070	10,545	10,805	11,005	11,180
Business Banking					
Loans and advances	5,528	4,998	4,322	4,093	3,612
- of which mortgage lending, nominal value	5,528	4,998	4,322	4,093	3,612

Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

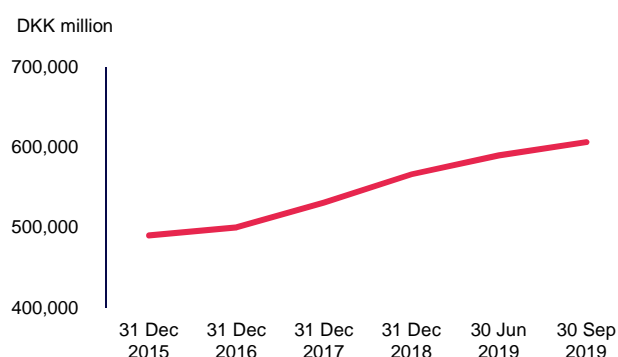
Activities

Totalkredit Partners recorded heavy growth in lending in Q1-Q3/2019, and lending to personal customers came to DKK 600.9 billion at end-September 2019 (end-2018: DKK 562.5 billion), equal to an increase of 7%. The business loan portfolio increased by DKK 1.4 billion to nominally DKK 5.5 billion (end-2018: DKK 4.1 billion).

Arrears

At the June due date, Totalkredit Partners's 75-day mortgage loan arrears were 0.23% of the total mortgage payments due against 0.19% at the same date in 2018.

Lending, Totalkredit Partners



WEALTH MANAGEMENT

DKK million

Results –	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	2018
Wealth Management						
Net interest income	94	88	29	33	33	120
Net fee income	28	19	13	10	5	24
Wealth management income	664	548	242	220	203	714
Net interest from capitalisation	(7)	(5)	(2)	(2)	(2)	(8)
Trading, investment portfolio and other income	17	8	5	7	6	13
Income	797	659	286	267	244	863
Costs	415	340	181	116	118	471
Business profit before impairment charges	381	319	105	150	126	392
Impairment charges for mortgage lending	5	(3)	5	0	0	(5)
Impairment charges for bank lending	(6)	27	(1)	(24)	19	24
Business profit	383	296	101	174	107	373
Legacy derivatives	(1)	0	(1)	0	0	0
Profit before tax	382	296	101	174	107	373

Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

Q1-Q3 in summary

Wealth Management serves high-net-worth clients and offers asset management and portfolio administration services to institutional clients, foundations, municipalities and businesses.

Wealth Management wants to enhance the customer experience by, for example,

- strengthening wealth management skills through the acquisition of Sparinvest
- offering a wide range of investment products, including a Nordic Swan Ecolabelled fund and other sustainable investment options
- expanding our business area within administration of credit and lending strategies in Nykredit Portefølje Administration
- boosting the value proposition to the Private Banking Elite segment, to ensure its relevance and holistic approach to wealth clients.

On 30 August Nykredit acquired 75% of the shares in Sparinvest. By joining forces with Sparinvest we have made considerable investments in our future competitiveness and distribution power, consolidated our wealth management skills and secured a wider and stronger product portfolio, improving our capacity to meet the demands that both personal customers and institutional clients place on us as an asset manager.

Wealth Management has made several organisational adjustments in the wake of the Sparinvest acquisition to ensure Sparinvest's successful integration, to maintain the solid business momentum existing in both Sparinvest and Nykredit Wealth Management today and to remain a strong business partner to customers, to Sparinvest partner banks and across the Group.

Nykredit Private Banking continued winning awards in 2019. 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 publications from Financial Times, 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 awarded second place in the category Best Private Banking Service in Denmark by Euromoney.

60.0% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2019, which is considered satisfactory. Over the past three years, 65.7% has generated above-benchmark returns.

Nykredit Portefølje Administration applied for and obtained authorisation to administer a number of credit and lending strategies. In recent years, an increasing number of investors have turned towards alternative investments. This trend is expected to continue. Nykredit Portefølje Administration has several different alternative asset classes under administration, and with the increasing demand for this asset class, new authorisations have been applied for and obtained from the Danish FSA.

Results for Q1-Q3/2019 relative to Q1-Q3/2018

Wealth Management's business profit remained high at DKK 383 million in Q1-Q3/2019 (Q1-Q3/2018: DKK 296 million).

Income increased to DKK 797 million on Q1-Q3/2018 (Q1-Q3/2018: DKK 659 million). The increase was partly due to the inclusion of Sparinvest in September, higher wealth management income from growth in assets under management and the net asset values of Nykredit's investment funds.

Results for Q3/2019 relative to Q2/2019

Wealth Management's business profit totalled DKK 101 million in Q3, which was a decrease of DKK 73 million compared with the previous quarter (Q2/2019: DKK 174 million).

Income went up by DKK 286 million in Q3/2019 (Q2/2019: DKK 267 million) in part due to inclusion of Sparinvest as from September.

Impairment charges for loans and advances were DKK 4 million (Q2/2019: a net reversal of DKK 24 million).

DKK million

Selected balance sheet items					
Wealth Management					
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Assets under management	326,984	232,852	230,297	210,623	210,122
- of which Nykredit Group investment funds	157,798	78,069	74,837	68,758	70,247
Assets under administration	852,774	755,342	734,513	664,590	696,889
Lending/deposits					
Loans and advances	12,932	12,771	12,932	12,619	12,003
- of which mortgage lending, nominal value	8,173	7,716	8,104	7,902	7,777
- of which secured homeowner loans	1,152	1,172	1,138	1,111	1,061
- of which bank lending	3,607	3,883	3,690	3,606	3,165
Deposits	15,575	16,598	13,457	12,090	12,124

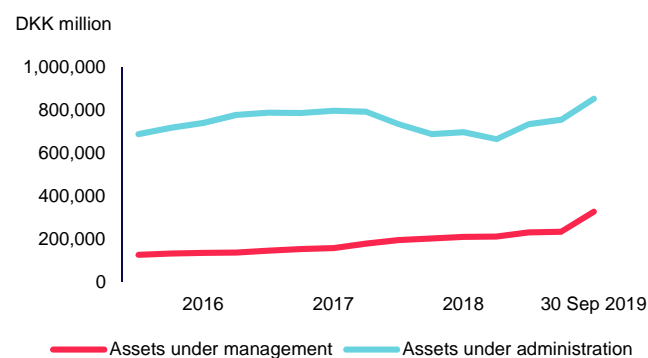
Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

Activities

Assets under management continues the strong growth of recent years, driven by particularly international, professional Danish and Private Banking Elite clients. Total assets under management went up by DKK 116.4 billion to DKK 327.0 billion at end-September 2019 (end-2018: DKK 210.6 billion). The increase was attributable to positive net sales of DKK 6.8 billion as well as positive value adjustments of DKK 13.7 billion. Sparinvest has been recognised for accounting purposes as at 30 August 2019. Assets under management in Sparinvest totalled DKK 97.1 billion at end-September 2019.

Total assets under administration rose by DKK 188.2 billion compared with end-2018 to DKK 852.8 billion at end-September 2019 (end-2018: DKK 664.6 billion). The increase comprised net growth of DKK 13.9 billion, driven by demand from institutional customers as well as from the Group's savings products, and value adjustments of DKK 96.3 billion. Assets under administration in Sparinvest totalled DKK 79.1 billion at end-September 2019.

Assets under management and assets under administration by Wealth Management



GROUP ITEMS

DKK million						
Results – Group Items	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	2018
Net interest income	2	(3)	2	0	0	(1)
Net fee income	(17)	(12)	(9)	(1)	(6)	(37)
Wealth management income	8	10	3	2	3	16
Net interest from capitalisation	136	115	49	54	33	173
Net income relating to customer benefits programmes	(122)	(175)	(19)	(23)	(80)	(248)
Trading, investment portfolio and other income	921	(288)	(154)	478	598	(579)
Income	929	(354)	(128)	511	546	(679)
Costs	186	149	84	39	63	112
Business profit (loss) before impairment charges	742	(502)	(213)	470	485	(789)
Impairment charges for mortgage lending	0	0	0	0	0	0
Impairment charges for bank lending	0	(7)	(8)	2	6	(9)
Business profit (loss)	742	(496)	(205)	469	479	(789)

DKK million					
Selected balance sheet items Group Items	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Lending/deposits					
Loans and advances	147	144	142	526	479
- of which bank lending	147	144	142	526	479
Deposits	3,235	2,314	7,202	3,787	4,729

¹ "Net income relating to customer benefits programmes" are described in detail in "Alternative performance measures". Comparative figures have been restated to reflect the reorganisation, which took effect on 21 March 2019.

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

Group Items also includes Nykredit's total return on the securities portfolio. The activities of the companies Nykredit Ejendomme A/S (wound up) and Ejendomsselskabet Kalvebod A/S also form part of Group Items.

The presentation of the impact of customer benefits programmes was changed with effect from 1 January 2019. The impact was previously presented under each business area but will be presented under Group Items in future. The change is aimed at providing a more transparent presentation of the performance of the business areas. Comparative figures for 2018 have been restated to reflect the change of presentation.

Results for Q1-Q3/2019 relative to Q1-Q3/2018

The business profit of Group Items rose by DKK 1,238 million relative to Q1-Q3/2018 to DKK 742 million.

This trend was primarily driven by rising investment portfolio income due to significant capital gains on the portfolio of, for example, Danish bank equities as well as positive earnings on the remaining trading book.

In Q3/2019 costs increased due to accrual of key items.

CAPITAL, LIQUIDITY AND FUNDING

EQUITY AND OWN FUNDS

Equity

Nykredit's equity was DKK 81.9 billion at end-September 2019, equaling an increase of DKK 2.0 billion on end-2018. In March 2019 dividend of DKK 2.8 billion was distributed to the Company's shareholder.

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

DKK million		
Nykredit Realkredit Group		
Equity (including AT1 capital)	30.09.2019	31.12.2018
Equity, beginning of period	79,878	78,847
Profit for the period	4,857	5,759
Other adjustments	(2,863)	(4,728)
Equity, end of period	81,873	79,878

DKK million		
Nykredit Realkredit Group		
Capital and capital adequacy	30.09.2019	31.12.2018
Credit risk	317,564	291,637
Market risk	30,866	27,390
Operational risk	25,499	25,709
Total risk exposure amount	373,929	344,736
Equity (including AT1 capital)	81,873	79,878
AT1 capital etc	(3,821)	(3,772)
Deduction, profit for the period (excluding AT1 interest) ¹	(2,984)	0
Proposed dividend	0	(2,800)
CET1 capital additions/deductions	(2,444)	(605)
CET1 capital	72,624	72,701
Additional Tier 1 capital	3,727	3,729
Additional Tier 1 capital deductions	(40)	(28)
Tier 1 capital	76,311	76,403
Tier 2 capital	10,830	10,828
Tier 2 capital additions/deductions	792	453
Own funds	87,933	87,683
Common Equity Tier 1 capital ratio, %	19.4	21.0
Tier 1 capital ratio, %	20.4	22.1
Total capital ratio, %	23.5	25.4
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.1	10.0

¹ Capital was determined at end-September 2019 exclusive of profit for Q3/2019. Own funds and capital adequacy are specified further in note 2 to the Financial Statements.

Capital

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

As at 30 September 2019 Nykredit's risk exposure amount (REA) totalled DKK 373.9 billion (end-2018: DKK 344.7 billion). With own funds at DKK 87.9 billion, this corresponded to a total capital ratio of 23.5% (end-2018: 25.4%). The CET1 capital ratio was 19.4% (end-2018: 21.0%).

Nykredit's Tier 1 capital consists mainly of Common Equity Tier 1 (CET1) capital. Tier 1 capital totalled DKK 76.3 billion at 30 September 2019. CET1 capital came to DKK 72.6 billion at 30 September 2019, and AT1 capital after deductions came to DKK 3.7 billion.

Capital target

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

In accordance with the business model, we aim to have stable earnings, a strong capital structure and competitive credit ratings. Based on a long-term capital management framework, the Group aims to be able to maintain its business activities independently of significant fluctuations in economic trends. This implies having adequate access to capital to withstand an economic downturn and losses, thus being able to maintain active lending also during and after a crisis. The Board of Directors has set the CET1 capital requirement at 15.5-16.5% of the total risk exposure amount (REA). In addition to this, Nykredit has already reserved CET1 capital to meet the upcoming Basel requirements. Nykredit may obtain new CET1 capital from Forenet Kredit and through investment commitments from a number of Danish pension companies.

Dividend policy

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

FUNDING AND LIQUIDITY

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

Nykredit's balance sheet mainly consists of lending secured by mortgages on real estate funded through the issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued through daily tap issuance coupled with refinancing auctions for adjustable-rate mortgages (ARMs) and floating-rate loans etc. Further, the Group may issue different kinds of senior debt, such as bail-inable senior debt, serving as statutory supplementary collateral etc.

Bank lending is mainly funded by deposits. At end-Q3/2019 Nykredit Bank's deposits equalled 132% of lending (end-2018: 127%).

Liquidity

Nykredit's liquid assets are mainly placed in Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity.

Nykredit holds substantial liquidity reserves and meets the requirements of the Danish FSA by a comfortable margin. This is illustrated in the table below, which shows that the LCR of the various companies is significantly above the regulatory requirement of 100%.

	Nykredit Realkredit Group		
	LCR determination		
	30.09.2019	30.09.2018	31.12.2018
Nykredit Realkredit Group*	894	434	660
Nykredit Realkredit Group, LCR requirement in EUR	468	423	566
Nykredit Realkredit and Totalkredit*	509	2,347	1,581
Nykredit Realkredit and Totalkredit including LCR minimum requirement	159	143	143
Nykredit Bank	146	162	157

* The determination of the liquid assets of Nykredit Realkredit and Totalkredit has been corrected implying that the portfolio of liquid assets has a lower value than previously stated, which had an impact on the liquidity coverage ratios (LCR) of 92 and 43 percentage points, respectively, as at 31 December 2018. Comparative figures have been restated.

As a Danish mortgage provider, Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has instead set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of 2.5% of total mortgage lending.

Benchmark bond series

Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes and deep liquidity in the Group's key bond series.

With the introduction of the LCR, banks prefer bonds with outstanding amounts of more than EUR 500 million and high ratings. As much as 93% of the outstanding amounts in Nykredit's active bond series are

today classified in the top LCR category, while 4% is in the second-best category.

Green bonds

Nykredit launched its first green bonds in H1/2019. Green mortgage loans are offered to finance energy-efficient buildings with energy label A or B or equivalent certification. The product is offered to major corporate clients. About DKK 5 billion-worth of green bonds had been issued at end-Q3/2019.

Nykredit's Green Bond Framework, which was established in compliance with IMCA's Green Bond Principles (GBP), describes the principles of green loans and determines which buildings are eligible for financing with green mortgage bonds.

Refinancing and issuance schedule for 2019

Nykredit Realkredit will continue to issue mortgage covered bonds on tap and at refinancing auctions. Nykredit holds refinancing auctions four times a year. That way, auction volumes are deconcentrated, and the refinancing risk is reduced.

Nykredit expects to refinance bonds worth up to DKK 40 billion at the auction in November 2019.

The annual maturity one year ahead totals DKK 319 billion, of which ordinary principal payments, prepayments etc totalled DKK 161 billion. Thus, refinancing volumes are expected to make up DKK 158 billion.

	DKK billion
Nykredit Realkredit Group	1 October 2019
Refinancing ¹	- 30 September 2020
Total maturity before set-off of self-issued bonds	319
- ordinary principal payments and known ² prepayments (paid up)	121
- ordinary principal payments and known ² prepayments (unpaid)	33
- pre-issued bonds and interest rate risk ²	7
Total refinancing volume	158
- pre-auctioned amount sold under forward contracts	22
Refinancing volume remaining for	
1 October 2019 – 30 September 2020	136
- of which SDOs and ROs	136
- of which other issues	0

¹ Applicable for the October 2019 as well as the January, April and July 2020 payment dates.

² Known as at 30 September 2019.

Because of the low interest rate levels, borrowers increasingly request loans funded by bonds with maturities from 5 to 30 years. This has reduced refinancing volumes to about DKK 160 billion pa. The refinancing volumes are expected to be maintained at this level going forward.

DKK million		
Nykredit Realkredit Group		
Bonds in issue	30.09.2019	31.12.2018
Covered bonds (RO), see note 15 a	129,282	138,809
Covered bonds (SDO), see note 15 b	1,265,871	1,107,963
Senior secured debt, see notes 15 c	933	4,704
Senior unsecured debt, see notes 15 d and senior unsecured debt in Nykredit Bank A/S	779	5,908
Senior non-preferred (SNP), see note 16	26,738	17,152
Subordinate loan capital, see note 18	11,084	11,011
Additional Tier 1 capital, see note 2	3,733	3,734
ECP issues of Nykredit Bank A/S	3,871	3,237

The regulatory requirement of a debt buffer of at least 2% of mortgage lending will be fully phased-in by 15 June 2020. Nykredit already meets the 2% debt buffer. As from 2022 the debt buffer will be adjusted so that, together with own funds and the MREL requirement, it amounts to at least 8% of the consolidated balance sheet.

In Q3/2019 Nykredit issued bail-inable senior debt of DKK 3.7 billion, bringing total bail-inable senior debt in issue to DKK 26.7 billion at end-Q3/2019.

In light of the debt buffer requirement and S&P's ALAC criteria, Nykredit expects to issue additionally DKK 3-5 billion of bail-inable senior debt in 2019. Nykredit does not expect to issue secured and unsecured senior debt in 2019 apart from regular ECP issues. Nykredit expects to issue an additional about DKK 20 billion in 2020, primarily in the form of bail-inable senior debt.

Supervisory Diamond

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

The Supervisory Diamond model for banks uses five key benchmarks to measure if a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as at 30 September 2019.

Nykredit Bank A/S		
Supervisory Diamond	30.09.2019	31.12.2018
Large exposures ¹ (limit value <175%)	106.0%	91.7%
Lending growth (limit value <20%)	8.1%	8.9%
Property exposure (limit value <25%)	10.4%	10.7%
Funding ratio (limit value <1.0)	0.57	0.60
Liquidity benchmark ² (limit value >100%)	173.9%	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".

Supervisory Diamond for mortgage lenders

		Nykredit Realkredit Group 30 September 2019	Nykredit Realkredit A/S 30 September 2019	Limit value
Benchmark	Definition			
Lending growth in segment				
Personal customers ¹	Annual lending growth may not exceed 15% in each of the segments per- sonal customers, commercial residential properties, agricultural properties and other commercial.	6.5%	(16.6)%	15.0%
Commercial residential properties		7.4%	7.0%	15.0%
Agricultural properties		(1.4)%	(1.4)%	15.0%
Other commercial		3.4%	2.6%	15.0%
Borrower's interest rate risk				
Private residential and residential rental	The proportion of lending where the LTV ratio exceeds 75% of the statutory LTV limit and where the loan rate is fixed for up to two years only may not ex- ceed 25% of the total loan portfolio.	12.9%	21.6%	25.0%
Interest-only period				
Personal Banking	The proportion of IO loans for owner-occupied and holiday homes with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending.	7.9%	6.2%	10.0%
Loans with short-term funding				
Refinancing (annually)	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.	11.8%	15.9%	25.0%
Refinancing (quarterly)		3.6%	6.2%	12.5%
Large exposures				
Loans and advances:equity	The sum of the 20 largest exposures (after deductions) must not exceed equity.	36.7%	36.7%	100.0%

¹ The decrease in loans and advances to personal customers in Nykredit Realkredit A/S is a natural consequence of new lending for personal customers being issued through Totalkredit A/S.

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 rating of the companies and their funding.

S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have long-term/short-term issuer credit ratings of A/A-1 with S&P. The rating outlook is positive.

Nykredit Realkredit and Nykredit Bank have been assigned long-term/short-term Resolution Counterparty Ratings of A+/A-1.

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

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

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have long-term/short-term issuer credit ratings of A/F1 with Fitch Ratings. The rating outlook is stable.

Nykredit Realkredit's and Nykredit Bank's long-term senior unsecured preferred debt ratings are A+, while Nykredit Bank's long-term/short-term deposit ratings are A+/F1.

Senior unsecured non-preferred debt has an A rating with Fitch Ratings.

Listing of ratings

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

CREDIT RISK

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

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

Nykredit's loan portfolio has shown a positive trend over the past year, and the level of credit risk is low. Arrears ratios have been declining for some portfolios and are stable for others. Write-offs have been low. Property prices have continued their upward trend all over Denmark, thereby increasing the mortgage security. General macroeconomic conditions have developed favourably.

Credit models

Nykredit uses credit models to determine the capital requirement for credit risk. Nykredit also uses internal ratings-based (IRB) models in the determination of 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). The three key parameters are estimated on the basis of Nykredit's customer default and loss history.

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

Nykredit Realkredit Group

Loans, advances, guarantees and impairment charges for loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.09.2019	31.12.2018	30.09.2019	31.12.2018	Q1-Q3/2019	FY/2018
Mortgage lending, nominal value						
Nykredit Realkredit	499,302	499,304	3,742	3,493	476	(42)
Totalkredit	722,108	672,144	1,455	1,532	14	139
Total	1,221,411	1,171,449	5,198	5,025	490	97
Loans and advances etc						
Nykredit Bank	63,289	60,566	2,751	2,767	150	263
Total	63,289	60,566	2,751	2,767	150	263
Receivables from credit institutions	63,952	20,829	28	21	7	21
Reverse repurchase lending	50,008	37,427	-	-	-	-
Guarantees	6,557	5,913	134	117	17	(1)
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.75	0.69	0.10	(0.01)
Totalkredit	-	-	0.20	0.23	0.00	0.02
Total	-	-	0.43	0.43	0.04	0.01
Nykredit Bank	-	-	4.15	4.53	0.24	0.26
Total	-	-	4.15	4.53	0.24	0.26

¹ Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

MORTGAGE LENDING

At end-September 2019, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,221 billion, corresponding to an increase of DKK 50 billion (end-2018: DKK 1,171 billion).

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

Since 2014 a minor part of the right of set-off has been replaced by a loss guarantee provided by the partner banks.

The average LTV ratio was 62.3% at end-September 2019 (end-2018: 62.3%).

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-Q3/2019.

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.43% of total mortgage lending (end-2018: 0.43%). At end-September 2019, total impairment provisions amounted to DKK 5,198 million (end-2018: DKK 5,025 million).

Earnings impact

Impairment charges for mortgage lending came to DKK 485 million. Of the impairment charges for loans and advances for the period, DKK 143 million was attributable to owner-occupied dwellings and DKK 342 million to the business segment.

Mortgage loans

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value) ²						Total	LTV average, %
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	498,745	186,827	104,082	8,311	1,975	1,751	801,691	67.2
Private rental ¹	94,091	30,898	13,053	1,106	480	488	140,115	62.1
Industry and trades	19,180	3,529	261	18	9	16	23,012	46.2
Office and retail	89,044	24,194	2,375	299	161	188	116,261	52.8
Agricultural property	59,546	20,119	7,170	840	387	743	88,805	62.8
Public housing	-	-	-	-	-	-	72,263	-
Other	11,257	2,059	668	38	20	44	14,086	49.9
Total Q1-Q3/2019	771,863	267,625	127,608	10,611	3,033	3,230	1,256,233	62.3
Total 2018	737,623	253,159	117,982	8,880	3,477	3,334	1,193,667	62.3

¹ Including cooperative housing.

² Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range of 0-40% and one third in the LTV range of 40-60%.

Nykredit Realkredit Group

Mortgage lending by property type¹

	30.09.2019		31.12.2018	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Owner-occupied dwellings	2,402	143	2,433	163
Private rental	393	98	314	(10)
Industry and trades	66	6	60	(19)
Office and retail	570	155	472	40
Agricultural property	1,291	25	1,304	103
Public housing	64	12	53	20
Cooperative housing	349	33	322	(191)
Other	62	14	66	(18)
Total	5,198	485	5,025	89

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

Nykredit Realkredit Group**Arrears ratio – 75 days past due**

Payment date	Arrears relative to total mortgage payments	Debt outstand- ing in arrears relative to total debt outstanding	Debt outstand- ing affected by arrears
	%	%	DKK billion
2019			
- June	0.36	0.28	3.47
- March	0.37	0.28	3.36
2018			
- December	0.38	0.23	2.80
- September	0.39	0.23	2.70
- June	0.40	0.31	3.60
- March	0.42	0.32	3.60

Arrears

Mortgage loan arrears are determined when they are 15 and 75 days past their due date. Mortgage loan arrears dropped to 0.36% of total mortgage payments due 75 days past the March due date (June 2018: 0.40).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also decreased to 0.28% (June 2018: 0.31%).

Properties acquired by foreclosure

In Q1-Q3/2019, the Group acquired 23 properties and sold 36. The property portfolio counted 22 properties at 30 September 2019 (end-2018: 35).

BANK LENDING

Bank lending at amortised cost amounted to DKK 63.3 billion (end-2018: DKK 60.6 billion).

Reverse repurchase lending totalled DKK 50.0 billion (end-2018: DKK 37.4 billion). Guarantees provided amounted to DKK 6.6 billion (end-2018: DKK 5.9 billion).

Total provisions for bank loan impairment etc

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,751 million (end-2018: DKK 2,767 million).

Guarantees

Guarantees provided were DKK 6,557 million (end-2018: DKK 5,913 million), which represented a rise of 10.9%. At end-Q3/2019, provisions for guarantees amounted to DKK 134 million (end-2018: DKK 117 million).

Earnings impact

Provisions for bank loan impairment and guarantees for the period were DKK 168 million (Q1-Q3/2018: DKK 112 million).

Nykredit Realkredit Group

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

DKK million

	30.09.2019			31.12.2018		
	Lending, end of period	Total impairment provisions	Earnings impact	Lending, end of period ²	Total impairment provisions	Earnings impact
Public sector	756	3	0	639	3	(1)
Agriculture, hunting, forestry and fishing	4,254	160	23	3,332	125	1
Manufacturing, mining and quarrying	9,264	291	16	7,482	272	56
Energy supply	1,841	27	8	1,372	18	(16)
Construction	3,461	180	17	2,620	171	15
Trade	7,779	531	64	5,882	334	129
Transport, accommodation and food service activities	6,109	83	5	6,296	62	(38)
Information and communication	3,400	76	21	3,291	45	16
Finance and insurance	55,384	132	2	41,924	243	155
Real estate	14,723	545	31	13,328	475	(197)
Other	8,611	277	3	7,215	447	157
Total business customers	114,826	2,303	189	92,742	2,192	279
Personal customers	34,277	579	(22)	27,140	689	(14)
Total	149,860	2,884	167	120,520	2,884	265
- of which provisions for losses under guarantees		134	23		117	(3)
Impairment provisions for credit institutions		12	0		12	9
- of which intercompany guarantees and total	30,005	2,897	168	16,614	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, thus certain loans and advances and provisions for guarantees by personal customers have been reclassified from personal customers to business sectors in order to achieve a better presentation of loans and advances and the credit risk profile. Total loans and advances and provisions for guarantees are unchanged.

NYKREDIT BANK

DKK million

Nykredit Bank Group	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	Q3/ 2018	2018
Business profit and profit for the period							
Net interest income	1,117	1,159	375	373	369	408	1,533
Net fee income	405	396	138	139	128	123	521
Wealth management income	1,116	1,024	397	369	350	355	1,361
Net interest from capitalisation	(22)	(22)	(7)	(7)	(7)	(8)	(30)
Trading, investment portfolio and other income	394	739	46	220	129	216	756
Income	3,010	3,297	948	1,093	969	1,094	4,141
Costs	1,599	1,468	551	528	520	480	2,029
Business profit before impairment charges	1,411	1,828	397	565	448	614	2,112
Impairment charges for loans and advances	168	112	71	36	61	(17)	274
Business profit	1,244	1,717	327	529	387	631	1,838
Legacy derivatives	(597)	384	(328)	(50)	(219)	164	280
Profit before tax for the period	646	2,101	(1)	479	168	795	2,118
Tax	139	454	(2)	104	37	173	458
Profit for the period	507	1,647	1	375	131	623	1,660
Minority interests	3	-	3	-	-	-	-
SUMMARY BALANCE SHEET	30.09.2019	30.09.2018	30.09.2019	30.06.2019	31.03.2019	30.09.2018	31.12.2018
Reverse repurchase lending	50,008	32,669	50,008	49,147	36,548	32,669	37,427
Loans, advances and other receivables at amortised cost	63,289	58,749	63,289	63,505	60,723	58,749	60,566
Payables to credit institutions and central banks	92,481	43,484	92,481	77,760	49,098	43,484	54,620
Repo deposits	2,673	4,952	2,673	3,216	10,475	4,952	5,745
Deposits and other payables	83,601	72,780	83,601	80,088	79,856	72,780	77,119
Equity	23,663	21,083	23,663	21,601	21,226	21,095	21,095
SELECTED FINANCIAL RATIOS							
Profit for the period as % pa of average equity	3.1	10.8	0.0	7.0	2.5	12.0	8.1
Costs as % of income	53.1	44.5	58.1	48.3	53.7	43.9	49.0
Average number of staff, full-time equivalent	865	837	908	856	830	851	837

Q1-Q3 in summary

Nykredit Bank delivered a business profit of DKK 1,244 million (Q1-Q3/2018: DKK 1,717 million) and a profit for the period before tax for Q1-Q3/2019 of DKK 646 million (Q1-Q3/2018: DKK 2,101 million). Profit for the period as % pa of average equity came to 3.1% (Q1-Q3/2018: 10.8%).

On 30 August Nykredit acquired 75% of the shares in Sparinvest, which will be a subsidiary of Nykredit Bank as from 30 August 2019.

Income totalled DKK 3,010 million (Q1-Q3/2018: DKK 3,297 million). We saw increased bank lending, but net interest income was adversely impacted by falling margins on for instance deposits. Similarly, trading, investment portfolio and other income was adversely affected by negative value adjustments of swaps.

Costs were DKK 1,599 million (Q1-Q3/2018: DKK 1,468 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 expansion of the partnership with BEC.

Impairment charges for loans and advances equalled DKK 168 million (Q1-Q3/2018: DKK 112 million).

Legacy derivatives came to a negative DKK 597 million (Q3/2018: DKK 384 million). Legacy derivatives are derivatives Nykredit no longer offers to customers. The falling earnings were mainly driven by decreasing interest rates.

The increase in the balance sheet total was due to Totalkredit's increased liquidity levels.

Bank lending at amortised cost amounted to DKK 63.3 billion (end-2018: DKK 60.6 billion).

The bond and equity portfolio stood at DKK 53.1 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.

Deposits and other payables came to DKK 83.6 billion (end-2018: DKK 77.1 billion). This trend was primarily due to an increase in demand and fixed-term deposits.

Deposits exceeded lending at amortised cost by DKK 20.3 billion (end-2018: DKK 16.6 billion).

TOTALKREDIT A/S

DKK million

Totalkredit A/S	Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q2/ 2019	Q1/ 2019	Q3/ 2018	2018
BUSINESS PROFIT AND PROFIT FOR THE PERIOD							
Net interest income	2,485	2,415	863	825	797	803	3,253
Net fee income	534	392	225	200	109	122	489
Net interest from capitalisation	(92)	(23)	(33)	(35)	(23)	(7)	(123)
Net income relating to customer benefits programmes	(78)	(154)	(13)	(10)	(55)	(51)	(209)
Trading, investment portfolio and other income	(50)	(104)	(72)	0	22	(19)	(152)
Income	2,800	2,526	969	981	849	847	3,259
Costs	555	494	191	184	180	155	672
Business profit before impairment charges	2,245	2,032	778	797	669	692	2,587
Impairment charges for loans and advances	14	16	(61)	29	46	17	135
Profit before tax for the period	2,231	2,017	840	768	623	675	2,452
Tax	307	290	118	105	84	107	332
Profit for the period	1,924	1,727	721	663	539	568	2,120
SUMMARY BALANCE SHEET							
	30.09.2019	30.09.2018	30.09.2019	30.06.2019	31.03.2019	30.09.2018	31.12.2018
Mortgage loans at fair value	741,549	673,878	741,549	721,848	705,081	673,878	684,542
Bonds and equities	93,450	66,721	93,450	100,643	65,471	66,721	53,107
Payables to credit institutions	834,998	709,518	834,998	804,548	736,643	709,518	714,551
Bonds in issue at fair value	6,470	7,834	6,470	6,832	7,139	7,834	7,486
Equity	30,010	27,884	30,010	29,336	28,720	27,884	28,229
SELECTED FINANCIAL RATIOS							
Profit for the period as % pa of average equity	9.5	9.0	10.8	10.3	8.0	9.1	8.3
Costs as % of income	19.8	19.5	19.7	18.7	21.2	18.3	20.6
Average number of staff, full-time equivalent	184	107	217	187	149	109	108

Q1-Q3 in summary

Totalkredit A/S delivered a profit before tax for Q1-Q3/2019 of DKK 2,231 million (Q1-Q3/2018: DKK 2,107 million). Profit for the period as % pa of average equity came to 9.5% (Q1-Q3/2018: 9.0%)

Mortgage loans at fair value increased to DKK 741.5 billion compared with end-2018 (end-2018: DKK 684.5 billion). At nominal value, the loan portfolio totalled DKK 722.1 billion at 30 September 2019 (end-2018: DKK 672.1 billion).

Income increased by DKK 2,800 million (Q1-Q3/2018: DKK 2,526 million), chiefly driven by growth in lending and high remortgaging activity. Income were impacted by the continued refinancing into more fixed-rate loans and loans with longer refinancing periods and lower administration margins.

Costs totalled DKK 555 million (Q1-Q3/2018: DKK 494 million). Costs as a percentage of income totalled 19.8% in Q1-Q3/2019. The rise in costs was attributable to a growing number of full-time staff due to the transfer of staff from partner banks to the new shared property valuation unit. At end-September 2019 the number of staff of the shared property valuation unit totalled 115.

Impairment charges for loans and advances equalled DKK 14 million (Q1-Q3/2018: DKK 16 million). Property market trends were generally positive, which was reflected in relatively low impairment levels.

ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 4 and the business areas (pages 10-17 and note 3) reflects the internal management reporting. The presentation was changed in 2019, and "Net income relating to customer benefits programmes" is now shown as part of "Group Items".

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

"Net interest income" comprising net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 30) includes all interest.

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

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers conducted through the Group's entities Nykredit Markets, Nykredit Asset Management 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", which includes income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

"Net income relating to customer benefits programmes" comprising discounts etc in the form of KundeKroner, ErhvervsKroner and MineMål granted to the Group's customers. The amount includes contributions received. The change is aimed at presenting the earnings of the individual business areas excluding the impact of the Group's customer benefits programmes whilst 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. Comparative figures have been restated. The income statement and balance sheet on pages 30-33 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 for the period as % pa of average business capital (ROAC). The return target appearing from the table in the financial highlights shows profit for the period relative to average business capital. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount.

Profit for the period as % pa of average equity. Profit for the period is calculated as stated above. Average equity is calculated on the basis of the value at the beginning of the period and at the end of all quarters of the period.

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

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

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 September 2019 of Nykredit Realkredit A/S and the Nykredit Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 September 2019 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 September 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 Interim Report has not been subject to audit or review.

Copenhagen, 5 November 2019

Executive Board

Michael Rasmussen
Group Chief Executive

Tonny Thierry Andersen
Group Managing Director

David Hellemann
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Steffen Kragh
Chairman

Merete Eldrup
Deputy Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Inge Sand*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

		DKK million			
Nykredit Realkredit Group		Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q3/ 2018
	Note				
INCOME STATEMENT					
Interest income		17,708	17,785	5,841	5,834
Interest income based on the effective interest method		1,475	1,517	486	520
Interest expenses		10,972	11,144	3,566	3,641
Net interest income	6	8,210	8,157	2,761	2,713
Dividend on equities etc	6	164	138	14	37
Fee and commission income	5	2,543	1,935	1,027	657
Fee and commission expenses		2,776	2,267	995	773
Net interest and fee income		8,142	7,963	2,807	2,633
Value adjustments	6, 7	982	1,054	(198)	268
Other operating income		1,110	722	405	282
Staff and administrative expenses		3,485	3,419	1,200	1,130
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		205	83	69	35
Other operating expenses		106	97	35	32
Impairment charges for loans, advances and receivables etc	8	665	213	232	110
Profit (loss) from investments in associates and Group enterprises	10	1	2	(1)	1
Profit before tax		5,775	5,929	1,477	1,877
Tax		917	1,132	234	374
Profit for the period		4,857	4,797	1,243	1,503
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		4,680	4,623	1,185	1,445
Minority interests		3	-	-	-
Holders of Additional Tier 1 capital notes		174	174	58	58
Profit for the period		4,857	4,797	1,243	1,503
COMPREHENSIVE INCOME					
Profit for the period		4,857	4,797	1,243	1,503
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(1)	(23)	2	(7)
Tax on actuarial gains/losses on defined benefit plans		0	5	(1)	2
Total items that cannot be reclassified to profit or loss		(1)	(18)	2	(6)
Other comprehensive income		(1)	(18)	2	(6)
Comprehensive income for the period		4,857	4,779	1,245	1,497
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		4,680	4,605	1,186	1,439
Minority interests		3	-	3	-
Holders of Additional Tier 1 capital notes		174	174	58	59
Comprehensive income for the period		4,857	4,779	1,245	1,497

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million					
Nykredit Realkredit A/S		Q1-Q3/ 2019	Q1-Q3/ 2018	Q3/ 2019	Q3/ 2018
	Note				
INCOME STATEMENT					
Interest income		13,803	14,006	4,490	4,570
Interest expenses		10,871	11,034	3,531	3,608
Net interest income		2,933	2,971	958	962
Dividend on equities etc		158	132	12	36
Fee and commission income		595	561	236	206
Fee and commission expenses		223	172	69	59
Net interest and fee income		3,463	3,492	1,137	1,144
Value adjustments	7	1,156	(139)	134	(163)
Other operating income		974	707	332	263
Staff and administrative expenses		2,021	2,096	689	699
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		195	76	65	32
Other operating expenses		88	79	29	26
Impairment charges for loans, advances and receivables etc	9	477	78	221	108
Profit from investments in associates and Group enterprises	10	2,504	3,457	756	1,222
Profit before tax		5,314	5,189	1,355	1,601
Tax		456	376	112	98
Profit for the period		4,857	4,813	1,243	1,503
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		4,683	4,638	1,185	1,445
Holders of Additional Tier 1 capital notes		174	174	58	58
Profit for the period		4,857	4,813	1,243	1,503
COMPREHENSIVE INCOME					
Profit for the period		4,857	4,813	1,243	1,503
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(1)	(23)	2	(7)
Tax on actuarial gains/losses on defined benefit plans		0	5	(1)	2
Total items that cannot be reclassified to profit or loss		(1)	(18)	2	(6)
Other comprehensive income		(1)	(18)	2	(6)
Comprehensive income for the period		4,857	4,795	1,245	1,497
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		4,682	4,621	1,186	1,439
Holders of Additional Tier 1 capital notes		174	174	58	59
Comprehensive income for the period		4,857	4,795	1,245	1,497

BALANCE SHEETS

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019	Note	30.09.2019	31.12.2018
ASSETS				
276	49	Cash balances and demand deposits with central banks	7,352	8,861
37,485	66,490	Receivables from credit institutions and central banks	63,952	20,829
1,223,721	1,349,699	Loans, advances and other receivables at fair value	11 1,256,523	1,193,975
229	244	Loans, advances and other receivables at amortised cost	12 113,643	98,311
34,026	33,158	Bonds at fair value	13 115,489	93,622
5,587	6,264	Equities etc	7,046	5,821
32	29	Investments in associates	34	38
49,714	54,425	Investments in Group enterprises	-	-
257	294	Intangible assets	2,173	281
Land and buildings				
21	16	Owner-occupied properties	78	86
-	703	Leased properties	726	-
21	719	Total	804	86
101	108	Other property, plant and equipment	120	108
90	(0)	Current tax assets	220	343
-	-	Deferred tax assets	117	125
141	44	Assets in temporary possession	56	160
6,481	6,635	Other assets	34,252	24,966
378	502	Prepayments	816	463
1,358,540	1,518,659	Total assets	1,602,597	1,447,991

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019	Note	30.09.2019	31.12.2018
LIABILITIES AND EQUITY				
1,094	2,662		23,422	15,692
10,500	12,200		98,340	93,191
1,229,273	1,373,632		1,319,545	1,196,229
17,179	26,612		31,082	22,590
3	731		8,848	5,592
-	62		183	47
9,177	9,333		27,350	23,020
-	-		13	10
1,267,226	1,425,232		1,508,783	1,356,371
Provisions				
129	74		76	130
183	256		410	338
47	45		45	47
-	-		134	117
62	146		192	100
420	522		858	731
11,011	11,084	18	11,084	11,011
Equity				
1,182	1,182		1,182	1,182
Accumulated value adjustments				
-	-		5	5
Other reserves				
18,526	20,820		-	-
36,575	36,575		36,575	36,575
-	-		1,646	1,646
17,023	19,411		38,580	33,898
2,800	-		-	2,800
76,106	77,988		77,988	76,106
-	-		64	-
3,777	3,834		3,821	3,772
79,883	81,822		81,873	79,878
1,358,540	1,518,659		1,602,597	1,447,991
OFF-BALANCE SHEET ITEMS				
-	-		6,557	5,913
7,392	11,809		25,093	16,948
7,392	11,809		31,650	22,861

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund ²	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2019											
Equity, 1 January	1,182	5	-	36,575	1,646	33,898	2,800	76,106	-	3,772	79,878
Profit for the period	-	-	-	-	-	4,680	-	4,680	3	174	4,857
Total other comprehensive income	-	-	-	-	-	(1)	-	(1)	-	-	(1)
Total comprehensive income	-	-	-	-	-	4,680	-	4,680	3	174	4,857
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	0	-	0	-	(0)	-
Tax on Additional Tier 1 capital	-	-	-	-	-	(0)	-	(0)	-	-	(0)
Additions relating to acquisition of Group enterprise	-	-	-	-	-	-	-	-	61	-	61
Distributed dividend	-	-	-	-	-	-	(2,800)	(2,800)	-	-	(2,800)
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	-	(9)	(9)
Equity, 30 September	1,182	5	-	36,575	1,646	38,580	-	77,988	64	3,821	81,873
2018											
Equity, end-2017, see the Annual Report	1,182	19	973	38,038	1,646	29,124	4,100	75,082	-	3,765	78,847
Transferred to equities measured at fair value through profit or loss	-	-	(973)	-	-	973	-	-	-	-	-
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	1,182	19	-	38,038	1,646	29,655	4,100	74,641	-	3,765	78,406
Profit for the period ⁴	-	-	-	-	-	4,623	-	4,623	-	174	4,797
Total other comprehensive income	-	-	-	-	-	(18)	-	(18)	-	-	(18)
Total comprehensive income	-	-	-	-	-	4,605	-	4,605	-	174	4,779
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(6)	-	(6)	-	6	-
Tax on Additional Tier 1 capital ⁴	-	-	-	-	-	(8)	-	(8)	-	-	(8)
Distributed dividend	-	-	-	-	-	-	(4,100)	(4,100)	-	-	(4,100)
Realised from the sale of properties	-	(14)	-	-	-	14	-	-	-	-	-
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	-	(49)	(49)
Equity, 30 September	1,182	5	-	38,038	1,646	34,260	-	75,132	-	3,780	78,912

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

² A non-distributable reserve fund in Totalkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

⁴ Profit for the period has changed by DKK 38.3 million relative to the Q1-Q3 Interim Report for 2018, as taxes relating to interest expenses for the Additional Tier 1 capital must be recognised in the income statement following the amendments to IAS 12. "Tax on Additional Tier 1 capital" has been adjusted correspondingly. This is solely a reclassification of taxes, and therefore total equity remains unchanged.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Statutory reserves ²	Series reserves	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2019								
Equity, 1 January	1,182	18,526	36,575	17,023	2,800	76,106	3,777	79,883
Profit for the period	-	2,504	-	2,179	-	4,683	174	4,857
Total other comprehensive income	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income	-	2,504	-	2,179	-	4,682	174	4,857
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	0	-	0	(0)	-
Tax on Additional Tier 1 capital	-	-	-	(0)	-	(0)	-	(0)
Distributed dividend	-	-	-	-	(2,800)	(2,800)	-	(2,800)
Dividend from Group enterprises	-	(210)	-	210	-	-	-	-
Equity, 30 September	1,182	20,820	36,575	19,411	-	77,988	3,834	81,822
2018								
Equity, end-2017, see the Annual Report	1,182	15,239	38,038	16,523	4,100	75,082	3,765	78,847
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	1,182	14,797	38,038	16,523	4,100	74,641	3,765	78,406
Profit for the period ⁴	-	3,457	-	1,181	-	4,638	174	4,813
Total other comprehensive income	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income	-	3,457	-	1,163	-	4,621	174	4,795
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	(6)	-	(6)	6	-
Tax on Additional Tier 1 capital ⁴	-	-	-	(8)	-	(8)	-	(8)
Distributed dividend	-	-	-	-	(4,100)	(4,100)	-	(4,100)
Dividend from associates	-	(5)	-	5	-	-	-	-
Dividend from Group enterprises	-	(366)	-	366	-	-	-	-
Other movements concerning equity investments	-	(42)	-	42	-	-	-	-
Other reserves transferred to retained earnings	-	309	-	(309)	-	-	-	-
Equity, 30 September	1,182	18,151	38,038	17,776	-	75,147	3,829	78,976

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

² Includes a non-distributable reserve fund in Totalkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

⁴ Profit for the period has changed by DKK 38.3 million relative to the Q1-Q3 Interim Report for 2018, as taxes relating to interest expenses for the Additional Tier 1 capital must be recognised in the income statement following the amendments to IAS 12. "Tax on Additional Tier 1 capital" has been adjusted correspondingly. This is solely a reclassification of taxes, and therefore total equity remains unchanged.

CASH FLOW STATEMENT

	DKK million	
Nykredit Realkredit Group	Q1-Q3/ 2019	Q1-Q3/ 2018
Profit for the period	4,857	4,797
Adjustments		
Net interest income	(8,210)	(8,157)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	204	82
Profit from investments in associates	(1)	(2)
Impairment charges for loans, advances and receivables etc	665	213
Prepayments/deferred income, net	(350)	(18)
Tax calculated on profit for the period	917	1,132
Other adjustments	(945)	178
Total	(2,863)	(1,776)
Change in operating capital		
Loans, advances and other receivables	(78,545)	(27,732)
Deposits and payables to credit institutions	12,879	14,932
Bonds in issue	131,809	3,346
Other operating capital	(2,536)	(18,867)
Total	60,745	(30,096)
Interest income received	20,127	20,385
Interest expenses paid	(11,632)	(12,824)
Corporation tax paid, net	(587)	(1,341)
Cash flows from operating activities	68,652	(23,877)
Cash flows from investing activities		
Dividend received from associates	5	5
Purchase and sale of bonds and equities, net	(22,274)	9,491
Purchase of intangible assets	(1,942)	(78)
Purchase of property, plant and equipment	(60)	(16)
Sale of property, plant and equipment	4	51
Total	(24,268)	9,453
Cash flows from financing activities		
Distributed dividend	(2,850)	(4,100)
Purchase and sale of self-issued subordinated debt instruments	0	(1)
Total	(2,850)	(4,101)
Total cash flows for the period	41,534	(18,525)
Cash and cash equivalents, beginning of period	29,690	48,031
Foreign currency translation adjustment of cash	80	20
Total cash flows for the period	41,534	(18,525)
Cash and cash equivalents, end of period	71,304	29,526
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	7,352	4,364
Receivables from credit institutions and central banks	63,952	25,162
Total	71,304	29,526

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Nykredit Realkredit Group

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1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements for Q1-Q3/2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for Q1-Q3/2019 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

In addition to implementation of

- IFRS 16 "Leases"
- annual improvements to IFRS standards 2015-2017, and
- changes to the earnings presentation in financial highlights on page 4 as well as business areas (note 3), see "Alternative performance measures",

the accounting policies of Nykredit Realkredit A/S and the Nykredit Realkredit Group are unchanged compared with the Annual Report for 2018 (note 1), and compared with the information disclosed in the Annual Report for 2018 no other new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the Q1-Q3 Interim Report 2019.

The accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2018.

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 following implementation of IFRS 16 Leases and corresponding amendments to the Danish Executive Order on Financial Reports

The standard, which was implemented on 1 January 2019, implies capitalisation of Nykredit's rights of use to leased assets (leasehold premises) and the recognition of liabilities arising from the lease.

For Nykredit the implementation implies a calculated liability corresponding to the present value of expected rents and capitalisation of a leased asset corresponding to the liability. The lease term used to determine the rental liability corresponds to the period in which Nykredit as lessee has the right to, and expects to, use the underlying assets. The period is 7 years on average. For leases which have been terminated or are expected to be terminated, the period is about 3 years. The implementation has increased Nykredit's assets and liabilities by approx DKK 0.8 billion, or about 0.1% of the balance sheet total.

The rental expense has so far been recognised as administrative costs through profit or loss. As of 1 January 2019, the expense will be recognised through profit or loss as depreciation of the leased asset and interest expense on the lease liability. The impact on equity, profit after tax and comprehensive income comprises a charge of about DKK 7 million in 2019. The impact will be neutral throughout the entire lease term, however.

Comparative figures have not been restated, as the change has just been implemented.

Change in accounting policies following implementation of annual improvements to IFRS standards 2015-2017

The change was approved by the EU in Q1-Q3/2019 and has been implemented as at 1 January 2019. For Nykredit, the amendment of IAS 12 "Income Taxes" implies that taxes relating to interest expenses for Additional Tier 1 capital will be recognised in profit from and including 1 January 2019. The tax effect was previously recognised directly in equity together with the interest expense.

Tax, profit and comprehensive income for the period were positively impacted in Q1-Q3/2019 and Q1-Q3/2018 by DKK 38 million and DKK 38 million, respectively. For the full-year 2018 tax, profit for the year and comprehensive income were positively affected by DKK 51 million. Comparative figures have been restated.

Total balance sheet and equity were not affected by the change.

Significant accounting estimates and assessments

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

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 include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, see the Annual Report for 2018.

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019		30.09.2019	31.12.2018
2. CAPITAL AND CAPITAL ADEQUACY				
79,883	81,822	Equity for accounting purposes	81,873	79,878
(3,777)	(3,834)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,821)	(3,772)
-	(2,920)	Profit for Q3/2019 not included	(2,984)	-
76,106	75,068	Equity excluding Additional Tier 1 capital and minority interests	75,068	76,106
(2,800)	-	Proposed dividend	-	(2,800)
(24)	(35)	Prudent valuation adjustment	(70)	(57)
-	-	Minority interests	41	-
(200)	(229)	Intangible assets excluding deferred tax liabilities	(2,108)	(221)
(98)	-	Provisions for expected credit losses in accordance with IRB approach	-	-
(327)	(307)	Other additions/deductions	(307)	(327)
(3,449)	(571)	Common Equity Tier 1 capital deductions	(2,444)	(3,405)
72,657	74,497	Common Equity Tier 1 capital	72,624	72,701
3,734	3,733	Additional Tier 1 capital	3,727	3,729
(25)	-	Additional Tier 1 capital deductions	(40)	(28)
3,709	3,733	Total Additional Tier 1 capital after deductions	3,687	3,702
76,365	78,230	Tier 1 capital	76,311	76,403
10,828	10,826	Tier 2 capital	10,830	10,828
(44)	22	Tier 2 capital additions/deductions	792	453
87,149	89,078	Own funds	87,933	87,683
389,503	432,085	Credit risk	317,564	291,637
12,762	14,189	Market risk	30,866	27,390
12,910	12,175	Operational risk	25,499	25,709
415,175	458,448	Total risk exposure amount	373,929	344,736
Financial ratios				
17.5	16.2	Common Equity Tier 1 capital ratio, %	19.4	21.0
18.3	17.0	Tier 1 capital ratio, %	20.4	22.1
20.9	19.4	Total capital ratio, %	23.5	25.4

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

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

Nykredit has entered into a conditional agreement to buy LR Realkredit A/S, currently awaiting approval from the authorities.

NOTES

DKK million

Nykredit Realkredit 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. Please refer to the Management Commentary.

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

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalkredit Partners	Wealth Management	Group Items	Total
Results									
Q1-Q3/2019									
Results by business area									
Net interest income	1,389	2,136	3,525	1,210	4,735	2,097	94	2	6,929
Net fee income	517	553	1,071	462	1,532	464	28	(17)	2,008
Wealth management income	255	110	365	79	444	-	664	8	1,116
Net interest from capitalisation	(50)	(115)	(165)	(89)	(254)	(138)	(7)	136	(262)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(122)	(122)
Trading, investment portfolio and other income	18	45	63	144	207	19	17	921	1,164
Income	2,130	2,729	4,859	1,806	6,664	2,443	797	929	10,833
Costs	1,480	825	2,305	443	2,748	446	415	186	3,796
Business profit before impairment charges	649	1,904	2,553	1,363	3,916	1,997	381	742	7,037
Impairment charges for loans and advances	211	533	744	37	781	(115)	(1)	(0)	665
Business profit	439	1,371	1,809	1,325	3,135	2,112	383	742	6,372
Legacy derivatives	(4)	(325)	(329)	(268)	(597)	-	(1)	-	(597)
Profit before tax	434	1,046	1,480	1,058	2,538	2,112	382	742	5,775
BALANCE SHEET, 30 SEPTEMBER 2019									
Assets									
Mortgage loans etc at fair value	178,539	235,610	414,150	209,079	623,229	623,766	9,239	-	1,256,233
Reverse repurchase lending								50,008	50,008
Loans and advances at amortised cost	11,958	23,379	35,337	24,181	59,518	-	3,970	147	63,636
Assets by business area	190,497	258,989	449,487	233,260	682,746	623,766	13,209	50,155	1,369,877
Unallocated assets									232,720
Total assets									1,602,597
Liabilities and equity									
Repo deposits								14,873	14,873
Bank deposits and other payables at amortised cost	33,519	20,899	54,418	10,268	64,686	-	15,550	3,230	83,466
Liabilities by business area	33,519	20,899	54,418	10,268	64,686	-	15,550	18,104	98,340
Unallocated liabilities									1,422,384
Equity									81,873
Total liabilities and equity									1,602,597

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

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results									
Q1-Q3/2018									
Results by business area									
Net interest income	1,440	2,176	3,617	1,157	4,774	2,037	88	(3)	6,897
Net fee income	444	365	809	326	1,135	380	19	(12)	1,521
Wealth management income	273	111	383	82	466	-	548	10	1,024
Net interest from capitalisation	(53)	(131)	(184)	(75)	(259)	(115)	(5)	115	(264)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(175)	(175)
Trading, investment portfolio and other income	23	326	349	283	633	0	8	(288)	354
Income	2,128	2,847	4,974	1,774	6,748	2,302	659	(353)	9,357
Costs	1,480	787	2,267	440	2,707	405	340	148	3,599
Business profit (loss) before impairment charges	648	2,060	2,708	1,334	4,042	1,898	319	(501)	5,758
Impairment charges for loans and advances	116	76	192	25	217	(22)	24	(7)	213
Business profit (loss)	531	1,984	2,516	1,309	3,824	1,919	296	(495)	5,545
Legacy derivatives	1	237	238	146	384	-	(0)	-	384
Profit (loss) before tax	532	2,222	2,754	1,455	4,208	1,919	296	(495)	5,929

BALANCE SHEET, 30 SEPTEMBER 2018

Assets									
Mortgage loans etc at fair value	176,971	235,393	412,364	193,839	606,203	568,669	8,622	-	1,183,494
Reverse repurchase lending								32,669	32,669
Loans and advances at amortised cost	11,872	20,856	32,728	22,298	55,026	-	3,549	479	59,054
Assets by business area	188,843	256,249	445,092	216,137	661,230	568,669	12,171	33,148	1,275,217
Unallocated assets									150,021
Total assets									1,425,238
Liabilities and equity									
Repo deposits								12,952	12,952
Bank deposits and other payables at amortised cost	29,055	17,927	46,981	8,908	55,888	-	12,124	4,702	72,715
Liabilities by business area	29,055	17,927	46,981	8,908	55,888	-	12,124	17,654	85,667
Unallocated liabilities									1,260,660
Equity									78,912
Total liabilities and equity									1,425,238

¹ The item comprises contributions and discounts relating to Nykredit's benefits programmes, see "Alternative performance measures". Comparative figures for income and profit from the business areas for Q1-Q3/2018 have been restated as follows: Personal Banking increased by DKK 18.8 million, Business Banking by DKK 1.0 million, Totalcredit Partners by DKK 86.8 million and Corporates & Institutions by DKK 0.4 million. Total profit was not impacted. This amount was previously recognised in "Net interest income".

Comparative figures for 2018 have been restated to reflect the reorganisation, which took effect on 21 March 2019.

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1-Q3/2019			Q1-Q3/2018		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	6,929	1,281	8,210	6,897	1,261	8,157
Dividend on equities etc		164	164		138	138
Fee and commission income, net	2,008	(2,240)	(232)	1,521	(1,853)	(332)
Net interest and fee income		(795)	8,142		(455)	7,963
Wealth management income	1,116	(1,116)	-	1,024	(1,024)	-
Net interest from capitalisation	(262)	262	-	(264)	264	-
Net income relating to customer benefits programmes	(122)	122	-	(175)	175	-
Trading, investment portfolio and other income	1,164	(1,164)	-	354	(354)	-
Value adjustments		982	982		1,054	1,054
Other operating income		1,110	1,110		722	722
Income	10,833			9,357		
Costs	3,796	-	3,796	3,599	-	3,599
Business profit before impairment charges	7,037			5,758		
Impairment charges for loans and advances etc	665	-	665	213	-	213
Profit from investments in associates and Group enterprises		1	1		2	2
Business profit	6,372			5,545		
Legacy derivatives	(597)	597	-	384	(384)	-
Profit before tax	5,775	-	5,775	5,929	-	5,929

Note 4 combines the earnings presentation in the Management Commentary (internal presentation), including the financial highlights and presentation of 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", "Other operating income" and "Profit from investments in associates and Group enterprises" in the income statement of the Financial Statements. The column "Reclassification" thus comprises only differences between the internal presentation and the income statement with respect to these items.

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

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

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

NOTES

	DKK million	
Nykredit Realkredit Group	Q1-Q3/ 2019	Q1-Q3/ 2018
5. INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees, net:		
Total	2,543	1,935
Other ordinary income		
Other income	1,110	722
Revenue from contracts with customers (IFRS 15) by business area		
Retail	550	650
Corporates & Institutions	231	234
Totalkredit Partners	682	340
Wealth Management	1,035	668
Group Items	45	43
Total	2,543	1,935

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.

IFRS 15 was implemented as at 1 January 2018 without impacting profit, comprehensive income, balance sheet and equity. The standard implies that revenue is not recognised until control of goods or services is passed to the customer. The standard also specifies rules on how companies should identify contracts with customers, the related performance obligations and determination of the transaction price.

Nykredit's revenue primarily consists of net income recognised in items governed by the accounting standards IFRS 9 (Financial Instruments) and IAS 17 (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 business, 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 and/or fixed fees. Fees are recognised at fixed payment dates in accordance with contractual provisions or price lists.
- Revenue from Nykredit Markets activities comprises trading in financial instruments and is recognised simultaneously with the transaction. Revenue in connection with eg Capital Markets transactions is recognised at the time of delivery of the service and when Nykredit's obligation has been settled.
- Revenue from wealth management activities comprises Nykredit's business within asset and wealth management, including banking and pension activities. Revenue is recognised as the services are performed and delivered to the customers. Revenue is determined as a percentage of assets under management and administration or in the form of transaction fees.

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

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

NOTES

DKK million

Nykredit Realkredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

Q1-Q3/2019	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(13)	51	(64)	-	-	(64)
Lending and deposits	1,456	(7)	1,464	-	7	1,470
Repo transactions and reverse repurchase lending	(172)	(82)	(90)	-	-	(90)
Subordinated debt	-	269	(269)	-	-	(269)
Other financial instruments	100	77	23	-	-	23
Total	1,372	308	1,064	-	7	1,071
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	17,503	10,664	6,838	-	(24)	6,814
- of which administration margin	6,708	(79)	6,787	-	-	
Bonds	328	-	328	-	1,333	1,661
Equities etc	-	-	-	164	821	986
Derivative financial instruments	(21)	-	(21)	-	(1,227)	(1,248)
Total	17,810	10,664	7,146	164	903	8,213
Foreign currency translation adjustment					72	72
Net interest income etc and value adjustments	19,182	10,972	8,210	164	982	9,356
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to		982				
Q1-Q3/2018						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(7)	35	(42)	-	-	(42)
Lending and deposits	1,500	(19)	1,519	-	-	1,519
Repo transactions and reverse repurchase lending	(124)	(102)	(21)	-	11	(10)
Subordinated debt	-	266	(266)	-	-	(266)
Other financial instruments	67	59	8	-	-	8
Total	1,437	240	1,197	-	11	1,208
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	17,662	10,904	6,758	-	92	6,850
- of which administration margin	6,737	(117)	6,854	-	-	
Bonds	359	-	359	-	144	503
Equities etc	-	-	-	138	(219)	(81)
Derivative financial instruments	(157)	-	(157)	-	939	782
Total	17,865	10,904	6,960	138	956	8,054
Foreign currency translation adjustment					86	86
Net interest income etc and value adjustments	19,301	11,144	8,157	138	1,054	9,349
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to		783				

¹ Recognised at fair value through fair value option.

NOTES

		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1-Q3/2018	Q1-Q3/2019	Q1-Q3/2019	Q1-Q3/2018
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
(1,216)	5,650	Mortgage loans	14,828 (2,310)
(1,044)	9,235	Totalkredit mortgage loan funding	- -
(14)	(6)	Other loans, advances and receivables at fair value	7 11
(73)	1,103	Bonds	1,333 144
(246)	753	Equities etc	821 (219)
16	(20)	Foreign exchange	72 86
85	(650)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(1,258) 933
-	-	Other assets	31 6
Liabilities measured at fair value through profit or loss			
1,308	(5,673)	Bonds in issue	(14,852) 2,403
1,044	(9,235)	Other liabilities	- -
(139)	1,156	Total	982 1,054

Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Group's trading activities.

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

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

	Loans and advances at fair value	Loans and advances at fair value	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions	Credit institutions	Guarantees etc ²	Guarantees etc ²	Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Total impairment provisions										
Beginning of period	5,025	5,567	2,767	2,290	21	-	117	58	7,930	7,916
Impact following implementation of IFRS 9		-		506		3		62	-	571
Balance, 1 January	5,025	5,567	2,767	2,796	21	3	117	120	7,930	8,486
New impairment provisions as a result of additions and change in credit risk	2,342	2,897	855	939	7	28	75	79	3,280	3,944
Releases as a result of redemptions and change in credit risk	1,907	2,745	756	846	0	3	58	83	2,722	3,677
Impairment provisions written off	260	517	159	193	-	-	-	-	419	709
Interest from impaired facilities	-	-	44	-	-	-	-	-	44	-
Transferred to "Impairment provisions for properties acquired by foreclosure"	2	(11)	-	-	-	-	-	-	2	(11)
Total impairment provisions	5,198	5,213	2,751	2,697	28	30	134	115	8,111	8,055
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	435	152	99	93	7	25	17	(4)	558	267
Write-offs for the year, not previously written down for impairment	320	130	101	47	-	-	-	-	421	178
Recoveries on claims previously written off	(71)	(59)	(38)	(36)	-	-	-	-	(110)	(95)
Total	683	223	162	104	7	25	17	(4)	869	349
Value adjustment of assets in temporary possession	(40)	(0)	-	-	-	-	-	-	(40)	(0)
Value adjustment of claims previously written off	(39)	1	(11)	2	-	-	-	-	(50)	3
Losses offset, in accordance with partnership agreement ¹	(115)	(138)	-	-	-	-	-	-	(115)	(138)
Earnings impact	490	86	150	106	7	25	17	(4)	665	213

¹ According to the partnership agreement with the partner banks Totalkredit A/S has a right of set-off against commission in connection with write-offs on lending.

² "Guarantees etc" comprises off-balance sheet items in the form of guarantees and other commitments.

NOTES

DKK million

Nykredit Realkredit Group

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

8 b. 2019: Total impairment provisions by stage	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, beginning of period	953	1,626	2,447	326	187	2,274	36	29	53	7,930
Transfer to stage 1	545	(518)	(26)	147	(99)	(47)	21	(10)	(11)	-
Transfer to stage 2	(20)	191	(171)	(7)	116	(109)	(3)	8	(5)	-
Transfer to stage 3	(2)	(175)	178	(2)	(17)	19	(0)	(1)	2	-
Impairment provisions for new loans and advances (additions)	81	115	71	45	32	58	7	4	1	415
Additions as a result of change in credit risk	336	792	946	150	94	483	14	22	27	2,865
Releases as a result of change in credit risk	1,035	476	397	231	132	394	29	10	19	2,722
Previously written down for impairment, now written off	-	-	262	-	-	159	-	-	-	421
Interest from impaired facilities	-	-	-	-	-	44	-	-	-	44
Total impairment provisions, end of period	858	1,554	2,786	428	181	2,170	47	41	47	8,111
Total, end of period	5,198			2,779			134			8,111
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				28	-	-				28
Earnings impact, Q1-Q3/2019	(617)	431	621	(37)	(5)	148	(7)	15	9	558

8 b. 2018: Total impairment provisions by stage	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles	975	1,791	2,801	463	177	2,160	36	25	59	8,486
Transfer to stage 1	432	(201)	(231)	33	(21)	(12)	0	(0)	(0)	-
Transfer to stage 2	(85)	254	(169)	(50)	167	(117)	(4)	12	(8)	-
Transfer to stage 3	(26)	(289)	315	(11)	(30)	41	(0)	(0)	0	-
Impairment provisions for new loans and advances (additions)	126	53	106	50	9	65	4	2	10	423
Additions as a result of change in credit risk	687	830	1,096	193	92	560	28	23	14	3,520
Releases as a result of change in credit risk	1,081	776	887	291	244	314	25	23	35	3,677
Previously written down for impairment, now written off	-	-	506	-	-	192	-	-	-	698
Total impairment provisions, end of period	1,027	1,662	2,524	388	148	2,190	39	38	39	8,055
Total, end of period	5,213			2,726			115			8,055
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				30	-	-				30
Earnings impact, Q1-Q3/2018	(269)	107	315	(48)	(144)	310	7	1	(11)	267

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2018.

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

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

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

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

8 c: Loans, advances and guarantees etc by stage, at 30 September 2019

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,222,138	28,554	11,029	1,261,720
Total impairment provisions, end of period	858	1,554	2,786	5,198
Value, end of period	1,221,280	27,000	8,243	1,256,523
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	110,672	2,723	2,999	116,394
Total impairment provisions, end of period	399	181	2,170	2,751
Value, end of period	110,273	2,541	830	113,643
Guarantees etc				
Guarantees etc	28,513	720	209	29,442
Total impairment provisions, end of period	47	41	47	134
Value, end of period	28,466	679	162	29,308

8 c: Loans, advances and guarantees etc by stage, at end-2018

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,155,517	32,947	10,536	1,199,000
Total impairment provisions, end of period	953	1,626	2,447	5,025
Value, end of period	1,154,564	31,322	8,089	1,193,975
Loans and advances at amortised cost excluding credit institutions etc, gross				
Loans and advances at amortised cost etc, gross	94,215	3,853	3,009	101,077
Total impairment provisions, end of period	305	187	2,274	2,767
Value, end of period	93,911	3,666	735	98,311
Guarantees etc				
Guarantees etc	39,923	481	218	40,622
Total impairment provisions, end of period	36	29	53	117
Value, end of period	39,887	452	165	40,505

Nykredit Realkredit A/S

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

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

	Loans and advances at fair value	Loans and advances at fair value	Credit institutions	Credit institutions	Total	Total
	2019	2018	2019	2018	2019	2018
Total impairment provisions						
Balance, 1 January 2019	3,493	4,004	5	-	3,498	4,004
New impairment provisions as a result of additions and change in credit risk	1,441	2,010	1	10	1,442	2,020
Releases as a result of redemptions and change in credit risk	1,051	1,954	-	-	1,051	1,954
Impairment provisions written off	139	321	-	-	139	321
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	(12)	-	-	1	(12)
Total impairment provisions	3,742	3,751	6	10	3,748	3,761
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	390	56	1	10	391	66
Write-offs for the year, not previously written down for impairment	191	19	-	-	191	19
Recoveries on claims previously written off	(46)	(41)	-	-	(46)	(41)
Total	535	33	1	10	536	43
Value adjustment of assets in temporary possession	(34)	17	-	-	(34)	17
Value adjustment of claims previously written off	(24)	19	-	-	(24)	19
Earnings impact	476	68	1	10	477	78

Nykredit Realkredit A/S

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

9 b. 2019: Total impairment provisions by stage

	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2019	589	673	2,236	3,498
Transfer to stage 1	114	(94)	(20)	-
Transfer to stage 2	(14)	171	(158)	-
Transfer to stage 3	(2)	(74)	76	-
Impairment provisions for new loans and advances (additions)	40	95	56	192
Additions as a result of change in credit risk	105	381	764	1,250
Releases as a result of change in credit risk	486	263	303	1,051
Previously written down for impairment, now written off	-	-	140	140
Total impairment provisions, end of period	347	890	2,511	3,748
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	6	-	-	6
Earnings impact, Q1-Q3/2019	(340)	214	517	391

9 b. 2018: Total impairment provisions by stage

	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles	528	951	2,524	4,004
Transfer to stage 1	349	(118)	(231)	-
Transfer to stage 2	(51)	206	(155)	-
Transfer to stage 3	(26)	(247)	273	-
Impairment provisions for new loans and advances (additions)	113	37	40	190
Additions as a result of change in credit risk	486	380	964	1,830
Releases as a result of change in credit risk	736	437	780	1,954
Previously written down for impairment, now written off	-	-	309	309
Total impairment provisions, end of period	663	772	2,327	3,761
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	10	-	-	10
Earnings impact, Q1-Q3/2018	(138)	(21)	225	66

NOTES

DKK million

Nykredit Realkredit A/S

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

9 c: Loans and advances etc by stage, at 30 September 2019	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	491,470	18,102	9,143	518,716
Total impairment provisions, end of period	341	890	2,511	3,742
Loans and advances, carrying amount	491,129	17,213	6,632	514,974

9 c: Loans and advances etc by stage, at end-2018	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	485,411	17,945	9,569	512,925
Total impairment provisions, end of period	584	673	2,236	3,493
Loans and advances, carrying amount	484,828	17,273	7,332	509,433

NOTES

Nykredit Realkredit A/S		Nykredit Realkredit Group		DKK million
Q1-Q3/2018	Q1-Q3/2019	Q1-Q3/2019	Q1-Q3/2018	

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019		30.09.2019	31.12.2018
11. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
509,225	514,775	Mortgage loans	1,256,233	1,193,667
208	198	Arrears and outlays	289	308
1,689	963	Loans to Totalkredit serving as collateral in capital centres	-	-
712,600	833,762	Totalkredit mortgage loan funding	-	-
1,223,721	1,349,699	Total	1,256,523	1,193,975
11 a. Mortgage loans				
508,622	499,304	Balance, beginning of period, nominal value	1,171,449	1,138,109
65,385	80,204	New loans	293,616	206,869
258	148	Indexation	148	258
(823)	(1,076)	Foreign currency translation adjustment	(1,076)	(823)
(14,019)	(10,685)	Ordinary principal payments	(21,147)	(25,942)
(60,118)	(68,592)	Prepayments and extraordinary principal payments	(221,578)	(147,023)
499,304	499,302	Balance, end of period, nominal value	1,221,411	1,171,449
(50)	(9)	Loans transferred relating to properties in temporary possession	(12)	(72)
499,255	499,294	Total	1,221,399	1,171,376
13,333	19,110	Adjustment for interest rate risk etc	39,861	27,167
15	-	- of which adjustment relating to sold foreign portfolio	-	15
Adjustment for credit risk				
(3,364)	(3,629)	Impairment provisions	(5,026)	(4,876)
509,225	514,775	Balance, end of period, fair value	1,256,233	1,193,667
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
37,348	47,325	Supplementary guarantees totalling	85,474	74,117
376	383	Interim loan guarantees totalling	23,311	20,554
2,464	3,443	Mortgage registration guarantees etc totalling	68,167	19,847
11 b. Arrears and outlays				
277	229	Arrears before impairment provisions	346	403
61	82	Outlays before impairment provisions	115	53
(129)	(114)	Individual impairment provisions for arrears and outlays	(172)	(148)
208	198	Total	289	308
11 c. Totalkredit mortgage loan funding				
672,888	699,285	Balance, beginning of period, nominal value	-	-
213,245	265,120	New loans	-	-
(18,195)	(8,143)	Ordinary principal payments	-	-
(168,654)	(142,791)	Prepayments and extraordinary principal payments	-	-
699,285	813,472	Balance, end of period, nominal value	-	-
13,315	20,290	Adjustment for interest rate risk	-	-
712,600	833,762	Balance, end of period, fair value	-	-

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019		30.09.2019	31.12.2018
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
-	-	Bank loans and advances	66,040	63,333
13	10	Totalkredit mortgage loan funding	-	-
-	-	Mortgage loans	10	12
-	-	Reverse repurchase lending	50,008	37,427
217	234	Other loans and advances	336	305
229	244	Balance, end of period	116,394	101,078
Adjustment for credit risk				
-	-	Impairment provisions	(2,751)	(2,767)
229	244	Balance after impairment provisions, end of period	113,643	98,311
-	-	Set-off of self-issued "Other loans and advances" against "Bonds in issue at amortised cost"	-	-
229	244	Total	113,643	98,311
13. BONDS AT FAIR VALUE				
31,369	46,047	Self-issued SDOs	100,958	57,145
14,121	9,979	Self-issued ROs	15,682	22,661
-	-	Self-issued corporate bonds	180	175
274	170	Self-issued senior debt	170	274
22,948	24,394	Other covered bonds	99,559	79,174
7,643	5,488	Government bonds	10,416	8,656
3,434	3,277	Other bonds	5,514	5,792
79,789	89,355	Total	232,480	173,878
(31,356)	(46,037)	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 15	(100,948)	(57,133)
(13)	(10)	Set-off of self-issued SDOs against "Bonds in issue at amortised cost"	(10)	(13)
(14,121)	(9,979)	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 15	(15,682)	(22,661)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 16	(180)	(175)
(197)	-	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 15	-	(197)
(77)	-	Set-off of self-issued senior unsecured debt against "Bonds in issue at fair value" – note 15	-	(77)
-	(170)	Set-off of self-issued senior unsecured debt against "Bonds in issue at amortised cost"	(170)	-
34,026	33,158	Total	115,489	93,622
Of bonds at fair value before set-off of self-issued bonds:				
3,488	1,443	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	4,589	4,061
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 value days.				
Collateral security was provided on an arm's length basis.				

NOTES

		DKK million		
Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2018	30.09.2019		30.09.2019	31.12.2018
14. DEPOSITS AND OTHER PAYABLES				
-	-	On demand	76,637	66,692
-	-	At notice	18	176
-	-	Time deposits	3,651	7,092
-	-	Special deposits	3,161	2,986
10,500	12,200	Repo deposits	14,873	16,245
10,500	12,200	Total	98,340	93,191
15. BONDS IN ISSUE AT FAIR VALUE				
139,935	133,523	ROs	140,050	147,490
1,126,449	1,294,964	SDOs	1,294,964	1,126,449
4,900	1,162	Senior secured debt	1,162	4,900
3,740	-	Senior unsecured debt	-	3,740
1,275,024	1,429,648	Total	1,436,176	1,282,579
(45,751)	(56,016)	Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost"	(116,630)	(86,350)
1,229,273	1,373,632	Total	1,319,545	1,196,229
15 a. ROs				
131,773	123,215	ROs at nominal value	129,282	138,809
8,162	10,308	Fair value adjustment	10,768	8,681
139,935	133,523	ROs at fair value	140,050	147,490
(14,121)	(9,979)	Self-issued ROs	(15,682)	(22,661)
125,814	123,543	Total	124,368	124,828
478	78	Of which pre-issuance	78	478
4,353	3,123	ROs redeemed and maturing at next creditor payment date	3,123	4,686
15 b. SDOs				
1,107,963	1,265,871	SDOs at nominal value	1,265,871	1,107,963
18,486	29,092	Fair value adjustment	29,092	18,486
1,126,449	1,294,964	SDOs at fair value	1,294,964	1,126,449
(31,356)	(46,037)	Self-issued SDOs	(100,948)	(57,133)
1,095,093	1,248,927	Total	1,194,016	1,069,316
5,867	9,366	Of which pre-issuance	9,366	5,867
55,200	128,357	SDOs redeemed and maturing at next creditor payment date	128,357	55,200

NOTES

		DKK million	
Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2018	30.09.2019	30.09.2019	31.12.2018
15. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
15 c. Senior secured debt			
4,704	933	933	4,704
195	229	229	195
4,900	1,162	1,162	4,900
(197)	-	-	(197)
4,703	1,162	1,162	4,703
-	-	-	-
15 d. Senior unsecured debt			
3,734	-	-	3,734
7	-	-	7
3,740	-	-	3,740
(77)	-	-	(77)
3,663	-	-	3,663
16. BONDS IN ISSUE AT AMORTISED COST			
-	-	4,650	5,585
13	11	11	13
17,152	26,738	26,738	17,152
27	43	43	27
17,192	26,792	31,442	22,777
-	-	(180)	(175)
(13)	(180)	(180)	(13)
17,179	26,612	31,082	22,590
17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
3	731	8,848	5,592
3	731	8,848	5,592

NOTES

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2018	30.09.2019	30.09.2019	31.12.2018
18. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down			
4,586	4,577	4,577	4,586
Nominally EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years			
6,052	6,134	6,134	6,052
Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months			
373	373	373	373
11,011	11,084	11,084	11,011
Total subordinate loan capital			
-	-	-	-
Portfolio of self-issued bonds			
11,011	11,084	11,084	11,011
Total subordinated debt			
10,828	10,826	10,830	10,828
Subordinated debt that may be included in own funds			

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1-Q3/2019.

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

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

Significant related party transactions prevailing/entered into as at 30 September 2019 include:

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

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

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

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans totalled DKK 1.0 billion at 30 September 2019. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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

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

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

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

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

Nykredit Realkredit contributed DKK 2.0 billion to Nykredit Bank A/S in the form of Tier 2 capital.

In Q3/2019, Nykredit Realkredit made an equity contribution of DKK 2 billion to Nykredit Bank A/S.

20. FAIR VALUE DISCLOSURES

Listed prices

The Group's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised 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 impairment in the lowest rating categories, as there are no external curves suitable for the calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations entailing increased CVA are included in the value adjustment.

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

FVA may involve both a funding benefit and a funding cost, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK 776 million at 30 September 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 30 September 2019, the non-amortised minimum margin amounted to DKK 141 million against DKK 147 million at end-2018. With regard to liquidity and credit risk, DKK 191 million for 30 September 2019 and DKK 201 million at end-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 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 2,812 million at 30 September 2019. Credit value adjustments came to DKK 2,760 million at 30 September 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 88 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 September 2019, the proportion was thus 0.4% compared with 0.4% 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 5.9 billion (2018: DKK 4.6 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 589 million at September 2019 (0.72% of equity at 30 September 2019). The earnings impact for 2018 was estimated at DKK 460 million (0.58% 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. As at 30 September 2019, financial assets of DKK 1.6 billion have been transferred from Listed prices to Observable inputs and DKK 19.6 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.7 billion were transferred from Listed prices to Observable inputs and DKK 0.8 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 September 2019, the amount was DKK 0.3 billion against DKK 0.4 billion at end-2018.

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

Nykredit Realkredit Group

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 September 2019

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	58,083	57,405	1	115,489
- equities measured at fair value through profit or loss	4,040	-	3,006	7,046
- positive fair value of derivative financial instruments	50	23,131	2,812	25,993
- mortgage loans, arrears and outlays ³	-	1,256,523	-	1,256,523
- owner-occupied properties	-	-	76	76
Total	62,174	1,337,058	5,894	1,405,126
Percentage	4.4	95.2	0.4	100.0

Financial liabilities:				
- other non-derivative financial liabilities at fair value	8,177	671	-	8,848
- negative fair value of derivative financial instruments	121	14,870	-	14,991
- bonds in issue at fair value ³	1,315,255	4,290	-	1,319,545
Total	1,323,554	19,831	-	1,343,384
Percentage	98.5	1.5	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	86	65	2,956	1,495	4,601
Value adjustment recognised through profit or loss	(1)	(0)	201	683	882
Purchases for the period	1	-	87	-	88
Sales for the period	(3)	(64)	(238)	(124)	(429)
Transferred from Listed prices and Observable inputs ¹	-	-	-	(849)	(849)
Transferred to Listed prices and Observable inputs ²	-	-	-	1,608	1,608
Reclassification to "Other assets"	(7)	-	-	-	(7)
Fair value, end of period, assets	76	1	3,006	2,812	5,894

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

² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

³ Recognised at fair value through fair value option.

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	8,308	85,250	65	93,622
- equities measured at fair value through profit or loss	2,865	-	2,956	5,821
- positive fair value of derivative financial instruments	63	16,899	1,495	18,457
- mortgage loans, arrears and outlays ³	-	1,193,975	-	1,193,975
- owner-occupied properties	-	-	86	86
Total	11,236	1,296,124	4,601	1,311,961
Percentage	0.9	98.8	0.4	100.0

Financial liabilities:

- other non-derivative financial liabilities at fair value	2,574	3,018	-	5,592
- negative fair value of derivative financial instruments	62	11,669	-	11,731
- bonds in issue at fair value ³	1,192,143	4,085	-	1,196,229
Total	1,194,779	18,772	-	1,213,552
Percentage	98.5	1.5	-	100.0

Assets and liabilities measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	273	22	2,623	1,104	4,022
Value adjustment recognised through profit or loss	41	18	261	377	697
Purchases for the year	-	51	182	-	234
Sales for the year	(229)	(27)	(110)	(57)	(422)
Transferred from Listed prices and Observable inputs ¹	-	-	-	(493)	(493)
Transferred to Listed prices and Observable inputs ²	-	-	-	564	564
Fair value, end of period, assets	86	65	2,956	1,495	4,601

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

² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

³ Recognised at fair value through fair value option.

NOTES

DKK million

Nykredit Realkredit Group

21. ACQUISITION OF GROUP ENTERPRISE AND INTANGIBLE ASSETS

	Balance sheet at 30 August 2019	Adjustment of pre-acquisition balance sheet at 30 August 2019	Adjusted pre-acquisition balance sheet at 30 August 2019
Sparinvest A/S			
Assets			
Cash balances and receivables from credit institutions	321	-	321
Receivables	-	-	-
Bonds	39	(0)	39
Equities	54	3	57
Intangible assets	8	-	8
Owner-occupied properties, including leased properties	1	24	25
Other property, plant and equipment	5	-	5
Other assets and prepayments etc	156	-	156
Total assets	584	27	611
Liabilities and equity			
Bank loans etc	-	-	-
Other payables	138	24	162
Provisions	-	2	2
Total liabilities and equity	138	25	164
Equity (net assets)	446	1	447
Minorities' share of equity (24.77%)			111
Equity excluding minorities (Nykredit Bank's share)			336
Cash purchase price including previous holdings of about 0.2%			2,184
Balance (goodwill and other intangible assets)			1,848

The purchase proceeds have 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, including related voting rights, and 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 before fair value adjustments corresponds to the balance sheet of Sparinvest Holdings SE as at 30 August 2019. A few adjustments have been made to this, including the equity portfolio has been adjusted to fair value, whereas owner-occupied properties and other payables grew by DKK 24 million related to particularly leased properties, see IFRS 16. Adjustments to provisions are tax-related. The value of goodwill is not deductible for tax purposes, and the acquisition has only given rise to limited adjustments to corporation tax. The carrying amount of cash and cash equivalents, short-term receivables as well as payables is assumed to equal the fair value.

The company's profit of DKK 10 million has been included in the Nykredit Bank Group's Q3 financial statements, corresponding to the profit for the period from 31 August to 30 September 2019. Sparinvest's profit up to the acquisition date amounted to DKK 100 million; an amount which has not been recognised in the Financial Statements. Nykredit Bank has paid advisory fees etc, which have been charged to the income statement.

The balance between the value of Nykredit's ownership interest in Sparinvest and the purchase proceeds has been calculated at DKK 1,848 million. According to the accounting rules, this value must be taken to intangible assets – eg customer relationships and distribution networks – when such assets are separable or arise from contractual and/or legal rights. Intangible assets must be amortised over their useful lives and, if relevant, be written down. Any remaining value consists of goodwill related to the acquisition recognised at cost. Goodwill is tested for impairment once a year and is written down to the recoverable amount, if this is lower than the carrying amount. The recoverable amount equals the present value of the estimated future cash flows from the cash flow-generating entity(ies) to which allocation of goodwill is made.

We are currently identifying and measuring any separable intangible assets, as well as allocating goodwill to cash flow-generating entities. This process has not yet been concluded, and therefore the overall balance has been presented as investments in group enterprises in the Parent's balance sheet. In accordance with the Danish Executive Order on Financial Reports, goodwill must be presented as an intangible asset in the Parent's balance sheet. We expect this process to be concluded by end-2019. The results will be included in the Annual Report for 2019. IFRS 3 furthermore stipulates that the pre-acquisition balance sheet in some instances may be adjusted for a period of up to 12 months after the date of acquisition. At the date of presentation of the Q1-Q3 Interim Report, no areas have been identified that may significantly affect the balance sheet.

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DKK million

Nykredit Realkredit Group	Q1-Q3/ 2019	Q1-Q3/ 2018	Q1-Q3/ 2017	Q1-Q3/ 2016	Q1-Q3/ 2015
22. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	8,210	8,157	8,607	8,383	8,990
Net fee income etc	(68)	(194)	(107)	(145)	53
Net interest and fee income	8,142	7,963	8,500	8,238	9,044
Value adjustments	982	1,054	3,691	45	175
Other operating income	1,110	722	327	149	136
Staff and administrative expenses	3,485	3,419	3,255	3,403	3,388
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	205	83	183	156	2,074
Other operating expenses	106	97	108	124	94
Impairment charges for loans, advances and receivables etc	665	213	(550)	385	693
Profit from investments in associates and Group enterprises	1	2	18	7	6
Profit before tax	5,775	5,929	9,541	4,370	3,111
Tax	917	1,132	1,907	869	1,087
Profit for the period	4,857	4,797	7,633	3,501	2,023
Value adjustment and reclassification of strategic equities against equity	-	-	72	38	254
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
Assets					
Cash balances and receivables from credit institutions and central banks	71,304	29,526	40,064	41,685	36,732
Mortgage loans at fair value	1,256,233	1,183,494	1,155,047	1,127,516	1,118,029
Bank loans excluding reverse repurchase lending	63,289	58,749	57,270	53,115	47,506
Bonds and equities etc	122,535	92,412	95,531	108,574	102,786
Remaining assets	89,235	61,057	51,638	74,910	83,371
Total assets	1,602,597	1,425,238	1,399,550	1,405,800	1,388,425
Liabilities and equity					
Payables to credit institutions and central banks	23,422	18,498	13,233	19,362	35,117
Deposits and other payables	98,340	85,667	69,001	64,897	61,581
Bonds in issue at fair value	1,319,545	1,184,320	1,161,855	1,151,669	1,134,618
Subordinated debt	11,084	10,940	10,985	11,276	4,684
Remaining liabilities	68,333	46,902	65,951	89,720	87,847
Equity	81,873	78,912	78,525	68,877	64,577
Total liabilities and equity	1,602,597	1,425,238	1,399,550	1,405,800	1,388,425
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,557	6,074	7,488	6,720	7,568
Other commitments	25,093	9,351	8,241	6,965	6,132
FINANCIAL RATIOS¹					
Total capital ratio, %	23.5	25.3	25.8	22.0	21.7
Tier 1 capital ratio, %	20.4	22.0	22.4	18.9	20.4
Return on equity before tax, %	7.1	7.5	12.9	6.5	5.5
Return on equity after tax, %	6.0	6.0	10.3	5.2	3.6
Income:cost ratio	2.3	2.6	4.2	2.1	1.5
Foreign exchange position, %	0.2	0.0	0.2	0.4	0.2
Loans and advances:equity (loan gearing)	16.7	16.2	15.7	17.5	18.6
Growth in loans and advances for the period, %	4.3	2.5	1.1	(1.5)	(0.3)
Impairment charges for the period, %	0.05	0.02	(0.04)	0.03	0.06
Return on capital employed, %	0.30	0.33	0.54	0.25	0.14

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 55 in the Annual Report for 2018.

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DKK million

Nykredit Realkredit A/S	Q1-Q3/ 2019	Q1-Q3/ 2018	Q1-Q3/ 2017	Q1-Q3/ 2016	Q1-Q3/ 2015
22. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	2,933	2,971	3,151	3,469	3,813
Net fee income etc	530	521	518	642	721
Net interest and fee income	3,463	3,492	3,670	4,111	4,533
Value adjustments	1,156	(139)	1,140	486	(140)
Other operating income	974	707	716	750	662
Staff and administrative expenses	2,021	2,096	1,989	2,222	2,234
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	195	76	163	125	2,043
Other operating expenses	88	79	91	103	23
Impairment charges for loans, advances and receivables etc	477	78	(384)	377	366
Profit from investments in associates	2,504	3,457	4,685	1,480	2,303
Profit before tax	5,314	5,189	8,353	4,000	2,692
Tax	456	376	647	462	414
Profit for the period	4,857	4,813	7,705	3,537	2,278
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2019	30.09.2018	30.09.2017	30.09.2016	30.09.2015
Assets					
Cash balances and receivables from credit institutions and central banks	66,538	38,944	48,097	35,880	23,617
Mortgage loans at fair value	514,775	509,687	522,299	531,547	554,374
Totalkredit mortgage loan funding	833,762	707,654	668,837	648,650	611,664
Bonds and equities etc	39,423	42,616	43,022	49,056	49,535
Remaining assets	64,162	59,880	60,641	61,027	61,890
Total assets	1,518,659	1,358,781	1,342,897	1,326,160	1,301,080
Liabilities and equity					
Payables to credit institutions and central banks	2,662	3,811	7,844	20,344	20,658
Deposits and other payables	12,200	8,000	-	-	-
Bonds in issue	1,373,632	1,230,424	1,208,759	1,199,193	1,189,974
Subordinated debt	11,084	10,941	10,985	11,277	4,600
Remaining liabilities	37,260	26,629	36,785	26,473	21,271
Equity	81,822	78,976	78,525	68,872	64,577
Total liabilities and equity	1,518,659	1,358,781	1,342,897	1,326,160	1,301,080
OFF-BALANCE SHEET ITEMS					
Other commitments	11,809	1,369	1,303	1,120	1,210
FINANCIAL RATIOS¹					
Total capital ratio, %	19.4	20.6	21.6	20.3	18.1
Tier 1 capital ratio, %	17.0	18.0	18.9	17.5	17.0
Return on equity before tax, %	6.6	6.6	11.2	6.0	4.4
Return on equity after tax, %	6.0	6.1	10.3	5.3	3.6
Income:cost ratio	2.9	3.2	5.5	2.4	1.6
Foreign exchange position, %	0.3	0.0	0.1	0.3	0.2
Loans and advances:equity (loan gearing)	6.3	6.5	6.7	7.7	8.6
Growth in loans and advances for the period, %	0.0	(1.8)	(1.1)	(4.3)	(4.0)
Impairment charges for the period, %	0.04	0.02	(0.07)	0.07	0.07
Return on capital employed, %	0.32	0.35	0.57	0.26	0.17

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 55 in the Annual Report for 2018.

Nykredit Realkredit Group

23. GROUP STRUCTURE

Name and registered office

	Ownership interest as %, 30 September 2019	Profit for the period, 2019	Equity, 30 September 2019	Profit for 2018	Equity, 31 December 2018
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	4,857	81,822	5,810	79,883
Totalkredit A/S, Copenhagen, a)	100	1,924	30,010	2,120	28,229
Nykredit Bank A/S, Copenhagen, b)	100	507	23,666	1,660	21,095
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	148	1,035	163	887
Nykredit Leasing A/S, Gladsaxe, e)	100	76	831	84	755
Sparinvest Holdings SE, Luxembourg, h)	75	10	257	145	507
Nykredit Mægler A/S, Copenhagen, c)	100	53	121	67	133
Nykredit Ejendomme A/S, Copenhagen (wound up in 2018), d)	-	-	-	24	0
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	21	691	25	256
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	7	547	7	117
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	4	139	20	135

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

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

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a) (discontinued in 2018)

	Number of staff	Revenue ²	Profit (loss) before tax	Tax	Government aid received
Denmark	3,442	22,836	5,775	917	-
Poland	1	0	(1)	-	-

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

a) Mortgage bank

b) Bank

c) Estate agency business

d) Property company

e) Leasing business

g) Investment management company

h) Holding company, no independent activities

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

Nykredit Realkredit A/S

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DK-1780 Copenhagen V

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.