

Nykredit
Realkredit
Group



H1 Interim Report 2020

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FINANCIAL HIGHLIGHTS

DKK million

Nykredit Realkredit Group	H1/ 2020	H1/ 2019	Q2/ 2020	Q1/ 2020	Q2/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	4,832	4,592	2,438	2,394	2,310	9,344
Net fee income	1,136	1,155	594	542	671	2,739
Wealth management income	987	719	485	502	369	1,610
Net interest from capitalisation	(198)	(172)	(93)	(105)	(84)	(352)
Net income relating to customer benefits programmes ¹	(97)	(103)	(52)	(45)	(23)	(358)
Trading, investment portfolio and other income	(189)	1,301	1,205	(1,394)	623	1,672
Income	6,471	7,492	4,576	1,894	3,865	14,655
Costs	2,835	2,492	1,419	1,416	1,264	5,326
Business profit before impairment charges	3,635	5,001	3,157	478	2,601	9,329
Impairment charges for loans and advances	1,755	433	443	1,312	213	994
Business profit (loss)	1,880	4,568	2,714	(834)	2,388	8,335
Legacy derivatives	(103)	(269)	318	(421)	(50)	(112)
Badwill, impairment of goodwill and amortisation of customer relationships	(2)	-	(2)	-	-	564
Profit (loss) before tax for the period	1,775	4,298	3,030	(1,255)	2,338	8,787
Tax	205	684	582	(376)	354	1,344
Profit (loss) for the period	1,570	3,615	2,449	(879)	1,984	7,443
Other comprehensive income, remaining items	(35)	(3)	(20)	(15)	29	22
Comprehensive income (loss) for the period	1,535	3,612	2,429	(894)	2,013	7,465
Interest on Additional Tier 1 capital charged against equity	116	117	58	58	59	233
Minority interests	14	-	7	7	-	(1)
SUMMARY BALANCE SHEET						
Assets	30.06.2020	30.06.2019	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Receivables from credit institutions and central banks	32,698	43,475	32,698	41,002	43,475	59,623
Mortgage loans at fair value	1,313,138	1,232,135	1,313,138	1,286,026	1,232,135	1,287,370
Bank loans excluding reverse repurchase lending	67,014	63,505	67,014	69,389	63,505	65,466
Bonds and equities	114,005	117,650	114,005	117,662	117,650	115,690
Remaining assets	71,048	83,943	71,048	77,358	83,943	82,188
Total assets	1,597,903	1,540,708	1,597,903	1,591,437	1,540,708	1,610,336
Liabilities and equity						
Payables to credit institutions and central banks	14,445	26,647	14,445	22,705	26,647	13,914
Deposits excluding repo deposits	85,278	79,959	85,278	80,543	79,959	85,396
Bonds in issue at fair value	1,313,990	1,263,666	1,313,990	1,308,146	1,263,666	1,336,414
Subordinated debt	10,951	11,077	10,951	11,011	11,077	11,004
Remaining liabilities	87,433	78,786	87,433	85,538	78,786	79,230
Equity	85,806	80,573	85,806	83,494	80,573	84,378
Total liabilities and equity	1,597,903	1,540,708	1,597,903	1,591,437	1,540,708	1,610,336
FINANCIAL RATIOS						
Profit (loss) for the period as % pa of average business capital (ROAC) ²	4.6	12.4	15.2	(6.2)	13.2	12.4
Profit (loss) for the period as % pa of average equity ³	3.7	9.2	12.0	(4.7)	10.2	9.3
Costs as % of income	43.8	33.3	31.0	74.8	32.7	36.3
Total provisions for loan impairment and guarantees	9,579	8,027	9,579	9,171	8,027	8,033
Impairment charges for the period, %	0.12	0.03	0.02	0.10	0.02	0.07
Total capital ratio, %	23.2	24.7	23.2	24.5	24.7	23.7
Common Equity Tier 1 capital ratio, %	19.2	20.5	19.2	20.2	20.5	19.5
Internal capital adequacy requirement, %	10.7	10.1	10.7	11.0	10.1	10.9
Average number of staff, full-time equivalent	3,726	3,378	3,725	3,728	3,434	3,515

¹ "Net income relating to customer benefits programmes" are described in detail in "Alternative performance measures".

² "Profit (loss) for the period as % pa of average business capital (ROAC)" shows profit (loss) for the period relative to business capital. Profit (loss) 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 for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit (loss) for the period..

EXECUTIVE SUMMARY

Nykredit delivered a profit for H1/2020, which is satisfactory in the circumstances and significantly exceeds expectations earlier this year. The Nykredit Realkredit Group's profit before tax was DKK 1,775 million in H1/2020 (H1/2019: DKK 4,298 million).

Against this backdrop, we raised our guidance for business profit and profit before tax from between DKK 2.5 billion and DKK 3.5 billion to between DKK 4.0 billion and DKK 5.0 billion earlier this month. The higher guidance reflects the current outlook for the economy and financial markets as well as the continued positive development in our underlying core business. Our guidance is still subject to higher-than-usual uncertainty as a result of covid-19.

The period saw good momentum in the underlying business as demonstrated by increased net interest and wealth management income. Nykredit also recorded an increase in the number of customers and growth in bank and mortgage lending – hence, recent years' strong inflow of customers continued in H1/2020. Particularly bank lending increased significantly in the past 12 months, up 5% since end-June 2019. Furthermore, mortgage lending increased, which led to rising net interest income. Conversely, interest margins were under pressure, as more and more customers choose fixed-rate repayment loans.

Despite the fact that our results for H1 exceed expectations earlier this year, our performance was naturally marked by the continued uncertainty related to the impacts of the covid-19 pandemic in Denmark and globally. H1 results were negatively influenced by the financial market unrest, which impacted trading, investment portfolio and other income. Financial markets recovered significantly in Q2 and regained most of the losses from Q1.

At the same time, our results were marked by the increased impairment charges for loans and advances due to the uncertainty about the duration and severity of the covid-19 pandemic. The negative impact was lower in Q2, however, compared with Q1. In H1 impairment charges for loans and advances totalled DKK 1,755 million, of which DKK 1,549 million was provided for losses anticipated as a consequence of covid-19. Such provisions are based on management judgement. Covid-19-induced write-offs remained low, due to the generally robust finances and liquidity of our customers coupled with the effect of government relief packages and expanded access to credit in the financial sector.

In recent years, Nykredit has built a healthy core business and a strong capital position, and we are therefore able to focus on helping otherwise financially healthy families and businesses through this crisis prudently and responsibly. The increasing demand for lending and liquidity seen particularly in March, April and May has since receded concurrently with the reopening of Denmark. If such higher demand returns, we are ready to accommodate our customers' needs. In this way, we contribute to preserving healthy Danish businesses and workplaces, which might otherwise have been lost due to covid-19. The duration and severity of the economic crisis lying ahead of us are currently hard to predict but Nykredit operates from a strong foundation, and we are fully committed to delivering on our responsibility to society and helping as many families and businesses as possible through the crisis.

Together we can help more people

At Nykredit, we aim to create opportunities and provide security for our customers and help them find the right solutions. Shortly after the Danish government announced the release in October of three weeks' holiday pay, our full-service customers were therefore given the opportunity to have an interest- and fee-free credit corresponding to the amount of holiday pay due to them in October. They merely have to repay the credit when they receive their holiday pay. Our personal customers will thus be able to spend their holiday pay already this summer. And hopefully, this will affect our business customers so they will prosper from higher Danish private consumption already this summer instead of having to wait till autumn.

Nykredit Bank has launched a number of initiatives to help Danish families and businesses in financial difficulties as a consequence of covid-19. In the current situation, many families and businesses with otherwise healthy finances may be unable to make ends meet for a period of time. To provide the best possible support, we consider the circumstances of the individual customer, and together we strive to come up with the right solution.

We have launched two initiatives specifically targeted at our business customers. First, refusals are subject to the four-eyes principle. This means that a refusal must be exceptionally well-founded, and it will minimise the risk of mistakes. Secondly, we have set up a complaints board with a fast-tracked complaints procedure. This is to ensure that customers get a quick decision, helping them move forward.

Nykredit holds a strong capital position but still complies with the government's and the authorities' recommendation to financial undertakings to refrain from distributing dividend in 2020.

Nykredit's majority shareholder, Forenet Kredit, endorses the Group's customer programmes and has announced that the withholding of dividend in 2020 will not affect the association's financial backing for the Group's customer programmes. As a result, we were in March able to announce to our homeowner customers the continuation of the KundeKroner benefits programme on the current terms up to and including 2021. At end-June we were able to announce to our business customers the continuation of the ErhvervsKroner programme up to and including 2021 on the current terms. It is important to us that our customers know they can rely on the KundeKroner and ErhvervsKroner discount programmes. These programmes illustrate the unique strength of our mutual ownership structure.

Nykredit aligns its guidelines for meetings and access to locations with the authorities' recommendations and rules on assembly. Nykredit's customer centres have been closed for a period, and our people have made every effort to help customers while working from home. At the beginning of June, it was considered safe to reopen our customer centres. However, we still recommend that most meetings be held online or by telephone. We continue acting on a precautionary principle, observing all guidelines from authorities to minimise the spread of covid-19.

Top ranking of Nykredit products

In June Totalkredit was ranked no 1 in a test of mortgage loans for holiday homes and was recommended by the Danish Consumer Council. In all of the nine loan case examples the ongoing costs of a Totalkredit loan were the lowest when including KundeKroner. In February the Danish Consumer Council compared the prices of home equity loans, and Totalkredit was ranked best in test and given a recommendation. In June last year, Totalkredit was recommended as the mortgage lender offering the most attractive mortgage loans in the sector.

The strong product supply and good customer experience delivered by Wealth Management have again been recognised. Nykredit Invest won all three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of equities and bonds as well as best at equities, bonds and balanced funds. This is the third year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards.

Also, the fund Sparinvest INDEX Europe Growth KL won Morningstar's category "European Equities". Nykredit Invest and Sparinvest were nominated in 7 out of 8 of Morningstar's categories.

Strong alliance

The alliance between Totalkredit and its partner banks is strong, and partner satisfaction is higher than ever.

The alliance with the 53 Totalkredit partner banks is the foundation for our commitment to contribute to development and growth and offer attractive and secure loans all over Denmark at all times.

Lowest administration margin payments for more than six years

Nykredit offers attractive home loans. 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 six 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.

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 and the Danish government's ambitions in this area. A key element of Nykredit's strategy is the green agenda. Together with the Danish Energy Agency, Totalkredit and its partner banks have developed an energy calculator, which is a tool for home energy optimisation. The energy calculator is to raise awareness of sustainable housing and energy renovation. It provides homeowners with an easy and quick overview of the actions they need to take to save the most money and upgrade the energy performance of their homes. This way we can guide our customers towards a more financially attractive and greener path.

Nykredit was among the first to offer mortgage financing for wind turbines, electricity grids and fibre network solutions, and in July we were pleased to announce that we were the first provider of mortgage financing for solar panel parks. Mortgage lending is a unique, competitive and long-term source of funding, and Nykredit is contributing to founding a new market for green infrastructure financing. We see a major potential in contributing to driving the green transition by ensuring the right funding.

Nykredit's fund "Bæredygtige Aktier", which carries the Nordic Swan Ecolabel, also underscores our commitment to sustainable investment. Nykredit will continue to introduce products aimed at facilitating the green transition. At Nykredit we are also working to reduce our resource consumption and carbon footprint.



FINANCIAL REVIEW

	Business profit H1/2020	Profit H1/2020	Income H1/2020
	DKK 1,880 million	DKK 1,775 million	DKK 6,471 million
	Business profit	Profit before tax for the period	Income

	ROAC	Return on equity	Cost:income ratio
	4.6%	3.7%	43.8%
	Profit for the period as % pa of average business capital	Profit for the period as % pa of average equity	Costs as % of income

FINANCIAL HIGHLIGHTS IN H1/2020

Nykredit Realkredit Group delivered a profit before tax of DKK 1,775 million for H1/2020 (H1/2019: DKK 4,298 million). Business profit for H1/2020 was DKK 1,880 million (H1/2019: DKK 4,568 million). Results were impacted by covid-19 and the ensuing turmoil in financial markets and increased loan impairment charges. Nykredit's underlying business was, however, less impacted by covid-19, with growth in customers as well as lending in H1.

Financial markets tumbled in Q1, but normalised gradually in Q2. Losses on the Group's investment portfolios of bank equities and negative unrealised value adjustments of swaps etc were consequently significantly lower in Q2 than in Q1. However, in total, the investment portfolio generated a loss for H1. Loan impairment charges also increased significantly in the period due to the adverse economic outlook for especially businesses resulting from the covid-19 situation.

Income

Income totalled DKK 6,471 million in H1/2020 (H1/2019: DKK 7,492 million).

Net interest income, which rose by DKK 240 million compared with the same period last year, was satisfactory. Net interest income came to DKK 4,832 million (H1/2019: DKK 4,592 million). The underlying business is performing well, and continued growth in bank and mortgage lending has affected net interest income positively. In addition, negative interest rates for personal customers have also affected net interest income positively.

Net fee income decreased to DKK 1,136 million in H1/2020 (H1/2019: DKK 1,155 million), primarily owing to the exceptionally high remortgaging activity last year.

Wealth management income totalled DKK 987 million in H1/2020 (H1/2019: DKK 719 million). The rise primarily stemmed from Sparinvest, which was included in H1/2020, but not in H1/2019.

Net interest expenses from capitalisation, which includes interest on subordinated debt, grew to a negative DKK 198 million (H1/2019: a negative DKK 172 million).

Net income relating to the customer benefits programmes KundeKroner, ErhvervsKroner and MineMål was a negative DKK 97 million in H1/2020 (H1/2019: a negative DKK 103 million). The amount includes contributions received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustment of swaps etc, dropped to a negative DKK 189 million (H1/2019: income of DKK 1,301 million). This was strongly impacted by covid-19 and attributable to negative unrealised value adjustment of swaps prompted by credit and funding spread widening, losses on investment portfolios following mortgage spread widening and equity market declines; all covid-19 impacts. In H1/2019 investment portfolio income was significantly higher due to considerable capital gains on the portfolio of, for example, Danish bank equities.

Costs

Costs totalled DKK 2,835 million in H1/2020 (H1/2019: DKK 2,492 million). The increase was primarily related to staff from Sparinvest, LR Realkredit and Shared Valuation etc in 2020 relative to H1/2019, as well as investments in compliance.

The average headcount was 3,726 in H1/2020 (H1/2019: 3,378).

Impairment charges for loans and advances

Impairment charges for loans and advances totalled DKK 1,755 million in H1/2020 (H1/2019: DKK 433 million). The favourable economic trends from early Q1, before the covid-19 outbreak, continued into Q2 and were reflected in low write-offs and low individual impairment provisions for homeowners and businesses alike. Individual and model-based impairment provisions increased from a net reversal of DKK 103 million in Q1 to a net reversal of DKK 74 million in Q2.

	DKK million	
	Q2/ 2020	Q1/ 2020
Nykredit Realkredit Group		
Impairment charges for loans and advances		
Individual impairment provisions (stage 3)	(40)	152
Model-based impairment provisions (stages 1 and 2)	(34)	(255)
Management judgement (stages 1, 2 and 3)	517	1,415
- of the above attributable to covid-19	374	1,175
Impairment charges for loans and advances	443	1,312

Loan impairments were, however, impacted by the uncertainty about the duration and severity of the covid-19 pandemic. The negative impact was lower in Q2 compared with Q1. In H1 DKK 1,549 million was provided for losses anticipated as a consequence of covid-19. Such provisions are based on management judgement, stress tests, economic trends and portfolio calculations. Write-offs incurred by the covid-19 pandemic remain low due to the financial strength and liquidity of our customers as well as the effect of government relief packages and expanded access to credit in the financial sector. But the risk of higher losses will remain significant, if the pandemic continues to stretch on, adversely impacting the economy as well as the labour supply at national and international levels. For further information about the impacts of covid-19 on impairment charges for loans and advances and lending mix, please refer to "Credit risk" on page 21 of this report as well as our Fact Book Q2 2020 which is available at Nykredit.com.

Other items

Legacy derivatives, which are not included in business profit, resulted in a negative value adjustment of DKK 103 million for the period (H1/2019: a negative DKK 269 million). This was primarily due to widened credit spreads resulting from covid-19. Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 7.2 billion (end-2019: DKK 6.6 billion). The portfolio was written down to DKK 5.1 billion at end-June 2020 (end-2019: DKK 4.5 billion).

Tax

Tax calculated on profit for the period was DKK 205 million (H1/2019: DKK 684 million).

Balance sheet

Nominal mortgage lending was DKK 1,292 billion at end-June 2020 (end-2019: DKK 1,263 billion), equal to an increase of DKK 30 billion on end-2019.

The strong alliance between Totalkredit and its partner banks continues to drive growth in Totalkredit's mortgage lending, which amounted to DKK 770 billion at nominal value at end-June 2020 (end-2019: DKK 740 billion). This represents a 4% increase since end-2019. Almost 850,000 homeowners now have Totalkredit loans.

The Group's market share of total Danish mortgage lending (including LR Realkredit) was 43.2% at end-June 2020 (end-2019: 42.8%).

Nykredit's loan portfolio continues to develop positively, and Nykredit Bank's lending increased by DKK 1.5 billion to DKK 67.0 billion at end-June 2020 (end-2019: DKK 65.5 billion), corresponding to a 2% increase since end-2019. Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 73.9 billion (end-2019: DKK 72.3 billion). At 30 June 2020 secured homeowner loans transferred to Totalkredit amounted to DKK 6.9 billion (end-2019: DKK 6.8 billion).

Guarantees provided by Nykredit amounted to DKK 6.8 billion at end-June 2020 (end-2019: DKK 6.6 billion).

Deposits, excluding repo deposits, decreased to DKK 85.3 billion (end-2019: DKK 85.4 billion).

Nykredit Bank's deposits exceeded lending by DKK 18.4 billion at end-June 2020 (end-2019: DKK 20.1 billion).

Equity

The Nykredit Realkredit Group's equity stood at DKK 85.8 billion at end-June 2020 (end-2019: DKK 84.4 billion).

RESULTS FOR Q2/2020 RELATIVE TO Q1/2020

Profit before tax was DKK 3,030 million in Q2/2020 (Q1: a loss of DKK 1,255 million).

Income amounted to DKK 4,576 million in Q2 (Q1: DKK 1,894 million), primarily driven by the recovery in financial markets in Q2 compared with Q1, which had a positive impact on derivatives as well as investment portfolio income. Impairment charges for loans and advances totalled DKK 443 million, which was considerably lower than the impairment charges of DKK 1,312 million in Q1. Impairment charges were still impacted by the uncertainty about the duration and severity of the covid-19 pandemic. The negative impact, however, was lower in Q2 compared with Q1.

Costs in Q2 were on a par with Q1 and totalled DKK 1,419 million (Q1: DKK 1,416 million).

Legacy derivatives resulted in a positive value adjustment of DKK 318 million (Q1: a negative value adjustment of DKK 421 million). The large negative impact in Q1 was somewhat reversed in Q2 due to tightened credit and funding spreads.

OUTLOOK AND GUIDANCE FOR 2020

At the presentation of the Q1 Interim Report for 2020, our guidance for business profit and profit before tax for 2020 was between DKK 2.5 billion and DKK 3.5 billion. Based on our current outlook for the economy and financial markets, we have raised our guidance for business profit and profit before tax for 2020 to between DKK 4.0 billion and DKK 5.0 billion. Our guidance is still surrounded by higher-than-usual uncertainty as a result of covid-19.

The earnings guidance is based on the following assumptions:

- Financial markets have recovered markedly since end-Q1/2020 positively, affecting investment portfolio income as well as current and legacy derivatives.
- Nykredit has taken additional loan impairment provisions in Q2 of around DKK 0.5 billion, bringing the total impairment level up to DKK 1.8 billion for H1. The total expected impairment level for the year remains unchanged compared with Q1. Write-offs on customer exposures are still very low. However, despite the implementation of the relief packages and the reopening of most of Denmark, Nykredit still expects significantly increased impairments for the year, of which a large part has already been recognised in H1 based on management judgement and updated macro scenarios in model calculations. Of total loan impairments recorded in H1/2020, some DKK 1.5 billion can be ascribed to covid-19. As the year

brings more clarity about the effects of covid-19 on Nykredit's customers, we foresee additional impairment provisions, if necessary.

- Nykredit still expects to deliver growth in the underlying business and the customer base, but as reported earlier, we anticipate lower income, as the high remortgaging activity seen in 2019 is not expected to continue at the same level in 2020.
- We expect slightly increasing costs as a result of the full-year impact of the acquisition of LR Realkredit and Sparinvest as well as investments in compliance.

The most important uncertainty factors affecting our 2020 guidance are the covid-19 impacts on investment portfolio income due to Nykredit's portfolio of bank equities and on legacy derivatives as well as impairment charges for loans and advances.

SPECIAL ACCOUNTING CIRCUMSTANCES

Presentation of negative interest income

Due to increased negative interest income from deposits and lending, negative interest income has been included under interest expenses, while negative interest expenses have been included under interest income in the presentation of the income statement on page 28. Negative interest is generally attributable to repo lending and deposits. The change does not affect total net interest income, profit or the Group's financial ratios. Reference is made to note 6 in the Financial Statements.

OTHER

Dividend

In the Annual Report 2019, the Board of Directors proposed dividend for 2019 of DKK 3,660 million to the Company's shareholder. This was in accordance with Nykredit's dividend policy.

In light of the macroeconomic uncertainty caused by the covid-19 pandemic, the Annual General Meeting, which convened in March 2020, resolved to retain the full net profit for the year. Nykredit holds a strong capital position but still complies with the government's and the authorities' recommendation to financial undertakings to refrain from distributing dividend in 2020.

Totalkredit has taken over selected functions of Bolighed

From end-June, Totalkredit A/S has taken over part of the digital platform Bolighed and continues its services under a new name (Mit hjem). The majority of the staff has transferred to Totalkredit, and Christian Jaspers, Managing Director of Bolighed, will join the management team of Totalkredit.

KundeKroner and ErhvervsKroner benefits programmes

Backed by Forenet Kredit, Nykredit has decided that the KundeKroner benefits programme for homeowners and the ErhvervsKroner benefits programme for business customers will be extended on the current terms up to and including 2021 to enhance our customers' financial security. In the current situation, it is important to us that our customers feel assured that they can rely on the KundeKroner and ErhvervsKroner benefits programmes as a unique strength of our customer-ownership structure.

Nykredit's majority shareholder, Forenet Kredit, endorses the Group's customer programmes and has announced that the withholding of dividend in 2020 will not affect the association's financial backing for the Group's customer programmes.

Conditional agreement on sale of shares in VP Securities

On 23 April Denmark's Nationalbank together with Nykredit and three other major shareholders announced an agreement to sell their shares in VP Securities to Euronext. Nykredit holds 12.7% of the shares in VP Securities. The agreement was approved by the Danish FSA in July 2020, and closing will be at the beginning of Q3/2020.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

For H1/2020 the impact from covid-19 has led to significant volatility in fixed income markets and increased complexity in determining the market value of interest rate swaps in particular. Compared with more normal market conditions, valuations are characterised by increased uncertainty.

Furthermore, the temporary global lockdown of borders and workplaces in Q1 and early Q2 with subsequent gradual reopening as well as the upward unemployment trends mean that the determination of impairment provisions for loans and advances is also subject to increased uncertainty. The main reason for this is the current difficulty in predicting the duration and severity of the crisis and its resulting impact on customers' financial position.

MATERIAL RISKS

The Group's most material risks are described in detail in note 51 of the Annual Report for 2019, to which reference is made.

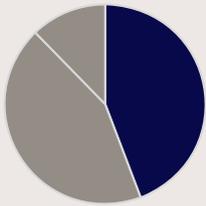
EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the H1 Interim Report 2020 which materially affect the Group's financial position.

BUSINESS AREAS

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

Banking



Comprises 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.

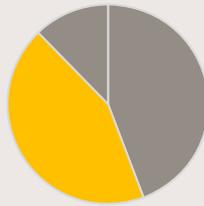
Business profit H1/2020:
DKK 1,023 million

Income H1/2020:
DKK 4,440 million

Impairment charges for loans and advances H1/2020:
DKK 1,461 million

Total lending end-June 2020:
DKK 701 billion

Totalkredit Partners



Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 53 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Banking.

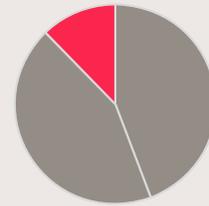
Business profit H1/2020:
DKK 1,005 million

Income H1/2020:
DKK 1,615 million

Impairment charges for loans and advances H1/2020:
DKK 242 million

Total lending end-June 2020:
DKK 645 billion

Wealth Management



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

Business profit H1/2020:
DKK 283 million

Income H1/2020:
DKK 768 million

Total lending end-June 2020:
DKK 14 billion

Assets under management end-June 2020: DKK 325.0 billion

Assets under administration end-June 2020: DKK 867.2 billion

Percentages show the business divisions' share of business profit for H1/2020 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 -	H1/	H1/	Q2/	Q1/	
Banking	2020	2019	2020	2020	2019
Net interest income	3,296	3,155	1,659	1,637	6,330
Net fee income	918	877	493	425	2,070
Wealth management income	331	291	162	169	614
Net interest from capitalisation	(178)	(167)	(86)	(92)	(336)
Trading, investment portfolio and other income	73	202	333	(259)	526
Income	4,440	4,359	2,561	1,879	9,204
Costs	1,956	1,865	1,000	956	3,843
Business profit before impairment charges	2,483	2,494	1,561	923	5,361
Impairment charges for mortgage lending	1,209	278	239	970	842
Impairment charges for bank lending	252	94	72	180	205
Business profit (loss)	1,023	2,122	1,249	(227)	4,314
Legacy derivatives	(102)	(269)	318	(420)	(113)
Profit (loss) before tax	921	1,852	1,567	(646)	4,201

H1 in summary

2020 has seen a high level of activity. We have welcomed many new full-service personal as well as business customers, and also many new private banking clients, who are attracted by our award-winning concept. Our corporate and institutional clients have had a high activity level, and we have increased our lending facilities to ensure their liquidity. In order to strengthen customer experience

- we have launched Young Money, a new concept which makes it fun and interesting to learn about saving up and payments
- we are dedicated to promoting sustainable solutions by engaging in dialogue and having a sustainable product range
- Banking now also offers green construction loans to corporate and institutional clients.

Digital value propositions are a top priority in tandem with Nykredit's focus on a nation-wide physical presence. In concert with partners such as innovative fintech companies, we are working to expand our digital value propositions and make it easier to be a customer with Nykredit.

We have for example launched Young Money aimed at children and teenagers with the intention of making saving-up and payments fun for young people and life with pocket money easier for their parents. Young Money is for children and teenagers aged 7-17 and includes a personal account, payment card and mobile app.

We remain dedicated to promoting sustainable solutions and having a sustainable product range. In 2020 we have launched green construction loans, increased our volume of green covered bonds and set up our Sustainable Solutions entity with a team of experts who provide advice to businesses about the green transition and how to finance it.

Nykredit's acquisition of LR Realkredit received final approval at end-2019. The integration of LR Realkredit's customers and staff into Corporates & Institutions started in Q1 and continued in Q2.

Covid-19 response

At end-Q1, Denmark like other countries was affected by covid-19. The final impact is unknown, but it is only natural that families and businesses are worried about being unable to make ends meet for a period of time. We are fully aware of our responsibility and are helping our customers. In this spirit, we have launched a number of initiatives to help Danish families and businesses.

We offer our personal customers affected by critical income losses due to the covid-19 pandemic a special credit facility, payment holidays on car loans, consumption loans and bank home loans as well as no-fee overdrafts. We are also offering to pay out frozen holiday pay already now in the form of an interest- and fee-free overdraft of an amount equal to the holiday pay due to the customer in October.

We offer our business customers payroll finance as well as payment holidays on banking and lease facilities. We want to help and accommodate our customers as best we can and have therefore established a corona hotline, which business customers may consult by telephone or online for advice and information on the government aid initiatives.

In addition, we have introduced two new initiatives. First, refusals are subject to the four-eyes principle. And secondly, customers who disagree with a refusal and wish to file a complaint may take the matter to a designated complaints board with a fast-tracked complaints procedure. The complaints board convenes on all weekdays to consider customers' complaints and provide them with fast and efficient decisions.

Our actions are based on a precautionary principle and we abide by all government guidelines. Consequently, our customer centres were closed in April and May, and physical meetings with customers were cancelled and replaced by online or telephone meetings. At the end of H1 our customer centres reopened, but we still recommend that customers meet us online or by telephone, to which our customers have responded positively.

Results for H1/2020 relative to H1/2019

Banking delivered a business profit of DKK 1,023 million in H1/2020 (H1/2019: DKK 2,122 million).

Total income amounted to DKK 4,440 million (H1/2019: DKK 4,359 million). The underlying business is performing satisfactorily. Continued growth in bank and mortgage lending positively impacted net interest income, up DKK 141 million compared with H1/2019 and totaling DKK 3,296 million (H1/2019: DKK 3,155 million). Income from trading, investment portfolio and other income decreased to DKK 73 million (H1/2019: DKK 202 million), driven by negative value adjustments of swaps and the impact of covid-19 on financial markets.

Selected balance sheet items	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Banking				
Retail Personal Banking				
Loans and advances	184,707	185,480	186,113	184,406
- of which mortgage lending, nominal value	167,537	168,022	168,397	166,585
- of which secured homeowner loans	7,684	7,704	7,727	7,723
- of which bank lending	9,487	9,754	9,989	10,099
Deposits	36,826	34,737	35,379	33,185
Retail Business Banking				
Loans and advances	243,857	244,866	243,976	242,064
- of which mortgage lending, nominal value	220,658	220,450	220,039	219,499
- of which bank lending	23,198	24,416	23,938	22,565
Deposits	22,052	20,962	21,059	19,406
Corporates & Institutions				
Loans and advances	272,389	267,990	264,003	230,878
- of which mortgage lending, nominal value	243,386	238,012	238,209	206,272
- of which bank lending	29,003	29,978	25,794	24,606
Deposits	10,135	6,149	9,495	8,585

We have moved a customer group from Retail, Business Banking to Corporates & Institutions. Comparative figures have been restated accordingly.

Costs rose to DKK 1,956 million (H1/2019: DKK 1,865 million), mainly due to a substantial increase in resources allocated for compliance.

Impairment charges for loans and advances rose to DKK 1,461 million in H1/2020 (H1/2019: DKK 372 million). The increase was due to provisions taken in response to the forecast adverse financial impact of covid-19.

Legacy derivatives saw a negative value adjustment of DKK 102 million (H1/2019: a negative DKK 269 million).

Results for Q2/2020 relative to Q1/2020

Banking delivered a business profit of DKK 1,249 million in Q2/2020 (Q1/2020: a negative DKK 227 million).

Income amounted to DKK 2,561 million (Q1/2020: DKK 1,879 million), primarily driven by the recovery in financial markets in Q2 compared with Q1, which had a positive impact on derivatives as well as investment portfolio income.

Impairment charges for loans and advances of DKK 311 million (Q1/2020: DKK 1,150 million) were also in Q2 impacted by the uncertainty about the duration and severity of the covid-19 pandemic. The negative impact, however, was lower in Q2 compared with Q1.

Legacy derivatives were a gain of DKK 318 million (Q1/2020: a loss of DKK 420 million), chiefly driven by tightened credit and funding spreads.

Activities

Banking has recorded strong lending growth, especially in bank lending, since end-2019. Loan volumes totalled DKK 701.0 billion at 30 June 2020 (end-2019: DKK 694.1 billion), of which DKK 631.6 billion was mortgage loans at nominal value (end-2019: DKK 626.6 billion).

Bank lending in Retail Personal Banking came to DKK 9.5 billion (end-2019: DKK 10.0 billion). Bank deposits in Retail Personal Banking rose by DKK 1.5 billion from end-2019 to DKK 36.8 billion.

Bank lending in Retail Business Banking stood at DKK 23.2 billion (end-2019: DKK 23.9 billion).

Bank lending in Corporates & Institutions rose to DKK 29.0 billion (end-2019: 25.8 billion).

Arrears

At the March due date 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.67% against 0.76% at the same date in 2019.



DKK million

Results -	H1/ 2020	H1/ 2019	Q2/ 2020	Q1/ 2020	2019
Totalkredit Partners					
Net interest income	1,443	1,372	728	716	2,879
Net fee income	219	270	98	121	657
Net interest from capitalisation	(101)	(87)	(47)	(53)	(182)
Trading, investment portfolio and other income	53	11	32	21	24
Income	1,615	1,566	810	805	3,378
Costs	368	291	193	175	651
Business profit before impairment charges	1,247	1,275	617	629	2,726
Impairment charges for mortgage lending	242	58	139	103	(69)
Business profit	1,005	1,217	478	526	2,796

H1 in summary

Totalkredit Partners is committed to further strengthening the alliance with Nykredit's partner banks as well as offering customers the best loan propositions in the market. As a result of our efforts

- Totalkredit has been recommended by the Danish Consumer Council three times as the Danish mortgage lender offering the lowest mortgage prices, most recently in a holiday home loans survey from June
- from end-June, Totalkredit has taken over part of the digital company Bolighed and continues its services under a new name ("Mit Hjem") in an effort to meet our customers' demand for customised digital content about housing
- we have seen high lending and customer growth
- we now have a joint IT platform, which supports our continued ability to offer customers the best home financing options.

KundeKroner discounts have a large impact on the costs of a mortgage loan. This means that right now Totalkredit generally charges the lowest administration margins in the market on the most popular types of mortgage loans.

The alliance between Totalkredit and its partner banks is strong and has been instrumental in driving the 4% growth in lending recorded since end-2019. We have welcomed a large number of new customers, and now almost 850,000 homeowners have Totalkredit loans.

The Totalkredit alliance is developing a new joint IT platform aimed to secure its market position in coming years as the best provider of advisory services and 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.

A very successful implementation of the new shared property valuation unit serving the Totalkredit alliance was completed in the last half of 2019, and the unit performed well amid the very high remortgaging activity as from Q2/2019. The aim of the unit is to 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 38 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

Covid-19 response

All essential functions of Totalkredit Partners have been running in order for Totalkredit to continue to help customers and support our partner banks. Thus, during the temporary lockdown, customers throughout Denmark were able to raise mortgage loans with Totalkredit's partner banks as usual.

Moreover, backed by Forenet Kredit, the Nykredit Group has decided to extend the KundeKroner benefits programme on the current terms up to and including 2021 to enhance customers' financial security. In the current critical situation, it is important to us that our almost 850,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our customer-ownership structure.

Results for H1/2020 relative to H1/2019

Totalkredit Partners delivered a business profit of DKK 1,005 million (H1/2019: DKK 1,217 million).

Income of DKK 1,615 million (H1/2019: DKK 1,566 million) was satisfactory.

Net interest income, which amounted to DKK 1,443 million in H1/2020 (H1/2019: DKK 1,372 million), was satisfactory and driven by rising mortgage lending but also margin pressure, as more and more customers opt for fixed-rate repayment loans.

Net fee income decreased to DKK 219 million relative to last year (H1/2019: DKK 270 million), mainly driven by significantly higher re-mortgaging activity in Q2/2019.

Costs rose to DKK 368 million (H1/2019: DKK 291 million), primarily due to higher expenses in connection with the establishment of the new shared property valuation unit as well as rising expenses for compliance.

Impairment charges for loans and advances increased to DKK 242 million (H1/2019: DKK 58 million), driven by loan impairment provisions taken in response to the covid-19 pandemic. Write-offs and individual impairment provisions for the homeowner segment were low. General uncertainty about the impacts of the pandemic remains significant, but GDP and house prices are expected to return to a "pre-covid-19 level at end-2019" in 2022.

DKK million

Selected balance sheet items	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Totalkredit Partners				
Personal Banking				
Loans and advances	637,242	628,833	614,336	584,910
- of which mortgage lending, nominal value	628,634	619,871	604,881	574,364
- of which secured homeowner loans	8,608	8,962	9,455	10,545
Business Banking				
Loans and advances	7,339	6,772	6,319	4,998
- of which mortgage lending, nominal value	7,339	6,772	6,319	4,998

Results for Q2/2020 relative to Q1/2020

Totalkredit Partners delivered a business profit of DKK 478 million in Q2/2020 (Q1/2020: DKK 526 million).

Income rose to DKK 810 million (Q1/2020: DKK 805 million) mainly driven by higher net interest income from rising mortgage lending, partly offset by lower net fee income due to lower activity compared with Q1.

Impairment charges for loans and advances were DKK 139 million (Q1/2020: DKK 103 million) owing to provisions for loan impairment as a consequence of covid-19.

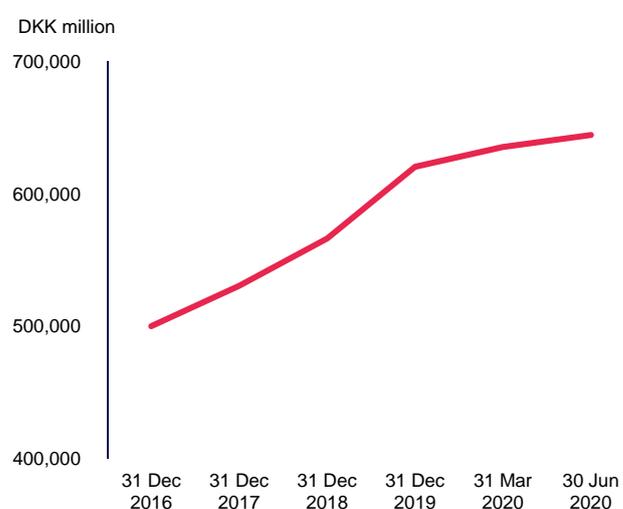
Activities

Totalkredit Partners recorded high lending growth, and nominal lending to personal customers came to DKK 637.2 billion at end-June 2020 (end-2019: DKK 614.3 billion), equal to a 4% increase. The business loan portfolio increased by DKK 1.0 billion to nominally DKK 7.3 billion (end-2019: DKK 6.3 billion).

Arrears

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.23% against 0.21% at the same date in 2019.

Lending, Totalkredit Partners



WEALTH MANAGEMENT

DKK million

Results –	H1/ 2020	H1/ 2019	Q2/ 2020	Q1/ 2020	2019
Wealth Management					
Net interest income	90	65	49	41	129
Net fee income	16	15	6	10	36
Wealth management income	649	422	319	330	984
Net interest from capitalisation	(5)	(5)	(2)	(2)	(9)
Trading, investment portfolio and other income	17	12	12	5	23
Income	768	510	384	384	1,163
Costs	429	234	212	217	666
Business profit before impairment charges	339	276	172	167	498
Impairment charges for mortgage lending	(5)	0	0	(4)	11
Impairment charges for bank lending	60	(5)	5	55	0
Business profit	283	281	167	116	487
Legacy derivatives	(1)	0	1	(1)	0
Profit before tax	282	281	168	115	487

H1 in summary

Wealth Management got off to a good start in 2020 before the covid-19 crisis set in. Many of our Wealth Management client portfolios have been affected by the impact from covid-19 on financial markets, but in Q2 we nonetheless recorded an increase in assets under management. We continued our commitment to enhancing the customer experience by, for example,

- collaborating with Sparinvest's partner banks on offering relevant investment products to wealth clients all over Denmark
- 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
- upgrading the value proposition to the Private Banking Elite segment to ensure its relevance and holistic approach to wealth clients.

The Private Banking Elite segment recorded continued client growth. Nykredit Invest won all three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of equities and bonds as well as best at equities, bonds and balanced funds. This is the third year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards.

Also, the fund Sparinvest INDEX Europa Growth KL won Morningstar's category "European Equities". Nykredit Invest and Sparinvest were nominated in 7 out of 8 of Morningstar's categories.

After three years in the market, the investment fund Bæredygtige Aktier was rated 5 stars by Morningstar. The fund has generated good returns and pursued effective risk management strategies.

38% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in H1/2020. Over the past three years, 66% has generated above-benchmark returns.

Covid-19 response

Wealth Management is maintaining all operations, but we have adjusted our ways of working. We adhere to all guidelines from the authorities to minimise the spread of covid-19. We recommend that all meetings – internal, external and with customers – are conducted digitally.

Remaining in close contact with all of our Wealth Management clients has been essential, as many client portfolios have been affected by the impact from covid-19 on financial markets.

Results for H1/2020 relative to H1/2019

Wealth Management's business profit remained high at DKK 283 million in H1/2020 (H1/2019: DKK 281 million).

Income amounted to DKK 768 million and rose compared with the previous year (H1/2019: DKK 510 million), mainly due to the recognition of Sparinvest as from September last year.

Impairment charges for loans and advances were DKK 55 million (H1/2019: a negative DKK 5 million). The rise was due to impairment charges for single-name exposures and to a limited extent covid-19.

Results for Q2/2020 relative to Q1/2020

Wealth Management's business profit totalled DKK 167 million in Q2, equal to a rise of DKK 51 million (Q1/2020: DKK 116 million).

Income amounted to DKK 384 million in Q2/2020 – the same level as in Q1 (Q1/2020: DKK 384 million).

Impairment charges for loans and advances of DKK 5 million (Q1/2020: DKK 51 million) were made for single-name exposures.

DKK million

Selected balance sheet items	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Wealth Management				
Assets under management	325,029	305,735	335,771	232,852
- of which Nykredit Group investment funds	153,063	142,158	162,997	78,069
Assets under administration	867,164	777,429	888,569	755,342
Lending/deposits				
Loans and advances	13,768	13,430	13,301	12,771
- of which mortgage lending, nominal value	9,377	9,075	8,539	7,716
- of which secured homeowner loans	1,107	1,117	1,134	1,172
- of which bank lending	3,284	3,238	3,629	3,883
Deposits	15,506	16,551	16,121	16,598

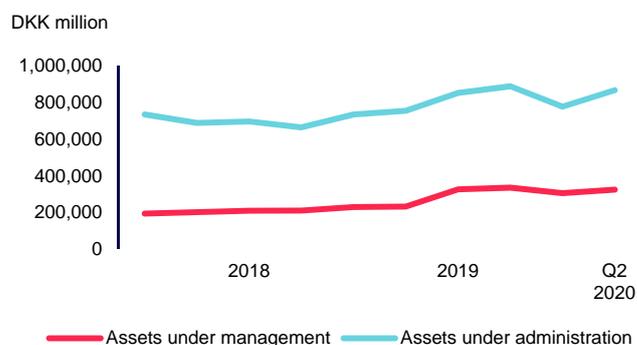
Activities

Due to the covid-19 pandemic, substantial negative value adjustments in financial markets impacted the development in assets under management in H1.

Total assets under management fell by DKK 10.7 billion to DKK 325.0 billion at end-June 2020 (end-2019: DKK 335.8 billion). The decrease comprised positive net sales of DKK 3.1 billion, driven by demand from international clients, Private Banking Elite clients and the Group's savings products, as well as negative returns of DKK 13.8 billion.

Total assets under administration decreased by DKK 21.4 billion compared with end-2019 to DKK 867.2 billion at end-June 2020 (end-2019: DKK 888.6 billion). The decrease comprised a net addition of DKK 23.7 billion, driven by demand from institutional clients and the Group's savings products, as well as negative returns of DKK 45.1 billion.

Assets under management and assets under administration by Wealth Management



GROUP ITEMS

	DKK million				
Results -	H1/	H1/	Q2/	Q1/	
Group Items	2020	2019	2020	2020	2019
Net interest income	3	0	2	1	6
Net fee income	(18)	(8)	(4)	(14)	(24)
Wealth management income	7	5	4	3	12
Net interest from capitalisation	86	87	43	43	175
Net income relating to customer benefits programmes ¹	(97)	(103)	(52)	(45)	(358)
Trading, investment portfolio and other income	(332)	1,075	828	(1,161)	1,098
Income	(352)	1,057	821	(1,173)	910
Costs	82	102	14	68	167
Business profit (loss) before impairment charges	(434)	956	807	(1,241)	744
Impairment charges for bank lending	(3)	8	(13)	9	5
Business profit (loss)	(430)	948	820	(1,250)	739
Badwill, impairment of goodwill and amortisation of customer relationships	(2)	0	-2	0	564
Profit (loss) before tax	(432)	948	817	(1,250)	1,303

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

A few income statement and balance sheet items, including badwill, 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.

Results for H1/2020 relative to H1/2019

The business profit of Group Items decreased by DKK 1,378 million relative to H1/2019 to a negative DKK 430 million (H1/2019: DKK 948 million) primarily due to falling investment portfolio income following mortgage spread widening and equity market declines; all impacts resulting from covid-19. In H1/2019 investment portfolio income was significantly higher due to considerable capital gains on the portfolio of, for example, Danish bank equities.

CAPITAL, LIQUIDITY AND FUNDING

EQUITY AND OWN FUNDS

The Nykredit Group's equity stood at DKK 85.8 billion at end-June 2020 (end-2019: DKK 84.4 billion). In the Annual Report for 2019 the Board of Directors proposed dividend for 2019 of DKK 3,660 million to the Company's shareholder. This was in accordance with Nykredit's dividend policy. However, due to the covid-19 crisis the Danish government and authorities have urged financial businesses not to distribute dividend in 2020. Nykredit complies with this request.

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

	DKK million	
Nykredit Realkredit Group	30.06.2020	31.12.2019
Equity (including AT1 capital)		
Equity, beginning of period	84,378	78,847
Profit for the period	1,570	7,443
Other adjustments	(141)	(1,912)
Equity, end of period	85,806	84,378

	DKK million	
Nykredit Realkredit Group	30.06.2020	31.12.2019
Capital and capital adequacy		
Credit risk	328,573	324,627
Market risk	49,299	29,336
Operational risk	28,109	25,499
Total risk exposure amount	405,980	379,462
Equity (including AT1 capital)	85,806	84,378
AT1 capital etc	(3,760)	(3,777)
Deduction, profit for the period (excluding AT1 interest)	(1,449)	-
Proposed dividend	-	(3,660)
CET1 capital regulatory adjustments	(2,617)	(2,596)
Common Equity Tier 1 capital	77,980	74,344
Additional Tier 1 capital	3,723	3,741
Additional Tier 1 regulatory adjustments	(58)	(48)
Tier 1 capital	81,645	78,036
Tier 2 capital	10,804	10,823
Tier 2 capital regulatory adjustments	1,886	1,224
Own funds	94,334	90,083
Common Equity Tier 1 capital ratio, %	19.2	19.5
Tier 1 capital ratio, %	20.1	20.5
Total capital ratio, %	23.2	23.7
Internal capital adequacy requirement	10.7	10.9

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

At end-June 2020 Nykredit's risk exposure amount (REA) totalled DKK 406.0 billion (end-2019: DKK 379.5 billion). With own funds at DKK 94.3 billion, this corresponds to a total capital ratio of 23.2% (end-2019: 23.7%). The CET1 capital ratio was 19.2% (end-2019: 19.5%).

REA increased in Q2 following elevated market risk caused by the financial market turbulence in Q1 and implementation of new regulatory requirements applying to IRB models. We expect additional REA increases of up to 5-15% in the next 12-24 months. The increases will be driven by a) credit risk, both as regards covid-19-induced increases and expected growth in lending, and b) implementation of new regulatory requirements applying to IRB models. The estimated scenario-

based REA increase is subject to high uncertainty, and the same applies to the timing of the increase.

Own funds include CET1 capital, AT1 capital and Tier 2 capital. Nykredit Realkredit's Tier 1 capital, which consists mainly of Common Equity Tier 1 (CET1) capital, stood at DKK 81.6 billion at end-June 2020 (end-2019: DKK 78.0 billion). CET1 capital amounted to DKK 78.0 billion (end-2019: DKK 74.3 billion). Additional Tier 1 capital was DKK 3.7 billion after regulatory adjustments (end-2019: DKK 3.7 billion), whereas Tier 2 capital amounted to DKK 10.8 billion including regulatory adjustments (end-2019: DKK 10.8 billion). The decision by the Annual General Meeting to transfer the net profit for 2019 to retained earnings increased the CET1 capital by DKK 3,660 million, and the Tier 1 capital ratio has equally improved.

It has been decided that profit for the period will not be recognised in own funds at end-June 2020.

Capital targets 2020

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, Nykredit aims 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 fluctuations in economic trends. This implies having adequate access to capital to withstand a severe economic downturn and losses, and 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 REA, whereas the total capital need is calculated at 20-21%. Furthermore, Nykredit has already reserved CET1 capital to meet the upcoming Basel requirements and may also obtain new CET1 capital from Forenet Kredit and through investment commitments from a number of Danish pension companies. Based on the capital resources inherent in the ownership structure, Nykredit is expected to have a capital requirement corresponding to that of a listed SIFI when the new Basel requirements have been implemented.

Update on capital targets

In H1 Nykredit completed the annual FSA stress test, which shows that Nykredit would be sufficiently resilient to a severe recession. The test outcomes are well within the framework of Nykredit's capital policy. The countercyclical capital buffer was reduced to 0% in March 2020.

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital needed, based on management judgement, to cover all significant risks. This accounted for 10.7% of the risk exposure amount at end-June 2020 equal to the internal capital adequacy requirement.

Dividend policy

Nykredit complies with the authorities' recommendation to financial undertakings to refrain from distributing dividend in 2020. Nevertheless, Nykredit remains committed to providing 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-H1/2020 Nykredit Bank's deposits equalled 127% of lending (end-2019: 131%).

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.

The size and composition of the liquidity buffer remain as intended despite rising volatility in financial markets and general economic uncertainty. The Danish central bank has made a temporary lending facility available in connection with the covid-19 pandemic, which has reduced the risk of unforeseen liquidity needs. The Danish FSA has also allowed the use of the liquidity buffers if necessary in the future.

Nykredit holds substantial liquidity reserves and meets the requirements of the Danish FSA by a comfortable margin. The Group's overall liquidity position was strengthened this quarter to prepare for renewed financial unrest and Nykredit has secured reserves to meet any increased loan demand. Nykredit's liquidity position 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	30.06.2020	31.12.2019
Nykredit Realkredit Group	524	357
Nykredit Realkredit Group, LCR requirement in EUR	425	483
Nykredit Realkredit and Totalkredit	1,264	3,482
Nykredit Realkredit and Totalkredit, incl min LCR requirement	168	155
Nykredit Bank	221	153

LCR is calculated excluding LR Realkredit. Since 2016, as a Danish mortgage provider, Nykredit has been exempt from including a part 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.

The LCR of the Nykredit Realkredit Group at end-2019 has been changed following announcement of its Annual Report due to a reinterpretation of the scope of consolidation.

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 92% of the outstanding amounts in Nykredit's active bond series is today classified in the top LCR category, while 5% is in the second-best category.

The covid-19 situation triggered a short period with price decline, spread widening and increased volatility in covered bonds in March and April. Nevertheless, Nykredit has not had difficulty selling bonds to fund its lending. The covered bond market has stabilised in recent months.

Nykredit's fixed-rate callable covered bonds maturing in 2050 will close for new issuance on 31 August 2020 as scheduled. The closing takes place as part of the usual 3-year maturity class cycle of fixed-rate bonds. As at 1 September 2020, new 30Y lending will be based on issuance in the new fixed-rate callable covered bonds maturing in 2053.

Green bonds

Nykredit's 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 7.5 billion-worth of green bonds had been issued at end-June 2020.

Nykredit's Green Bond Framework, which was established in compliance with ICMA'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 2020

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 36 billion and DKK 37 billion at the auctions in August and November 2020.

The annual maturity one year ahead totals DKK 240 billion, of which ordinary principal payments, prepayments etc totalled DKK 75 billion. Refinancing volumes are expected to make up DKK 165 billion.

DKK billion	
Nykredit Realkredit Group	
1 July 2020	
Refinancing ¹	
- 30 June 2021	
Total maturity before set-off of self-issued bonds	239.8
- ordinary principal payments and scheduled ² prepayments (paid up)	46.2
- ordinary principal payments and scheduled ² prepayments (unpaid)	24.9
- pre-issued bonds and interest rate risk ²	3.7
Total refinancing volume	165.0
- pre-auctioned amount sold under forward contracts	28.9
Refinancing volume remaining for	
1 July 2020 – 30 June 2021	136.1
- of which SDOs and ROs	136.1
- of which other issues	-

¹ Covers the July and October 2020 payment dates as well as January and April 2021 payment dates.

² At 30 June 2020.

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	30.06.2020	31.12.2019
Covered bonds (RO), see note 15 a	142,295	152,406
Covered bonds (SDOs), see note 15 b	1,238,237	1,262,714
Senior secured debt, see note 15 c	8,932	934
Senior preferred debt in Nykredit Bank A/S	529	1,369
Senior preferred debt in Nykredit Realkredit A/S	5,599	-
Senior non-preferred (SNP), see note 16	39,746	30,306
Tier 2 capital, see note 18	10,951	11,004
Additional Tier 1 capital, see note 2 (Nykredit Realkredit A/S)	3,713	3,735
ECP issues of Nykredit Bank A/S	3,963	3,185

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit	Nykredit	Limit value
		Realkredit Group	Realkredit A/S	
		30 June 2020	30 June 2020	
Lending growth in segment				
Personal customers ¹	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial.	7.4%	(18.4)%	15.0%
Commercial residential properties		4.7%	6.0%	15.0%
Agricultural properties		(0.2)%	(0.2)%	15.0%
Other commercial		4.4%	4.2%	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 exceed 25% of the total loan portfolio.	11.6%	20.0%	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.	7.4%	5.3%	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.	10.9%	16.4%	25.0%
Refinancing (quarterly)		3.0%	4.8%	12.5%
Large exposures				
Loans and advances:equity	The sum of the 20 largest exposures must be less than equity.	39.4%	38.4%	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

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

In H1/2020 Nykredit issued DKK 5.6 billion-worth of senior preferred debt and DKK 7.5 billion-worth of senior non-preferred debt. In H1 the Danish FSA relaxed its subordination requirement for MREL, which allowed Nykredit to meet part of the MREL requirement with senior preferred debt.

In light of the debt buffer requirement, Nykredit expects to issue additional debt in 2020. The funding scheduled for the rest of 2020 is expected to amount to DKK 5 billion.

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 June 2020.

DKK million			
Nykredit Bank A/S			
Supervisory Diamond	30.06.2020	31.12.2019	
Large exposures (limit value <175%)	140.7%	109.9%	
Lending growth (limit value <20%)	5.5%	8.1%	
Property exposure (limit value <25%)	11.0%	10.2%	
Funding ratio (limit value <1.0)	0.58	0.57	
Liquidity benchmark (limit value >100%)	178.2%	194.9%	

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

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

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

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.

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

Fitch Ratings

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

On 19 June 2020 Fitch announced a change of outlook on the Issuer Credit Rating from negative to stable. The change from negative outlook, announced by Fitch on 31 March 2020, mirrors the overall financial uncertainty revolving around the covid-19 pandemic. The stable outlook reflects Fitch's view that Nykredit has sufficient headroom to resist downside scenarios, particularly thanks to our strong capital position.

Senior non-preferred debt is rated A by Fitch.

Listing of ratings

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

CREDIT RISK

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

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

Information related to covid-19

There is still substantial uncertainty about the impact of the covid-19 pandemic. Nykredit's main scenario assumes that GDP and house prices will return to a "pre-covid-19 level at end-2019" in 2022 due to the effects of the relief packages. Net unemployment, however, is not expected to normalise within this time horizon.

Loan impairments related to covid-19 are comprised of three different components based on management judgement. Firstly, stress simulations have been performed for the personal customer segment and the following business sectors: manufacturing, accommodation and food service, retail, arts, entertainment and recreation activities, transport, construction, and sale and repair of motor vehicles, service providers, professionals, general practitioners, dentists, hospitals as well as business rental. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values, and thirdly the macroeconomic scenarios of the model have been updated to allow for the covid-19 impact, including mitigating relief packages. Covid-19-induced loan impairment have generally not led to a change of stages.

In H1/2020 we have offered our customers a number of solutions to mitigate the impact of covid-19, including greater possibilities of temporary overdrafts and payment holidays. Moreover, our full-service personal customers are given the opportunity to have an interest- and fee-free credit corresponding to the amount of holiday pay due to the customer in October. For accounting purposes, this is a special loan option which does not make the loan terms more favourable. Accordingly, no special impairment provisions have been made for such credit facilities, where they were offered to customers who were credit-worthy before the covid-19 crisis and not due to financial distress.

For further information about the impacts of covid-19 on impairment charges for loans and advances and lending mix, please refer to our Fact Book Q2/2020, which is available at Nykredit.com.

Provisions in H1 related to covid-19

Nykredit's loan impairments based on management judgement totalled DKK 1,932 million in H1/2020, of which DKK 1,549 million was provided for the consequential losses arising from covid-19. As we get more clarity during the year about the effects of covid-19 on Nykredit's customers, additional impairment provisions may be taken, but the uncertainty remains substantial. This situation is monitored by Nykredit's scenario expert group, which regularly assesses the need for calculation updates based on input concerning relief packages, support schemes and overall international economic trends.

Nykredit Realkredit Group

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

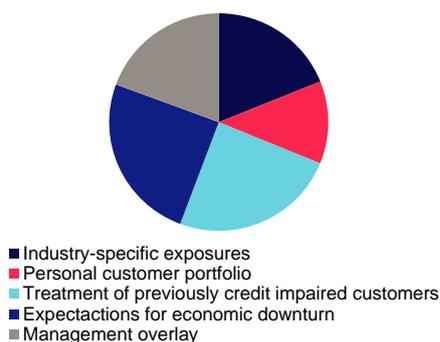
DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019	H1/2020	FY/2019
Mortgage lending, nominal value						
Nykredit Realkredit	501,572	500,522	4,910	3,845	1,197	695
Totalkredit	769,547	740,289	1,627	1,469	225	82
LR Realkredit	21,328	21,877	77	51	26	-
Total	1,292,446	1,262,689	6,614	5,365	1,448	777
Loans and advances etc						
Nykredit Bank	67,014	65,466	2,710	2,526	189	190
Total	67,014	65,466	2,710	2,526	189	190
Receivables from credit institutions	20,478	52,413	28	28	(0)	7
Reverse repurchase lending	35,846	48,749	-	-	-	-
Guarantees	6,774	6,616	255	137	118	20
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.98	0.77	0.24	0.14
Totalkredit	-	-	0.21	0.20	0.03	0.01
Total	-	-	0.51	0.43	0.11	0.06
Nykredit Bank	-	-	4.04	3.72	0.28	0.28
Total	-	-	4.04	3.72	0.28	0.28

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

The loan portfolio developed positively in H1, and individual impairment provisions remain low. Arrears ratios have been declining for some portfolios and are stable for others. Write-offs have also been low.

The portfolio of personal customers has been reassessed from a covid-19 perspective, and at end-June provisions of DKK 190 million have been made based on management judgement. Moreover, stress simulations have been performed for the sectors manufacturing, accommodation and food service, retail and construction etc, which has resulted in increased provisions of DKK 184 million.

Breakdown of loan impairments related to covid-19



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.

Expectations for macroeconomic models

Nykredit's impairment models are based on forward-looking macroeconomic scenarios. In H1 the adverse scenario (main scenario) has been updated to reflect the economic environment caused by the covid-19 crisis. Expectations included a GDP decline of 5% and house price declines of 3.9% in 2020. The main scenario was included in the models at a probability of 80%. The base scenario carries a 20% probability and is based on the macroeconomic conditions observed at the date of this Interim Report. The economy is currently not expected to improve further from the base scenario.

	%			
Nykredit Realkredit Group				
Main scenarios for impairment calculations	2019	2020	2021	2022
Short-term rate ¹	(0.4)	(0.2)	(0.4)	(0.2)
Long-term rate ²	(0.2)	(0.4)	(0.2)	0.0
House prices ³	3.0	(3.9)	0.3	5.3
GDP ³	2.4	(5.0)	3.8	2.6
Unemployment ⁴	3.1	4.7	4.5	4.0

¹ Short-term rate reflects the Copenhagen Interbank Offered Rate (Cibor).

² Long-term rate reflects 10-year Danish government bonds.

³ House prices and GDP reflect annual changes as a percentage.

⁴ Unemployment is registered net unemployment as a percentage of the workforce stated as an annual average.

There is still substantial uncertainty about the impact of the pandemic despite the relief packages from the Danish government and banks. Nykredit's main scenario assumes that GDP and house prices will return to a "pre-covid-19 level at end-2019" in 2022 due to the effects of the relief packages, but still at a lower level than in 2019. Net unemployment, however, is not expected to normalise within this time horizon.

As we get more clarity during the year about the effects of covid-19 on Nykredit's customers, additional impairment provisions may be taken, but the uncertainty remains substantial.

MORTGAGE LENDING

At end-June 2020, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,292 billion, corresponding to an increase of DKK 30 billion (end-2019: DKK 1,263 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 61.6% at end-June 2020 (end-2019: 61.8%).

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage loan impairment equalled 0.51% of total mortgage lending (end-2019: 0.43%). Total impairment provisions amounted to DKK 6,614 million at end-June 2020 (end-2019: DKK 5,365 million). The covid-19 provisions are based on management judgement.

Impairment charges for loans and advances are mainly attributable to:

DKK million	
Nykredit Realkredit Group	
Total impairment provisions for mortgage lending	30.06.2020
Individual impairment provisions (stage 3)	2,759
Model-based impairment provisions (stages 1 and 2)	1,014
Management judgement (stages 1, 2 and 3)	2,841
- of the above attributable to covid-19	1,218
Total impairment provisions for mortgage lending	6,614

Management judgements are made as a supplement to model-based impairment provisions to the extent that recent economic changes (such as covid-19, unemployment, etc) have not yet been captured by Nykredit's models.

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	521,256	194,908	105,395	7,610	1,568	1,294	832,032	66.7
Private rental ¹	117,386	33,799	12,623	859	386	433	165,487	61.2
Industry and trades	19,556	3,506	213	48	43	53	23,418	46.9
Office and retail	92,173	24,938	2,155	225	112	133	119,738	52.3
Agricultural property	59,506	20,419	6,743	657	274	498	88,098	61.7
Public housing	-	-	-	-	-	-	70,691	-
Other	10,807	2,117	664	28	20	38	13,675	50.7
Total H1/2020	820,685	279,687	127,794	9,427	2,404	2,450	1,313,138	61.6
Total, 2019	799,585	277,911	125,465	7,963	2,708	2,845	1,287,370	61.8

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 co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing, which 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 0-40% and one third in the LTV range 40-60%.

Nykredit Realkredit Group

Mortgage lending by property type¹

	DKK million/%					
	30.06.2020			31.12.2019		
	Total impairment provisions	Total earnings impact	Total	Total impairment provisions	Total earnings impact	Total
Owner-occupied dwellings	2,740	424	2,433	2,433	277	2,710
Private rental	725	264	467	467	181	648
Industry and trades	93	7	87	87	27	114
Office and retail	856	339	578	578	191	769
Agricultural property	1,456	211	1,250	1,250	3	1,253
Public housing	83	(14)	101	101	38	139
Cooperative housing	506	166	345	345	29	374
Other	506	46	109	109	22	131
Total	6,614	1,443	5,365	5,365	768	6,133

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

Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears dropped to 0.34% of total mortgage payments due 75 days past the March due date (March 2019: 0.37%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also increased to DKK 3.15 billion (March 2019: DKK 3.36 billion).

Properties acquired by foreclosure

In H1/2020 the Group acquired 12 properties by foreclosure and sold 18. The property portfolio counted 14 properties at 30 June 2020 (end-2019: 20).

Nykredit Realkredit Group

Arrears ratio – 75 days past due

Payment date	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2020			
- March	0.34	0.25	3.15
2019			
- December	0.30	0.24	2.96
- September	0.35	0.25	3.11
- June	0.36	0.28	3.47
- March	0.37	0.28	3.36
2018			
- December	0.38	0.23	2.80

BANK LENDING

Bank lending at amortised cost amounted to DKK 67.0 billion at end-June 2020 (end-2019: DKK 65.5 billion).

Reverse repurchase lending totalled DKK 35.8 billion at end-June 2020 (end-2019: DKK 48.7 billion). Guarantees provided amounted to DKK 6.8 billion (end-2019: DKK 6.6 billion).

Total provisions for bank loan impairment etc

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,710 million at end-June 2020 (end-2019: DKK 2,526 million). The covid-19 provisions are based on management judgement.

Impairment charges for loans and advances are mainly attributable to:

	DKK million
Nykredit Group	
Total provisions for bank loan impairment	30.06.2020
Individual impairment provisions (stage 3)	1,573
Model-based impairment provisions (stages 1 and 2)	402
Management judgement (stages 1, 2 and 3)	735
- of the above attributable to covid-19	351
Total provisions for bank loan impairment	2,710

Nykredit Realkredit Group

Credit exposures: bank lending, reverse repurchase lending and guarantees by sector¹

DKK million

	30.06.2020			31.12.2019		
	Lending, year-end	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	778	9	8	765	1	(1)
Agriculture, hunting, forestry and fishing	3,163	199	38	4,197	164	27
Manufacturing, mining and quarrying	10,149	351	67	8,921	285	3
Energy supply	3,193	36	12	2,857	30	6
Construction	3,134	216	24	3,723	198	37
Trade	9,253	317	-21	7,831	335	63
Transport, accommodation and food service activities	6,915	132	45	5,780	99	22
Information and communication	2,909	102	-1	3,434	102	48
Finance and insurance	41,567	133	21	54,702	122	2
Real estate	13,109	556	87	14,266	472	20
Other	8,089	321	36	9,941	266	5
Total business customers	101,481	2,364	308	115,651	2,072	233
Personal customers	24,594	591	-13	33,773	589	(22)
Total	126,853	2,965	304	150,188	2,663	210
- of which provisions for losses under guarantees		255	119		137	20
Impairment provisions for credit institutions		16	5		12	0
- of which intercompany guarantees and total	20,841	2,981	309	29,358	2,675	210

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

ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 3 and the business areas (pages 9-16 and note 3) reflect the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, 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 28) includes all interest.

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

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

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest. "Trading, investment portfolio and other income", 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, such as KundeKroner, ErhvervsKroner and MineMål granted to the Group's customers. The amount includes contributions received. The effect of the benefits programmes is included under "Group Items".

Supplementary financial ratios etc

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

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

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 June 2020 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 June 2020 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 June 2020.

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, 20 August 2020

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

Merete Eldrup
Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Inge Sand*

Kristina Andersen Skiøld*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit Group	Note	H1/ 2020	H1/ 2019	Q2/ 2020	Q2/ 2019
INCOME STATEMENTS					
Interest income		11,754	12,520	5,825	6,368
Interest income based on the effective interest method		1,002	983	506	499
Interest expenses		7,170	8,054	3,592	4,093
Net interest income	6	5,586	5,450	2,739	2,774
Dividend on equities etc.	6	39	151	15	101
Fee and commission income	5	1,917	1,516	907	832
Fee and commission expenses		1,851	1,781	916	915
Net interest and fee income		5,691	5,336	2,744	2,792
Value adjustments	6, 7	(28)	1,180	1,794	640
Other operating income		698	705	352	382
Staff and administrative expenses		2,581	2,285	1,276	1,159
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		147	136	72	66
Other operating expenses		106	71	71	39
Impairment charges for loans, advances and receivables etc	8	1,755	433	443	213
Profit from investments in associates and Group enterprises	10	4	2	2	0
Profit before tax		1,775	4,298	3,030	2,338
Tax		205	684	582	354
Profit for the period		1,570	3,615	2,449	1,984
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		1,440	3,499	2,384	1,925
Minority interests		14	0	7	-
Holders of Additional Tier 1 capital notes		116	116	58	58
Profit for the period		1,570	3,615	2,449	1,984
COMPREHENSIVE INCOME					
Profit for the period		1,570	3,615	2,449	1,984
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(45)	(4)	(25)	37
Tax on actuarial gains/losses on defined benefit plans		10	1	6	(8)
Total items that cannot be reclassified to profit or loss		(35)	(3)	(20)	29
Other comprehensive income		(35)	(3)	(20)	29
Comprehensive income for the period		1,535	3,612	2,429	2,013
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		1,419	3,496	2,371	1,954
Minority interests		14	-	7	-
Holders of Additional Tier 1 capital notes		116	116	58	58
Comprehensive income for the period		1,535	3,612	2,429	2,013

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit A/S	Note	H1/ 2020	H1/ 2019	Q2/ 2020	Q2/ 2019
INCOME STATEMENTS					
Interest income		8,561	9,682	3,692	4,558
Interest expenses		6,635	7,708	2,751	3,558
Net interest income		1,926	1,974	941	1,000
Dividend on equities etc.		34	146	13	98
Fee and commission income		355	359	168	197
Fee and commission expenses		23	153	8	71
Net interest and fee income		2,292	2,325	1,114	1,224
Value adjustments	7	(156)	1,021	867	437
Other operating income		639	642	326	335
Staff and administrative expenses		1,390	1,332	677	691
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		126	131	62	64
Other operating expenses		76	59	46	33
Impairment charges for loans, advances and receivables etc	9	1,204	256	237	146
Profit from investments in associates and Group enterprises	10	1,517	1,748	1,432	1,060
Profit before tax		1,495	3,959	2,716	2,123
Tax		(61)	344	274	140
Profit for the period		1,556	3,615	2,442	1,984
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		1,440	3,499	2,384	1,925
Holder of Additional Tier 1 capital notes		116	116	58	58
Profit for the period		1,556	3,615	2,442	1,984
COMPREHENSIVE INCOME					
Profit for the period		1,556	3,615	2,442	1,984
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(45)	(4)	(25)	37
Tax on actuarial gains/losses on defined benefit plans		10	1	6	(8)
Total items that cannot be reclassified to profit or loss		(35)	(3)	(20)	29
Other comprehensive income		(35)	(3)	(20)	29
Comprehensive income for the period		1,521	3,612	2,422	2,013
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		1,406	3,496	2,365	1,954
Holder of Additional Tier 1 capital notes		116	116	58	58
Comprehensive income for the period		1,521	3,612	2,422	2,013

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2019	30.06.2020		Note	30.06.2020	31.12.2019
ASSETS					
49	50	Cash balances and demand deposits with central banks		12,220	7,210
64,330	38,846	Receivables from credit institutions and central banks		20,478	52,413
1,355,452	1,333,046	Loans, advances and other receivables at fair value	11	1,313,517	1,287,610
270	248	Loans, advances and other receivables at amortised cost	12	103,225	114,590
31,042	33,802	Bonds at fair value	13	107,364	108,555
6,487	5,961	Equities etc		6,641	7,135
29	28	Investments in associates		40	43
59,123	60,482	Investments in Group enterprises		-	-
307	329	Intangible assets		2,263	2,181
Land and buildings					
14	25	Owner-occupied properties		71	75
661	582	Leased properties		582	662
675	607	Total		652	736
145	135	Other property, plant and equipment		146	156
135	322	Current tax assets		354	252
-	-	Deferred tax assets		110	115
22	25	Assets in temporary possession		26	32
5,870	5,840	Other assets		30,044	28,742
400	593	Prepayments		821	567
1,524,337	1,480,313	Total assets		1,597,903	1,610,336

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2019	30.06.2020		Note	30.06.2020	31.12.2019
LIABILITIES AND EQUITY					
2,562	1,117	Payables to credit institutions and central banks		14,445	13,914
11,950	10,200	Deposits and other payables	14	97,171	100,677
1,374,671	1,323,922	Bonds in issue at fair value	15	1,313,990	1,336,414
30,029	39,491	Bonds in issue at amortised cost	16	43,983	33,810
-	190	Other non-derivative financial liabilities at fair value	17	7,845	4,523
-	-	Current tax liabilities		213	78
9,125	8,184	Other liabilities		22,338	24,388
-	-	Deferred income		12	14
1,428,337	1,383,104	Total payables		1,499,997	1,513,818
Provisions					
57	51	Provisions for pensions and similar obligations		53	62
215	184	Provisions for deferred tax		367	389
34	33	Repayable reserves in pre-1972 series		33	34
-	-	Provisions for losses under guarantees		255	137
357	244	Other provisions		442	515
663	513	Total provisions		1,148	1,136
11,016	10,970	Subordinated debt	18	10,951	11,004
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
-	-	- revaluation reserves		5	5
Other reserves					
22,217	23,574	- statutory reserves		-	-
48,871	48,871	- series reserves		48,871	48,871
-	-	- non-distributable reserve funds		4,849	4,849
4,613	8,330	- retained earnings		27,049	21,975
3,660	-	- proposed dividend		-	3,660
80,543	81,957	Shareholder of Nykredit Realkredit A/S		81,957	80,543
-	-	Minority interests		89	57
3,778	3,768	Holders of Additional Tier 1 capital		3,760	3,777
84,321	85,726	Total equity		85,806	84,378
1,524,337	1,480,313	Total liabilities and equity		1,597,903	1,610,336
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities		6,774	6,616
11,594	10,660	Other commitments		27,599	28,206
11,594	10,660	Total		34,373	34,822

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve funds ²	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2020										
Equity, 1 January	1,182	5	48,871	4,849	21,975	3,660	80,543	57	3,777	84,378
Profit for the period	-	-	-	-	1,440	-	1,440	14	116	1,570
Total other comprehensive income	-	-	-	-	(35)	-	(35)	-	-	(35)
Total comprehensive income	-	-	-	-	1,406	-	1,406	14	116	1,535
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	9	-	9	-	(9)	-
Subsequent adjustment of purchase price allocation	-	-	-	-	-	-	-	34	-	34
Reversed dividend	-	-	-	-	3,660	(3,660)	-	-	-	-
Change in own portfolio	-	-	-	-	-	-	-	-	(8)	(8)
Dividend paid	-	-	-	-	-	-	-	(16)	-	(16)
Other adjustments	-	-	-	-	-	-	-	-	-	-
Equity, 30 June	1,182	5	48,871	4,849	27,049	-	81,957	89	3,760	85,806
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	-	-	-	-	3,499	-	3,499	-	116	3,615
Total other comprehensive income	-	-	-	-	(3)	-	(3)	-	-	(3)
Total comprehensive income	-	-	-	-	3,496	-	3,496	-	116	3,612
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	2	-	2	-	(2)	-
Tax on Additional Tier 1 capital	-	-	-	-	(0)	-	(0)	-	-	(0)
Distributed dividend and adjustments	-	-	-	-	-	(2,800)	(2,800)	-	-	(2,800)
Change in own portfolio	-	-	-	-	-	-	-	-	(0)	(0)
Equity, 30 June	1,182	5	36,575	1,646	37,395	-	76,803	-	3,769	80,573

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 Non-distributable reserve funds of Totalkredit A/S and LR Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 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.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Non-distributable reserve fund ²	Series reserves	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2020								
Equity, 1 January	1,182	22,217	48,871	4,613	3,660	80,543	3,778	84,321
Profit (loss) for the period	-	1,517	-	(77)	-	1,440	116	1,556
Total other comprehensive income	-	-	-	(35)	-	(35)	-	(35)
Total comprehensive income	-	1,517	-	(112)	-	1,406	116	1,521
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	9	-	9	(9)	-
Reversed dividend	-	-	-	3,660	(3,660)	-	-	-
Dividend from Group enterprises	-	(158)	-	158	-	-	-	-
Other movements concerning equity investments	-	(2)	-	2	-	-	-	-
Equity, 30 June	1,182	23,574	48,871	8,330	-	81,957	3,768	85,726
2019								
Equity, 1 January	1,182	18,526	36,575	17,023	2,800	76,106	3,777	79,883
Profit for the period	-	1,748	-	1,751	-	3,499	116	3,615
Total other comprehensive income	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income	-	1,748	-	1,748	-	3,496	116	3,612
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	2	-	2	(2)	-
Tax on Additional Tier 1 capital	-	-	-	(0)	-	(0)	-	(0)
Distributed dividend	-	-	-	-	(2,800)	(2,800)	-	(2,800)
Dividend from Group enterprises	-	(162)	-	162	-	-	-	-
Equity, 30 June	1,182	20,112	36,575	18,934	-	76,803	3,774	80,577

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 and LR Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 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.

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	H1/ 2020	H1/ 2019
Profit for the period	1,570	3,615
Adjustments		
Net interest income	(5,586)	(5,450)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	148	135
Profit from investments in associates	(4)	(2)
Impairment charges for loans, advances and receivables etc	1,755	433
Prepayments/deferred income, net	(255)	(202)
Tax calculated on profit for the period	205	684
Other adjustments	538	(2,189)
Total	(1,629)	(2,976)
Change in operating capital		
Loans, advances and other receivables	(16,298)	(53,597)
Deposits and payables to credit institutions	(2,975)	13,139
Bonds in issue	(12,250)	73,363
Other operating capital	737	(2,007)
Total	(32,415)	27,921
Interest income received	12,726	13,611
Interest expenses paid	(7,916)	(8,180)
Corporation tax paid, net	(215)	(581)
Cash flows from operating activities	(27,820)	32,771
Cash flows from investing activities		
Dividend received from associates	4	2
Purchase and sale of bonds and equities, net	1,175	(17,431)
Purchase of intangible assets	(56)	(55)
Sale of intangible assets	3	-
Purchase of property, plant and equipment	(25)	(21)
Sale of property, plant and equipment	19	1
Payment of lease liabilities	(78)	(79)
Total	1,042	(17,584)
Cash flows from financing activities		
Distributed dividend	(16)	(2,800)
Purchase and sale of self-issued subordinated debt instruments	(8)	-
Total	(24)	(2,800)
Total cash flows for the period	(26,801)	12,387
Cash and cash equivalents, beginning of period	59,623	29,691
Foreign currency translation adjustment of cash	(123)	1,397
Total cash flows for the period	(26,801)	12,387
Cash and cash equivalents, end of period	32,698	43,474
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	12,220	7,223
Receivables from credit institutions and central banks	20,478	36,252
Total	32,698	43,475

NOTES

Nykredit Realkredit Group

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14. Deposits and other payables	54
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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for H1/2020 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

The accounting policies of Nykredit Realkredit A/S and the Nykredit Realkredit Group are unchanged compared with the Annual Report for 2019 (note 1) and compared with the information disclosed in the Annual Report for 2019, no additional new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the H1 Interim Report 2020.

Full accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2019 (note 1).

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.

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 to some extent involves significant uncertainty and unpredictability.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements include provisions for loan and receivable impairment as well as valuation of unlisted financial instruments, including swaps, see "Accounting policies" in the Annual Report for 2019.

In Q1 the impact from covid-19 led to significant volatility in fixed income markets and increased complexity in determining the market value of interest rate swaps in particular. Market conditions normalised somewhat in Q2. Valuations are still subject to greater uncertainty, but at a more moderate level compared with end-Q1/2020.

Compared with the temporary global lockdown of borders and workplaces in Q1/2020, Q2 was positively impacted by a gradual reopening of several borders and sectors. However, the determination of impairment provisions for loans and advances is still subject to increased uncertainty, as it is currently quite difficult to predict the duration and severity of the crisis internationally as well as its long-term impact on customers' finances.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	30.06.2020		30.06.2020	31.12.2019
2. CAPITAL AND CAPITAL ADEQUACY				
84,321	85,726	Equity for accounting purposes	85,806	84,378
-	-	Minority interests not included	(89)	(57)
(3,778)	(3,768)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,760)	(3,777)
-	(1,449)	Profit etc. for H1/2020 not included	(1,449)	-
80,543	80,508	Equity excluding Additional Tier 1 capital and minority interests	80,508	80,543
(3,660)	-	Proposed dividend	-	(3,660)
(41)	(17)	Prudent valuation adjustment	(50)	(78)
-	-	Minority interests	50	35
(240)	(256)	Intangible assets excluding deferred tax liabilities	(2,190)	(2,114)
-	-	Provisions for expected credit losses in accordance with IRB approach	(18)	(40)
(343)	(322)	Other additions/deductions	(322)	(343)
(4,283)	(595)	Common Equity Tier 1 capital deductions	(2,529)	(6,199)
76,259	79,913	Common Equity Tier 1 capital	77,980	74,344
3,735	3,713	Additional Tier 1 capital	3,723	3,741
-	-	Additional Tier 1 capital deductions	(58)	(48)
3,735	3,713	Total Additional Tier 1 capital after deductions	3,665	3,692
79,994	83,626	Tier 1 capital	81,645	78,036
10,831	10,798	Tier 2 capital	10,804	10,823
446	1,418	Tier 2 capital additions/deductions	1,886	1,224
91,272	95,842	Own funds	94,334	90,083
450,960	442,796	Credit risk	328,573	324,627
13,389	32,069	Market risk	49,299	29,336
12,175	12,435	Operational risk	28,109	25,499
476,523	487,299	Total risk exposure amount	405,980	379,462
Financial ratios				
16.0	16.3	Common Equity Tier 1 capital ratio, %	19.2	19.5
16.7	17.1	Tier 1 capital ratio, %	20.1	20.5
19.1	19.6	Total capital ratio, %	23.2	23.7

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

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to the Nykredit Realkredit Group. To this should be added the permanent buffer requirement of 2.5% and the countercyclical buffer of 0% in Denmark which must also be met with Common Equity Tier 1 capital.

Nykredit Realkredit Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary. In Q2 changes were made to the business areas Business Banking and Corporates & Institutions. Comparative figures have been restated accordingly.

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

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results									
H1/2020									
Results by business area									
Net interest income	965	1,376	2,341	954	3,296	1,443	90	3	4,832
Net fee income	316	311	627	291	918	219	16	(18)	1,136
Wealth management income	202	69	271	60	331	-	649	7	987
Net interest from capitalisation	(37)	(71)	(108)	(71)	(178)	(101)	(5)	86	(198)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(97)	(97)
Trading, investment portfolio and other income	6	28	34	39	73	53	17	(332)	(189)
Income	1,453	1,713	3,166	1,274	4,440	1,615	768	(352)	6,471
Costs	1,035	578	1,613	343	1,956	368	429	82	2,835
Business profit (loss) before impairment charges	417	1,136	1,553	931	2,483	1,247	339	(434)	3,635
Impairment charges for loans and advances	195	973	1,168	293	1,461	242	56	(3)	1,755
Business (loss) profit	222	163	385	638	1,023	1,005	283	(430)	1,880
Legacy derivatives	(4)	(127)	(131)	29	(102)	-	(1)	-	(103)
Badwill	-	-	-	-	-	-	-	(2)	(2)
Profit (loss) before tax	218	36	254	667	921	1,005	282	(432)	1,775
BALANCE SHEET, 30. JUNE 2020									
Assets									
Mortgage loans etc at fair value	176,432	224,191	400,623	247,283	647,906	654,900	10,332	-	1,313,138
Reverse repurchase lending								35,846	35,846
Loans and advances at amortised cost	11,115	23,325	34,440	29,161	63,601	-	3,618	160	67,379
Assets by business area	187,547	247,516	435,063	276,444	711,507	654,900	13,950	36,006	1,416,363
Unallocated assets									181,540
Total assets									1,597,903
Liabilities and equity									
Repo deposits								11,893	11,893
Bank deposits and other payables at amortised cost	36,766	22,016	58,782	10,119	68,901	-	15,481	897	85,278
Liabilities by business area	36,766	22,016	58,782	10,119	68,901	-	15,481	12,790	97,171
Unallocated liabilities									1,414,925
Equity									85,806
Total liabilities and equity									1,597,903

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

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS, CONTINUED

Results H1/2019	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalkredit Partners	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	929	1,392	2,321	834	3,155	1,372	65	0	4,592
Net fee income	289	308	597	281	877	270	15	(8)	1,155
Wealth management income	166	74	241	51	291	-	422	5	719
Net interest from capitalisation	(33)	(77)	(110)	(58)	(167)	(87)	(5)	87	(172)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	0	-	(103)	(103)
Trading, investment portfolio and other income	4	52	56	146	202	11	12	1,075	1,301
Income	1,355	1,749	3,105	1,254	4,359	1,566	510	1,057	7,492
Costs	991	566	1,557	308	1,865	291	234	102	2,492
Business profit before impairment charges	364	1,183	1,547	947	2,494	1,275	276	956	5,001
Impairment charges for loans and advances	47	357	403	(31)	372	58	(5)	8	433
Business profit	317	827	1,144	978	2,122	1,217	281	948	4,568
Legacy derivatives	(4)	(162)	(166)	(103)	(269)	-	(0)	-	(269)
Profit before tax	314	664	978	874	1,852	1,217	281	948	4,298

BALANCE SHEET, 30 JUNE 2019

Assets

Mortgage loans etc at fair value	177,565	226,005	403,570	212,387	615,957	607,394	8,785	-	1,232,135
Reverse repurchase lending								49,147	49,147
Loans and advances at amortised cost	12,017	22,686	34,704	24,737	59,441	-	4,262	145	63,848
Assets by business area	189,582	248,691	438,274	237,124	675,397	607,394	13,047	49,292	1,345,131
Unallocated assets									195,578

Total assets

1,540,708

Liabilities and equity

Repo deposits								15,416	15,416
Bank deposits and other payables at amortised cost	33,132	19,375	52,507	8,571	61,078	-	16,571	2,310	79,959
Liabilities by business area	33,132	19,375	52,507	8,571	61,078	-	16,571	17,726	95,376
Unallocated liabilities									1,364,760
Equity									80,573

Total liabilities and equity

1,540,708

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

Nykredit Realkredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/ 2020			H1/ 2019		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	4,832	754	5,586	4,592	857	5,450
Dividend on equities etc		39	39		151	151
Fee and commission income, net	1,136	(1,069)	66	1,155	(1,419)	(265)
Net interest and fee income		(277)	5,691		(412)	5,336
Wealth management income	987	(987)	-	719	(719)	-
Net interest from capitalisation	(198)	198	-	(172)	172	-
Net income relating to customer benefits programmes	(97)	97	-	(103)	103	-
Trading, investment portfolio and other income	(189)	189	-	1,301	(1,301)	-
Value adjustments		(28)	(28)		1,180	1,180
Other operating income		698	698		705	705
Income	6,471			7,492		
Costs	2,835	(1)	2,834	2,492	(0)	2,491
Business profit before impairment charges	3,635			5,001		
Impairment charges for loans and advances etc	1,755	0	1,755	433	0	433
Profit from investments in associates and Group enterprises		4	4		2	2
Business profit	1,880			4,568		
Legacy derivatives	(103)	103	-	(269)	269	-
Badwill	(2)	2	-	-	-	-
Profit before tax	1,775	0	1,775	4,298	0	4,298

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

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

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

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

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

Nykredit Realkredit Group	H1/ 2020	H1/ 2019
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees:	1,917	1,516
Revenue from contracts with customers (IFRS 15) by business area		
Retail	321	336
Corporates & Institutions	183	170
Totalkredit Partners	406	317
Wealth Management	981	662
Group Items	26	31
Total	1,917	1,516

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 on a net basis to the business divisions serving the customers, see note 3.

Nykredit's revenue primarily consists of net income recognised in items governed by the accounting standards IFRS 9 "Financial Instruments" and IFRS 16 "Leases". Fees and transaction costs that are integral to the effective interest rate of an instrument are covered by IFRS 9. The same applies to fees relating to financial instruments measured at fair value.

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

Revenue comprised by IFRS 15 mainly relates to:

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

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

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

Nykredit Realkredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/ 2020	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	(17)	22	(39)	-	-	(39)
Lending and deposits	999	(56)	1,056	-	2	1,057
Repo transactions and reverse repurchase lending	(105)	(51)	(54)	-	-	(54)
Subordinated debt	-	178	(178)	-	-	(178)
Other financial instruments	68	56	13	-	-	13
Total	946	149	797	-	2	799
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	10,785	6,095	4,690	-	(2)	4,688
- of which administration margin income	4,630	-	4,630	-	-	4,630
Bonds	156	-	156	-	211	367
Equities etc	-	-	-	39	(487)	(449)
Derivative financial instruments	(57)	-	(57)	-	107	51
Total	10,885	6,095	4,789	39	(171)	4,657
Foreign currency translation adjustment					141	141
Net interest income etc and value adjustments	11,830	6,244	5,586	39	(28)	5,596
Negative interest income	416	416	-			
Negative interest expenses	509	509	-			
Total	12,756	7,170	5,586			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	709					
H1/ 2019						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	4	27	(23)	-	-	(23)
Lending and deposits	968	(1)	968	-	5	973
Repo transactions and reverse repurchase lending	(98)	(49)	(49)	-	-	(49)
Subordinated debt	-	178	(178)	-	-	(178)
Other financial instruments	53	47	7	-	-	7
Total	927	203	725	-	5	730
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	11,731	7,203	4,528	-	(17)	4,511
- of which administration margin income	4,465	(61)	4,526	-	-	4,526
Bonds	225	-	225	-	1,223	1,447
Equities etc	-	-	-	151	789	939
Derivative financial instruments	(28)	-	(28)	-	(856)	(884)
Total	11,928	7,203	4,725	151	1,138	6,014
Foreign currency translation adjustment					37	37
Net interest income etc and value adjustments	12,855	7,406	5,450	151	1,180	6,780
Negative interest income	309	309	-			
Negative interest expenses	339	339	-			
Total	13,503	8,054	5,450			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	644					

¹ Recognised at fair value under the fair value option.

NOTES

DKK million

Nykredit Realkredit Group	H1/ 2020	H1/ 2019	2019
6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS (CONTINUED)			
Nykredit Realkredit Group			
Interest income			
Interest income	11,830	12,855	25,266
Negative interest income	(416)	(309)	(776)
Negative interest expenses	509	339	939
Total	12,756	13,503	26,982
Interest expenses			
Interest expenses	6,244	7,406	14,229
Negative interest expenses	(509)	(309)	(939)
Negative interest income	416	339	776
Total	7,170	8,054	15,945
Net interest income	5,586	5,450	11,037
Nykredit Realkredit A/S			
Interest income			
Interest income	8,030	9,314	18,038
Negative interest income	(183)	(138)	(386)
Negative interest expenses	348	230	653
Total	8,561	9,683	19,077
Interest expenses			
Interest expenses	6,104	7,340	14,123
Negative interest expenses	(348)	(230)	(653)
Negative interest income	183	138	386
Total	6,635	7,709	15,162
Net interest income	1,926	1,974	3,916

Due to increased negative interest from the Group's deposit and lending business, "Negative interest income" will now be included under "Interest expenses", while "Negative interest expenses" will be included under "Interest income". Negative interest is generally attributable to repo lending and deposits. The change does not affect total net interest, profit (loss) or the Group's financial ratios.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/ 2019	H1/ 2020	H1/ 2020	H1/ 2019
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
4,182	(943)	(2,277)	13,266
9,121	(1,259)	0	0
(2)	(11)	2	5
859	325	211	1,223
756	(495)	(487)	789
1	18	141	37
(576)	16	103	(878)
-	-	4	22
Liabilities measured at fair value through profit or loss			
(4,199)	935	2,275	(13,283)
(9,121)	1,259	(0)	-
1,021	(156)	(28)	1,180

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 ¹	Guarantees etc ¹	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total impairment provisions										
Beginning of period	5,365	5,025	2,526	2,767	28	21	137	117	8,056	7,930
New impairment provisions as a result of additions and change in credit risk	3,053	1,614	893	749	12	4	170	75	4,127	2,442
Releases as a result of redemptions and change in credit risk	1,606	1,278	678	703	9	6	52	60	2,346	2,047
Impairment provisions written off	195	204	61	102	-	-	-	-	256	307
Other adjustments and interest from impaired facilities	-	-	30	31	-	-	-	-	30	31
Transferred to "Impairment provisions for properties acquired by foreclosure"	3	2	-	-	-	-	-	-	3	2
Total impairment provisions	6,614	5,153	2,710	2,741	30	20	255	132	9,609	8,046
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	1,447	335	215	46	2	(2)	118	15	1,782	395
Write-offs for the period, not previously written down for impairment	109	196	9	66	-	-	-	-	117	262
Recoveries on claims previously written off	(47)	(52)	(26)	(27)	-	-	-	-	(73)	(79)
Total	1,509	479	197	86	2	(2)	118	15	1,826	578
Value adjustment of assets in temporary possession	3	(28)	-	-	-	-	-	-	3	(28)
Value adjustment of claims previously written off	14	(30)	(11)	(8)	-	-	-	-	4	(38)
Losses offset, in accordance with partnership agreement ²	(77)	(79)	-	-	-	-	-	-	(77)	(79)
Earnings impact	1,448	342	186	78	2	(2)	118	15	1,755	433

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

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

Nykredit Realkredit Group

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

8 b 2020: 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	
Beginning of period	1,589	1,235	2,542	425	199	1,930	52	38	46	8,056
Transfer to stage 1	169	(144)	(25)	104	(86)	(18)	13	(13)	(0)	-
Transfer to stage 2	(78)	348	(270)	(16)	197	(182)	(4)	7	(3)	-
Transfer to stage 3	(5)	(147)	152	(8)	(19)	26	(0)	(2)	2	-
Impairment provisions for new loans and advances (additions)	250	151	74	57	14	70	35	8	5	665
Additions as a result of change in credit risk	740	772	1,066	193	138	431	80	26	16	3,463
Releases as a result of change in credit risk	494	571	542	215	182	290	28	11	14	2,346
Previously written down for impairment, now written off	-	-	198	-	-	61	-	-	-	259
Other adjustments and interest from impaired facilities	-	-	-	-	-	30	-	-	-	30
Total impairment provisions, end of period	2,171	1,644	2,799	541	262	1,937	149	53	52	9,609
Total, end of period		6,614			2,741			255		9,609
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				30	-	-				30
Earnings impact for H1/ 2020	496	353	598	35	(29)	211	87	23	8	1,782

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	
Impairment provisions as at 1 January 2019	953	1,626	2,447	326	187	2,274	36	29	53	7,930
Transfer to stage 1	254	(235)	(19)	141	(119)	(22)	21	(10)	(11)	-
Transfer to stage 2	(34)	175	(141)	(7)	77	(70)	(3)	9	(6)	-
Transfer to stage 3	(2)	(103)	105	(1)	(14)	15	(0)	(1)	2	-
Impairment provisions for new loans and advances (additions)	53	51	79	69	23	48	8	5	3	340
Additions as a result of change in credit risk	219	578	634	98	121	394	6	26	26	2,102
Releases as a result of change in credit risk	551	443	285	253	86	370	30	12	18	2,047
Previously written down for impairment, now written off	-	-	207	-	-	102	-	-	-	309
Other adjustments and interest from impaired facilities	-	-	-	-	-	31	-	-	-	31
Total impairment provisions, end of period	892	1,648	2,613	374	189	2,198	38	45	49	8,046
Total, end of period		5,153			2,761			132		8,046
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				20	-	-				20
Earnings impact for H1/ 2019	(279)	186	428	(85)	58	72	(16)	19	12	395

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report for 2019.

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

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

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

8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)**8 c: Loans, advances and guarantees etc by stage, at 30 June 2020**

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,272,139	35,798	12,194	1,320,131
Total impairment provisions, end of period	2,171	1,644	2,799	6,614
Value, end of period	1,269,968	34,153	9,396	1,313,517
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	98,219	5,070	2,647	105,935
Total impairment provisions, end of period	510	262	1,937	2,710
Value, end of period	97,708	4,807	709	103,225
Guarantees etc				
Guarantees etc	34,001	965	186	35,152
Total impairment provisions, end of period	149	53	52	255
Value, end of period	33,852	912	134	34,897

8 c: Loans, advances and guarantees etc by stage, at end-2019

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,246,256	35,597	11,123	1,292,975
Total impairment provisions, end of period	1,589	1,235	2,542	5,365
Value, end of period	1,244,667	34,362	8,581	1,287,610
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	109,982	4,574	2,560	117,116
Total impairment provisions, end of period	396	199	1,930	2,526
Value, end of period	109,586	4,374	630	114,590
Guarantees etc				
Guarantees etc	30,021	1,094	241	31,356
Total impairment provisions, end of period	52	38	46	137
Value, end of period	29,969	1,056	195	31,219

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
	2020	2019	2020	2019	2020	2019
Total impairment provisions						
Balance, 1 January 2020	3,845	3,493	6	5	3,851	3,498
New impairment provisions as a result of additions and change in credit risk	2,220	958	7	-	2,227	958
Releases as a result of redemptions and change in credit risk	1,052	752	-	4	1,052	756
Impairment provisions written off	103	97	-	-	103	97
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	2	-	-	1	2
Total impairment provisions	4,910	3,600	13	1	4,923	3,601
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	1,168	206	7	(4)	1,175	202
Write-offs for the year, not previously written down for impairment	37	134	-	-	37	134
Recoveries on claims previously written off	(28)	(33)	-	-	(28)	(33)
Total	1,178	307	7	(4)	1,185	303
Value adjustment of assets in temporary possession	2	(30)	-	-	2	(30)
Value adjustment of claims previously written off	17	(17)	-	-	17	(17)
Earnings impact	1,197	260	7	(4)	1,204	256

Nykredit Realkredit A/S

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

9 b. 2020 Total impairment provisions by stage	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2020	933	658	2,261	3,851
Transfer to stage 1	86	(61)	(25)	-
Transfer to stage 2	(32)	264	(232)	-
Transfer to stage 3	(2)	(90)	91	-
Impairment provisions for new loans and advances (additions)	216	127	56	399
Additions as a result of change in credit risk	564	444	820	1,828
Releases as a result of change in credit risk	281	305	466	1,052
Previously written down for impairment, now written off	-	-	104	104
Total impairment provisions, end of period	1,484	1,038	2,401	4,923
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	13	-	-	13
Earnings impact for H1/ 2020	499	266	410	1,175

9 b. 2019: Total impairment provisions by stage	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Impairment provisions as at 1 January 2019	589	673	2,236	3,498
Transfer to stage 1	103	(88)	(16)	-
Transfer to stage 2	(25)	141	(117)	-
Transfer to stage 3	(2)	(54)	55	-
Impairment provisions for new loans and advances (additions)	20	28	61	109
Additions as a result of change in credit risk	104	227	518	850
Releases as a result of change in credit risk	345	187	224	756
Previously written down for impairment, now written off	-	-	99	99
Total impairment provisions, end of period	444	741	2,416	3,601
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	1	-	-	1
Earnings impact for H1/ 2019	(221)	68	355	202

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 June 2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	486,302	21,115	8,474	515,891
Total impairment provisions, end of period	1,471	1,038	2,401	4,910
Loans and advances, carrying amount	484,831	20,078	6,072	510,981
9 c.: Loans and advances etc by stage, at end-2019	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	486,008	20,667	9,041	515,717
Total impairment provisions, end of period	927	658	2,261	3,845
Loans and advances, carrying amount	485,081	20,010	6,781	511,872

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/ 2019	H1/ 2020	H1/ 2020	H1/ 2019
9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)			
9 d. Impairment provisions for properties acquired by foreclosure			
73	36	41	88
2	1	3	2
19	21	26	27
(49)	(18)	(23)	(55)
(4)	-	(1)	(10)
41	39	46	52
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession"			
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
(1)	0	4	2
1,749	1,517	-	-
1,748	1,517	4	2

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	30.06.2020		30.06.2020	31.12.2019
11. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
511,722	510,760	Mortgage loans	1,313,138	1,287,370
149	221	Arrears and outlays	380	240
956	942	Loans to Totalkredit serving as collateral in capital centres	-	-
842,624	821,123	Totalkredit mortgage loan funding	-	0
1,355,452	1,333,046	Total	1,313,517	1,287,610
11. a Mortgage loans				
499,304	500,522	Balance, beginning of period, nominal value	1,262,689	1,171,449
-	-	Additions from LR Realkredit A/S	-	21,877
113,438	40,283	New loans	147,353	404,162
156	131	Indexation	135	156
(393)	(338)	Foreign currency translation adjustment	(338)	(393)
(14,369)	(8,250)	Ordinary principal payments	(16,712)	(28,412)
(97,615)	(30,776)	Prepayments and extraordinary principal payments	(100,680)	(306,151)
500,522	501,572	Balance, end of period, nominal value	1,292,446	1,262,689
(5)	(23)	Loans transferred relating to properties in temporary possession	(23)	(7)
500,517	501,549	Total	1,292,423	1,262,681
14,935	14,056	Adjustment for interest rate risk etc	27,228	29,889
Adjustment for credit risk				
(3,730)	(4,844)	Impairment	(6,513)	(5,200)
511,722	510,760	Balance, end of period, fair value	1,313,138	1,287,370
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
47,784	49,282	Supplementary guarantees totalling	92,322	97,887
466	865	Interim loan guarantees totalling	26,472	23,903
4,677	2,052	Mortgage registration guarantees etc totalling	27,691	58,209
11 b. Arrears and outlays				
212	222	Arrears before impairment provisions	379	350
53	65	Outlays before impairment provisions	101	55
(116)	(65)	Individual impairment provisions for arrears and outlays	(101)	(165)
149	221	Total	380	240
11 c. Totalkredit mortgage loan funding				
699,285	828,905	Balance, beginning of period, nominal value	-	-
364,583	126,161	New loans	-	-
(11,208)	(6,598)	Ordinary principal payments	-	-
(223,756)	(139,341)	Prepayments and extraordinary principal payments	-	-
828,905	809,128	Balance, end of period, nominal value	-	-
13,719	11,995	Adjustment for interest rate risk	-	-
842,624	821,123	Balance, end of period, fair value	-	-

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	30.06.2020	30.06.2020	31.12.2019
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	69,724	67,992
10	10	-	-
-	-	10	10
-	-	35,846	48,749
260	238	356	366
270	248	105,935	117,116
Adjustment for credit risk			
-	-	(2,710)	(2,526)
270	248	103,225	114,590
13. BONDS AT FAIR VALUE			
31,792	45,713	79,655	93,305
8,523	11,035	15,381	16,437
-	-	179	178
310	8,312	8,312	310
23,801	25,279	83,828	95,718
4,479	5,168	19,008	8,564
2,762	3,354	4,529	4,273
71,668	98,861	210,891	218,786
(31,782)	(45,703)	(79,645)	(93,295)
(10)	(10)	(10)	(11)
(8,523)	(11,035)	(15,381)	(16,437)
-	-	(179)	(178)
-	(8,005)	(8,005)	-
(310)	(307)	(307)	(310)
31,042	33,802	107,364	108,555
Of bonds at fair value before set-off of self-issued bonds:			
-	-	3,326	1,290
4,876	6,318	13,758	7,918
<p>The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few days.</p> <p>Collateral security was provided on an arm's length basis.</p>			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	30.06.2020	30.06.2020	31.12.2019
14. DEPOSITS AND OTHER PAYABLES			
-	-	79,610	76,994
-	-	-	5
-	-	2,731	5,087
-	-	2,937	3,310
11,950	10,200	11,893	15,281
11,950	10,200	97,171	100,677
15. BONDS IN ISSUE AT FAIR VALUE			
131,593	123,011	151,367	162,763
1,282,248	1,256,513	1,256,513	1,282,248
1,135	9,141	9,141	1,135
1,414,977	1,388,664	1,417,021	1,446,146
(40,305)	(64,742)	(103,031)	(109,732)
1,374,671	1,323,922	1,313,990	1,336,414
15. a ROs			
122,473	115,235	142,295	152,406
9,120	7,775	9,072	10,357
131,593	123,011	151,367	162,763
(8,523)	(11,035)	(15,381)	(16,437)
123,070	111,976	135,986	146,326
42	8	8	320
5,729	2,418	3,213	7,447
15. b. SDOs			
1,262,714	1,238,237	1,238,237	1,262,714
19,534	18,276	18,276	19,534
1,282,248	1,256,513	1,256,513	1,282,248
(31,782)	(45,703)	(79,645)	(93,295)
1,250,467	1,210,810	1,176,868	1,188,954
6,836	2,135	2,135	6,836
121,423	67,518	67,518	121,423

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	30.06.2020	30.06.2020	31.12.2019
15. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
15 c. Senior secured debt			
934	8,932	8,932	934
201	209	209	201
1,135	9,141	9,141	1,135
-	(8,005)	(8,005)	-
1,135	1,136	1,136	1,135
16. BONDS IN ISSUE AT AMORTISED COST			
-	-	4,671	3,959
11	10	10	11
30,306	39,746	39,746	30,306
33	52	52	33
30,350	39,808	44,480	34,308
-	-	(179)	(178)
(10)	(10)	(10)	(10)
(310)	(307)	(307)	(310)
30,029	39,491	43,983	33,810
17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	190	7,845	4,523
-	190	7,845	4,523

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	30.06.2020	30.06.2020	31.12.2019
18. SUBORDINATED DEBT			
<p>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.</p> <p>Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.</p> <p>Subordinate loan capital</p> <p>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</p>			
4,555	4,522	4,522	4,555
<p>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</p>			
6,087	6,075	6,075	6,087
<p>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</p>			
373	373	373	373
11,016	10,970	10,970	11,016
Total subordinate loan capital			
-	-	(19)	(12)
Portfolio of self-issued bonds			
11,016	10,970	10,951	11,004
Total subordinated debt			
10,831	10,798	10,804	10,823
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 H1/2020.

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

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

Significant related party transactions prevailing/entered into as at 30 June 2020 include:

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

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

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

payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans totalled DKK 0.9 billion at 30 June 2020. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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

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

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

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

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

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

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 a sub-element of the FVA adjustment.

Net value adjustment due to CVA, DVA and FVA amounted to DKK 821 million at 30 June 2020 (end-2019: DKK 527 million).

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2020, the non-amortised minimum margin amounted to DKK 128 million (end-2019: DKK 135 million). With regard to liquidity and credit risk, these amounts have been included above in the net adjustment of FVA and CVA; DKK 172 million at end-June 2020 (end-2019: DKK 182 million). Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

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

Following value adjustment, the fair value came to DKK 1,868 million at 30 June 2020 (end-2019: DKK 1,033 million). Credit value adjustments came to DKK 2,169 million at 30 June 2020 (end-2019: DKK 2,301 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 74 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2020, the proportion was thus 0.3% (end-2019: 0.3%). The proportion of financial liabilities was 0.0% (end-2019: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.0 billion (end-2019: DKK 4.1 billion) belonged to this category.

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 501 million at 30 June 2020 (0.58% of equity at 30 June 2020), (end-2019: DKK 412 million, equal to 0.49% of equity).

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year.

With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made at the end of each month.

In 2020 and 2019, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 30 June 2020, financial assets of DKK 6.0 billion (end-2019: DKK 1.4 billion) have been transferred from Listed prices to Observable inputs and DKK 9.4 billion (end-2019: DKK 0.8 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.3 billion (end-2019: DKK 0.2 billion) were transferred from Listed prices to Observable inputs and DKK 0.0 billion (end-2019: DKK 0.1 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2020, the amount was DKK 3.4 billion (end-2019: DKK 0.6 billion).

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

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2020

	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
Financial assets:					
- bonds at fair value	34,277	73,087	-	107,364	
- equities measured at fair value through profit or loss	3,560	-	3,081	6,641	
- positive fair value of derivative financial instruments	117	21,382	1,868	23,367	
- mortgage loans, arrears and outlays ¹	-	1,313,517	-	1,313,517	
- owner-occupied properties	-	-	59	59	
Total	37,954	1,407,986	5,008	1,450,949	
Percentage	2.6	97.0	0.3	100.0	
Financial liabilities:					
- other non-derivative financial liabilities at fair value	2,973	4,872	-	7,845	
- negative fair value of derivative financial instruments	76	12,259	-	12,335	
- bonds in issue at fair value ¹	1,290,108	23,882	-	1,313,990	
Total	1,293,158	41,013	-	1,334,171	
Percentage	96.9	3.1	-	100.0	
Assets measured on the basis of unobservable inputs					
	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	74	2	3,014	1,033	4,124
Value adjustment recognised through profit or loss	(0)	-	(18)	528	509
Purchases for the period	-	-	100	-	100
Sales for the period	(15)	(2)	(15)	(107)	(138)
Transferred from Listed prices and Observable inputs ²	-	-	-	1,965	1,965
Transferred to Listed prices and Observable inputs ³	-	-	-	(1,551)	(1,551)
Reclassification to "Other assets"	-	-	-	-	-
Fair value, end of period, assets	59	0	3,081	1,868	5,009

¹ Recognised at fair value under the fair value option.

² Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

³ Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2019

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	30,488	78,065	2	108,555
- equities measured at fair value through profit or loss	4,121	-	3,014	7,135
- positive fair value of derivative financial instruments	45	20,422	1,033	21,500
- mortgage loans, arrears and outlays ¹	-	1,287,610	-	1,287,610
- owner-occupied properties	-	-	75	75
Total	34,655	1,386,096	4,124	1,424,874
Percentage	2.4	97.3	0.3	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	2,052	2,472	-	4,523
- negative fair value of derivative financial instruments	42	13,016	-	13,057
- bonds in issue at fair value ¹	1,323,953	12,461	-	1,336,414
Total	1,326,047	27,948	-	1,353,995
Percentage	97.9	2.1	-	100.0

Assets 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	4,602
Value adjustment recognised through profit or loss	(3)	1	248	(119)	127
Purchases for the year	3	-	200	-	203
Sales for the year	(3)	(64)	(391)	(162)	(619)
Transferred from Listed prices and Observable inputs ²	-	-	-	388	388
Transferred to Listed prices and Observable inputs ³	-	-	-	(569)	(569)
Reclassification to "Other assets"	(7)	-	-	-	(7)
Fair value, end of year, assets	74	2	3,014	1,033	4,124

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

21. ACQUISITION OF GROUP ENTERPRISE AND INTANGIBLE ASSETS

In 2019 the subsidiary Nykredit Bank A/S acquired 76% of the shares in Sparinvest Holdings SE, which subsequently became a subsidiary of the Nykredit Bank Group.

The assessment of net assets acquired, including determination of goodwill, has called for a few adjustments relative to intangible assets and deferred tax.

For the Parent, the change has resulted in a reclassification of DKK 71 million from "Investments in Group enterprises" to "Goodwill". Goodwill has then increased from DKK 1,686 million to DKK 1,756 million. The change has not affected profit (loss), comprehensive income or total equity.

The Consolidated Financial Statements have been affected by the adjustment of goodwill of DKK 71 million, adjustment of deferred tax by DKK 37 million and an increase in the minority interests' share of equity by DKK 30 million. The adjustment has not affected profit (loss), comprehensive income or total equity.

Please also refer to note 55 of the Annual Report for 2019 for more information.

The acquisition of LR Realkredit has not given rise to accounting adjustments in the H1 Interim Report 2020.

NOTES

DKK million

Nykredit Realkredit Group	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
22. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	5,586	5,450	5,445	5,822	5,483
Net fee income etc	105	(114)	(115)	(37)	(18)
Net interest and fee income	5,691	5,336	5,330	5,786	5,464
Value adjustments	(28)	1,180	786	2,860	(740)
Other operating income	698	705	439	135	105
Staff and administrative expenses	2,581	2,285	2,289	2,177	2,250
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	147	136	48	116	103
Other operating expenses	106	71	65	71	82
Impairment charges for loans, advances and receivables etc	1,755	433	103	(448)	125
Profit from investments in associates and Group enterprises	4	2	2	4	6
Profit) before tax	1,775	4,298	4,052	6,868	2,275
Tax	205	684	758	1,411	447
Profit for the period	1,570	3,615	3,294	5,457	1,828
Value adjustment and reclassification of strategic equities against equity	-	-	-	125	(157)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Assets					
Cash balances and receivables from credit institutions and central banks	32,698	43,475	29,002	33,704	43,707
Mortgage loans at fair value	1,313,138	1,232,135	1,178,370	1,140,548	1,127,725
Bank loans excluding reverse repurchase lending	67,014	63,505	58,344	57,544	49,554
Bonds and equities etc	114,005	117,650	96,434	95,088	106,387
Remaining assets	71,048	83,943	60,159	52,816	79,922
Total assets	1,597,903	1,540,708	1,422,310	1,379,698	1,407,294
Liabilities and equity					
Payables to credit institutions and central banks	14,445	26,647	17,541	14,420	28,131
Deposits and other payables	97,171	95,376	92,216	69,442	69,547
Bonds in issue at fair value	1,313,990	1,263,666	1,179,842	1,140,474	1,142,561
Subordinated debt	10,951	11,077	10,982	10,956	11,260
Remaining liabilities	75,540	63,370	44,288	67,998	88,778
Equity	85,806	80,573	77,442	76,407	67,017
Total liabilities and equity	1,597,903	1,540,708	1,422,310	1,379,698	1,407,294
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,774	6,703	6,296	7,224	6,245
Other commitments	27,599	20,012	8,732	7,664	7,203
FINANCIAL RATIOS¹					
Total capital ratio, %	23.2	24.7	24.8	25.5	24.8
Tier 1 capital ratio, %	20.1	21.5	21.6	22.0	21.3
Return on equity before tax, %	2.1	5.4	5.2	9.3	3.4
Return on equity after tax, %	1.8	4.5	4.2	7.4	2.7
Income:cost ratio	1.4	2.5	2.6	4.6	1.9
Foreign exchange position, %	0.1	0.7	0.0	0.3	0.7
Loans and advances:equity (loan gearing)	16.5	16.7	16.4	16.0	18.0
Growth in loans and advances for the period, %	2.4	2.3	(0.8)	0.6	(1.0)
Impairment charges for the period, %	0.12	0.03	0.01	(0.04)	0.01
Return on capital employed, %	0.10	0.23	0.23	0.39	0.13

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 57 in the Annual Report for 2019.

NOTES

DKK million

Nykredit Realkredit A/S	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
22. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	1,926	1,974	2,010	2,146	2,393
Net fee income etc	366	351	339	391	442
Net interest and fee income	2,292	2,325	2,348	2,537	2,834
Value adjustments	(156)	1,021	24	623	(186)
Other operating income	639	642	444	443	483
Staff and administrative expenses	1,390	1,332	1,397	1,310	1,452
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	126	131	43	103	82
Other operating expenses	76	59	54	60	68
Impairment charges for loans, advances and receivables etc	1,204	256	(29)	(303)	166
Profit from investments in associates	1,517	1,748	2,235	3,577	587
Profit before tax	1,495	3,959	3,588	6,008	1,950
Tax	(61)	344	278	426	280
Profit for the period	1,556	3,615	3,310	5,582	1,670
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Assets					
Cash balances and receivables from credit institutions and central banks	38,896	52,339	37,420	37,623	23,991
Mortgage loans at fair value	510,760	510,405	513,601	524,283	538,544
Totalkredit mortgage loan funding	821,123	803,355	710,703	659,095	611,178
Bonds and equities etc	39,763	44,755	38,166	42,259	51,811
Remaining assets	69,771	61,378	58,580	59,664	58,982
Total assets	1,480,313	1,472,231	1,358,470	1,322,924	1,284,506
Liabilities and equity					
Payables to credit institutions and central banks	1,117	2,825	1,811	9,976	20,756
Deposits and other payables	10,200	12,200	8,000	-	-
Bonds in issue	1,323,922	1,331,312	1,237,219	1,187,285	1,164,671
Subordinated debt	10,970	11,077	10,985	10,957	11,260
Remaining liabilities	48,378	34,240	22,969	38,299	20,807
Equity	85,726	80,577	77,486	76,407	67,013
Total liabilities and equity	1,480,313	1,472,231	1,358,470	1,322,924	1,284,506
OFF-BALANCE SHEET ITEMS					
Other commitments	10,660	9,546	1,399	1,360	1,193
FINANCIAL RATIOS¹					
Total capital ratio, %	19.6	20.2	20.5	21.8	21.0
Tier 1 capital ratio, %	17.1	17.8	17.9	19.0	18.1
Return on equity before tax, %	1.8	4.9	4.6	8.2	2.9
Return on equity after tax, %	1.8	4.5	4.2	7.5	2.5
Income:cost ratio	1.5	3.2	3.5	6.1	2.1
Foreign exchange position, %	0.1	0.5	0.0	0.2	0.7
Loans and advances:equity (loan gearing)	6.0	6.3	6.6	6.9	8.0
Growth in loans and advances for the period, %	0.2	(0.7)	(1.2)	(0.3)	(2.8)
Impairment charges for the period, %	0.23	0.05	(0.01)	(0.06)	0.03
Return on capital employed, %	0.11	0.25	0.24	0.42	0.13

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 57 in the Annual Report for 2019.

Nykredit Realkredit Group

23. GROUP STRUCTURE**Name and registered office**

	Ownership interest as %, 30 June 2020	Profit for the period, 2020	Equity 30 June 2020	Profit (loss) for 2019	Equity 31 December 2019
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	1,556	85,726	7,443	84,321
Totalkredit A/S, Copenhagen, a)	100	919	31,438	2,573	30,612
Nykredit Bank A/S, Copenhagen, b)	100	528	24,905	1,288	24,377
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	92	1,171	191	1,079
Nykredit Leasing A/S, Gladsaxe, e)	100	31	888	102	858
Sparinvest Holdings SE, Luxembourg, g)	75	65	242	280	233
Nykredit Mægler A/S, Copenhagen, c)	100	37	109	69	138
LR Realkredit A/S, Copenhagen, a)	100	18	3,317	(3)	3,299
Ejendomsselskabet Kalvebod A/S, Copenhagen, g)	100	15	713	28	698
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	10	566	25	556
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	5	113	3	138

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

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
	3,726	14,445	1,775	205	-

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

- a) Mortgage bank
- b) Bank
- c) Estate agency business
- d) Property company
- e) Leasing business
- f) Investment management company
- g) Holding company, no independent activities

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

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