

Nykredit
Group

Q1-Q3 Interim Report
2020



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FINANCIAL HIGHLIGHTS

DKK million

Nykredit Group	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD							
Net interest income	7,280	6,929	2,448	2,438	2,394	2,337	9,344
Net fee income	1,754	2,008	618	594	542	853	2,739
Wealth management income	1,446	1,116	459	485	502	397	1,610
Net interest from capitalisation	(307)	(262)	(109)	(93)	(105)	(90)	(352)
Net income relating to customer benefits programmes ¹	(154)	(122)	(57)	(52)	(45)	(19)	(358)
Trading, investment portfolio and other income	231	1,164	420	1,205	(1,394)	(137)	1,673
Income	10,250	10,833	3,779	4,576	1,894	3,340	14,656
Costs	4,294	3,811	1,454	1,421	1,420	1,309	5,347
Business profit before impairment charges	5,955	7,022	2,325	3,156	474	2,031	9,308
Impairment charges for loans and advances	1,985	665	230	443	1,312	232	994
Business profit (loss)	3,970	6,357	2,095	2,713	(838)	1,800	8,314
Legacy derivatives	52	(597)	154	318	(421)	(328)	(112)
Badwill, impairment of goodwill and amortisation of customer relationships	(2)	0	0	(2)	0	0	564
Profit (loss) before tax for the period	4,020	5,760	2,250	3,029	(1,259)	1,472	8,766
Tax	641	914	437	581	(377)	233	1,340
Profit (loss) for the period	3,378	4,846	1,812	2,448	(882)	1,239	7,427
Other comprehensive income, remaining items	(27)	(1)	8	(20)	(15)	2	22
Comprehensive income (loss) for the period	3,351	4,845	1,820	2,428	(897)	1,241	7,449
Interest on Additional Tier 1 capital charged against equity	174	174	57	59	58	58	233
Minority interests	22	3	8	7	7	3	(1)
SUMMARY BALANCE SHEET							
Assets	30.09.2020	30.09.2019	30.09.2020	30.06.2020	31.03.2020	30.09.2019	31.12.2019
Receivables from credit institutions and central banks	41,497	71,304	41,497	32,698	41,002	71,304	59,623
Mortgage loans at fair value	1,332,762	1,256,233	1,332,762	1,313,138	1,286,026	1,256,233	1,287,370
Bank loans excluding reverse repurchase lending	70,523	63,289	70,523	67,014	69,389	63,289	65,466
Bonds and equities	114,301	122,535	114,301	114,005	117,662	122,535	115,690
Remaining assets	74,340	89,220	74,340	71,035	77,340	89,220	82,171
Total assets	1,633,422	1,602,582	1,633,422	1,597,890	1,591,419	1,602,582	1,610,319
Liabilities and equity							
Payables to credit institutions and central banks	18,090	23,422	18,090	14,445	22,705	23,422	13,914
Deposits excluding repo deposits	85,597	83,449	85,597	85,267	80,526	83,449	85,374
Bonds in issue at fair value	1,340,983	1,319,545	1,340,983	1,313,990	1,308,146	1,319,545	1,336,414
Subordinated debt	10,933	11,084	10,933	10,951	11,011	11,084	11,004
Remaining liabilities	90,200	83,216	90,200	87,446	85,551	83,216	79,246
Equity	87,619	81,866	87,619	85,791	83,479	81,866	84,366
Total liabilities and equity	1,633,422	1,602,582	1,633,422	1,597,890	1,591,419	1,602,582	1,610,319
FINANCIAL RATIOS							
Profit (loss) for the period as % pa of average business capital (ROAC) ²	6.8	10.9	10.8	15.2	(6.3)	8.0	12.4
Profit (loss) for the period as % pa of average equity ³	5.2	8.1	8.4	11.8	(4.7)	6.1	9.3
Costs as % of income	41.9	35.2	38.5	31.0	75.0	39.2	36.5
Total provisions for loan impairment and guarantees	9,730	8,083	9,730	9,579	9,171	8,083	8,033
Impairment charges for the period, %	0.14	0.05	0.02	0.02	0.10	0.02	0.07
Total capital ratio, %	21.6	22.2	21.6	22.0	23.0	22.2	22.4
Common Equity Tier 1 capital ratio, %	19.3	19.4	19.3	19.2	20.2	19.4	19.5
Internal capital adequacy requirement, %	10.8	10.1	10.8	10.7	11.0	10.1	10.9
Average number of staff, full-time equivalent	3,760	3,443	3,828	3,725	3,728	3,573	3,515

¹ "Net income relating to customer benefits programmes" is 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 posted a satisfactory profit before tax of DKK 4,020 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 5,760 million).

The period saw good momentum in the underlying business as demonstrated by increased net interest and wealth management income. Recent years' strong inflow of customers also continued in the first three quarters of 2020 with customer and lending growth in bank as well as mortgage lending. Particularly bank lending has increased significantly in the past 12 months, up 11% since end-September 2019. Furthermore, mortgage lending increased, which led to rising net interest income. Conversely, margins are under pressure, as more and more customers are choosing fixed-rate repayment loans.

Q1-Q3 results were negatively influenced by the financial market unrest in Q1, which impacted trading, investment portfolio and other income. Financial markets rebounded strongly in Q2 and Q3, and we regained the losses from Q1. However, trading, investment portfolio and other income was not at the same level as in the period last year.

At the same time, our results were adversely impacted by the increased impairment charges for loans and advances due to the uncertainty about the duration and severity of the covid-19 pandemic. However, the negative impact was lower in Q2 and Q3 compared with Q1. In Q1-Q3/2020 impairment charges for loans and advances totalled DKK 2.0 billion, of which DKK 1.8 billion was provided for losses anticipated as a consequence of covid-19. Such provisions are based on management judgement. However, covid-19-induced write-offs remained low, due to the generally robust finances of our customers coupled with the effect of government relief packages and expanded access to credit in the financial sector.

Thanks to our underlying business growth and the prospect of lower-than-expected impairment charges, on 15 October we raised our guidance for business profit and profit before tax for 2020 from DKK 4.0-5.0 billion to DKK 5.5-6.0 billion. Our earnings upgrade is also driven by the recovery in financial markets, which has positively impacted our investment portfolio income and derivatives portfolios. Our guidance is subject to higher-than-usual uncertainty as a result of covid-19.

Together we can help more people

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 the covid-19 crisis prudently and responsibly. The increasing demand for lending and liquidity seen particularly at the onset of the crisis has since receded. If such higher demand returns, we are ready to accommodate our customers' needs. In this way, we contribute to preserving healthy Danish businesses and jobs, which might otherwise have been lost due to covid-19. The duration and severity of the crisis 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.

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 on loan applications 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'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 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, but at the beginning of June, it was considered safe to reopen them. However, we still recommend that most meetings be held online or by telephone, and we still operate under a precautionary principle. We adhere to all guidelines announced by the authorities to minimise the spread of covid-19.

A greener Denmark

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. We have decided that more Danes should be able to afford contributing to Denmark's green transition. A key element of Nykredit's strategy is the green agenda.

For this reason, at end-September we presented new products backing our ambition. Thanks to a DKK 200 million contribution granted by Forenet Kredit and allocated specifically for green initiatives, we have launched a green home loan, a green car loan and a green home check-up. Moreover, as from December Totalkredit will offer a green contribution of DKK 10,000 to 3,000 customers who replace their oil-fired boilers with heat pumps, and together with the Danish Energy Agency, Totalkredit and its partner banks have developed an energy calculator, a tool for home energy optimisation. The energy calculator helps raise awareness of sustainable housing and energy renovation. It provides homeowners with an easy and quick overview of ways to save the most money and obtain the biggest carbon reduction from home energy renovation. This way we can guide our customers towards a more financially attractive and greener path.

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.

Top ranking of Nykredit products

In June this year 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 cases 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. And 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 also been recognised. In the latest survey conducted by Prospera, a market research company, Nykredit Private Banking Elite was named the best private banking provider in Denmark, for the fourth year running. Furthermore, Nykredit Private Banking Elite won the awards Best Private Bank Client Service and Best Private Bank Talent Management at the WealthBriefing European Awards 2020. Nykredit Invest won all three main categories at the annual Morningstar Fund Awards, and the investment fund Nykredit Invest was awarded best manager of equities, best manager of bonds as well as best manager of 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 seven out of eight of Morningstar's categories.

New insurance partnership strengthens alliance

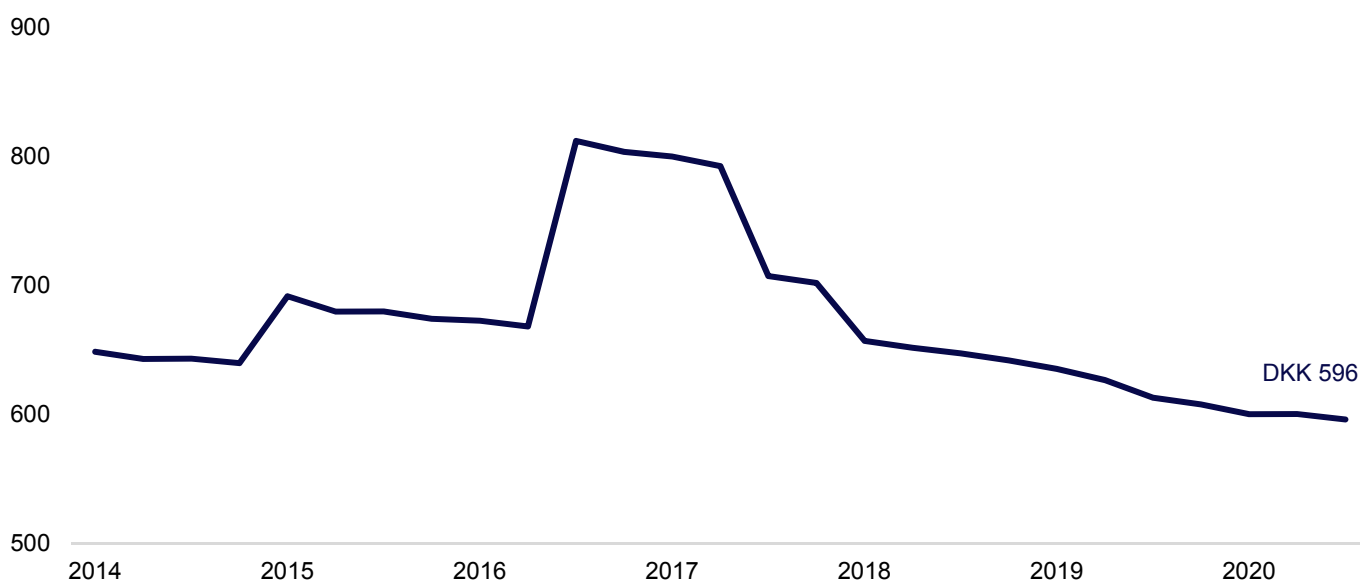
Together with the Association of Local Banks, Savings Banks and Co-operative Banks in Denmark, Spar Nord and Codan, Nykredit entered into a new insurance partnership on 27 October. From spring 2021, our banking customers will be offered insurance propositions, digital solutions and competitive products from Codan. This partnership reinforces the alliance with the Totalkredit partner banks and is one of many examples of our delivery of Nykredit's Winning the Double 2.0 strategy.

The collaboration with the 51 Totalkredit partner banks is important, as it enables us to deliver on our commitment to contribute to development and growth and offer attractive and secure loans all over Denmark at all times. We are therefore also pleased that our business partner satisfaction is higher than ever.



Lowest administration margin payments for seven years

Nykredit offers attractive home loans. Our 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 seven years. The discount 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.

More affordable loans – today our customers make average monthly administration margin payments of DKK 596 for each DKK 1 million borrowed



FINANCIAL REVIEW

	Business profit Q1-Q3/2020	Profit Q1-Q3/2020	Income Q1-Q3/2020
	DKK 3,970 million	DKK 4,020 million	DKK 10,250 million
	Business profit	Profit before tax for the period	Income
	ROAC	Return on equity	Cost:income ratio
	6.8%	5.2%	41.9%
	Profit for the period as % pa of average business capital	Profit for the period as % pa of average equity	Costs as % of income

PERFORMANCE HIGHLIGHTS IN Q1-Q3/2020

Nykredit delivered a profit before tax for Q1-Q3/2020 of DKK 4,020 million (Q1-Q3/2019: DKK 5,760 million). Business profit for the period was DKK 3,970 million (Q1-Q3/2019: DKK 6,357 million). Results were positively impacted by Nykredit's business activities, which were only slightly affected by covid-19, with growth in customers as well as in lending in the first three quarters of the year. On the other hand, the Group's results were marked by the turmoil in financial markets and increased loan impairment charges prompted by covid-19.

Income

Total income was DKK 10,250 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 10,833 million).

Net interest income went up by DKK 351 million to DKK 7,280 million (Q1-Q3/2019: DKK 6,929 million), which was satisfactory. The underlying business performed well, and the positive trend in net interest income was driven by the continued growth in bank and mortgage lending. In addition, negative deposit rates for personal customers also affected net interest income positively.

Net fee income decreased to DKK 1,754 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 2,008 million), primarily owing to the exceptionally high remortgaging activity last year.

Wealth management income rose to DKK 1,446 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 1,116 million), mainly due to income from Sparinvest, which was included in Q1-Q3/2020 but not in the same period of 2019.

Net interest expenses from capitalisation, which includes interest on subordinated debt etc, was a negative DKK 307 million (Q1-Q3/2019: a negative DKK 262 million).

Net income relating to the customer benefits programmes KundeKroner, ErhvervsKroner and MineMål was a negative DKK 154 million in Q1-Q3/2020 (Q1-Q3/2019: a negative DKK 122 million). The amount includes contributions received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustment of swaps etc, dropped to DKK 231 million (Q1-Q3/2019: DKK 1,164 million). This was strongly impacted by covid-19, and the decline was mainly attributable to large investment portfolio losses in Q1, most of which, however, were recovered in Q2 and Q3. At the same time the investment portfolio developed very positively in 2019 due to considerable capital gains on the portfolio of, for example, Danish bank equities.

Costs

Costs totalled DKK 4,294 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 3,811 million). The increase was primarily related to staff from Sparinvest, LR Realkredit and Shared Valuation etc in 2020 relative to Q1-Q3/2019, as well as investments in compliance.

The average headcount was 3,760 in Q1-Q3/2020 (Q1-Q3/2019: 3,443).

Impairment charges for loans and advances

Impairment charges for loans and advances totalled DKK 1,985 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 665 million). The favourable economic trends in early Q1, before the covid-19 outbreak, are still reflected in low write-offs and low individual impairment provisions for homeowners and businesses alike. Individual and model-based impairment provisions totalled a net reversal of DKK 213 million in Q3.

	DKK million		
Nykredit Group	Q3/ 2020	Q2/ 2020	Q1/ 2020
Impairment charges for loans and advances			
Individual impairment provisions (stage 3)	(17)	(40)	152
Model-based impairment provisions (stages 1 and 2)	(196)	(34)	(255)
Management judgement (stages 1, 2 and 3)	443	517	1,415
- of the above attributable to covid-19	233	374	1,175
Impairment charges for loans and advances	230	443	1,312

Conversely, impairment charges for loans and advances were significantly impacted by the uncertainty about the duration and severity of the covid-19 pandemic. Q1 saw the largest negative impact, which was lower in Q2 and Q3. In Q1-Q3 DKK 1.8 billion 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 prompted 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 and the labour supply domestically and globally. For further information about the impacts of covid-19 on impairment charges for loans and advances and Nykredit's loan portfolio, please refer to "Credit risk" on page 21 of this report as well as our Fact Book Q3 2020, which is available at nykredit.com.

Other items

Legacy derivatives, which are not included in business profit, were DKK 52 million (Q1-Q3/2019: a negative DKK 597 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 7.0 billion (end-2019: DKK 6.6 billion). The portfolio was written down to DKK 5.0 billion at end-September 2020 (end-2019: DKK 4.5 billion).

Tax

Tax calculated on profit for the period was DKK 641 million (Q1-Q3/2019: DKK 914 million).

Balance sheet

Nominal mortgage lending was DKK 1,308 billion at end-September 2020 (end-2019: DKK 1,263 billion), equal to an increase of DKK 45.4 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 786 billion at nominal value at end-September 2020 (end-2019: DKK 740 billion). This represents a 6% increase on end-2019. More than 860,000 homeowners now have Totalkredit loans.

The Group's share of total Danish mortgage lending (including LR Realkredit) was 43.4% at end-September 2020 (end-2019: 42.8%).

Nykredit's loan portfolio continued to develop positively, and Nykredit Bank's lending increased by DKK 5.0 billion to DKK 70.5 billion at end-September 2020 (end-2019: DKK 65.5 billion). Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 77.3 billion (end-2019: DKK 72.3 billion). At 30 September 2020 secured homeowner loans transferred to Totalkredit amounted to DKK 6.8 billion (end-2019: DKK 6.8 billion).

Guarantees provided by Nykredit amounted to DKK 6.9 billion at end-September 2020 (end-2019: DKK 6.6 billion).

Deposits excluding repo deposits totalled DKK 85.6 billion, and Nykredit Bank's deposits exceeded lending by DKK 15.3 billion at end-September 2020 (end-2019: DKK 20.1 billion).

Equity

The Nykredit Group's equity stood at DKK 87.6 billion at end-September 2020 (end-2019: DKK 84.4 billion).

RESULTS FOR Q3/2020 RELATIVE TO Q2/2020

Profit before tax was DKK 2,250 million in Q3/2020 (Q2: DKK 3,029 million).

Income totalled DKK 3,779 million in Q3 (Q2: DKK 4,576 million). The continued growth in bank as well as mortgage lending contributed to a rise in net interest and net fee income. The decline in income was primarily driven by the significant rebound in financial markets in Q2 following the tumble in Q1, which had a positive impact on particularly derivatives and investment portfolio income. Q3 performance was lower compared with Q2, yet still positive.

Costs in Q3 were on a par with Q2 and totalled DKK 1,454 million (Q2: DKK 1,421 million).

Impairment charges for loans and advances totalled DKK 230 million, which was significantly lower than the impairment charges of DKK 443 million in Q2. Impairment charges were still adversely impacted by the uncertainty about the duration and severity of the covid-19 pandemic, but positively impacted by rising property prices and customers' high credit quality.

Legacy derivatives resulted in a positive value adjustment of DKK 154 million (Q2: DKK 318 million).

OUTLOOK AND GUIDANCE FOR 2020

In a stock exchange announcement dated 15 October 2020 Nykredit raised its guidance for business profit and profit before tax for 2020 from DKK 4.0-5.0 billion to DKK 5.5-6.0 billion. Our earnings upgrade was based on the continued growth in core business, lower-than-expected impairment charges as well as our current outlook for the economy and financial markets. Our guidance is still subject to higher-than-usual uncertainty as a result of covid-19.

Our overall full-year profit guidance is primarily based on the following positive and negative drivers:

- Nykredit still expects continued growth in the underlying business and the customer base but, as reported earlier, lower income, as the high remortgaging activity seen in 2019 is not expected to continue at the same level in 2020.
- 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 covid-19-related loan impairment provisions of around DKK 1.8 billion, bringing total impairments up to DKK 2.0 billion for Q1-Q3/2020. Such provisions are based on management judgement and updated macro scenarios applied for model calculations. Write-offs on customer exposures are still very low.
- We expect 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 32. 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

Insurance partnership with Codan

On 27 October Nykredit together with the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, Spar Nord and Codan announced a new insurance partnership. The agreement entails an improved suite of products to be launched to Nykredit's customers in the spring of 2021. Codan is a strong business partner with deep experience and understanding of the insurance market.

In consequence, Nykredit will end its partnership with Gjensidige Forsikring.

The agreement reinforces the alliance with the Totalkredit partner banks and is one of many examples of our delivery of Nykredit's Winning the Double 2.0 strategy.

Changes to Boards of Directors

Helge Leiro Baastad, Group CEO of Gjensidige Forsikring, has decided to leave the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S effective from 27 October 2020.

Dividend

In the Annual Report 2019, the Board of Directors proposed dividend for 2019 of DKK 3,610 million to the Company's shareholders. 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

As at end-June, Totalkredit A/S took over part of the digital platform Bolighed and continues its services under a new name (Mit hjem). The majority of the staff have 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 visibility. 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 mutual 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.

Sale of shares in VP Securities

On 23 April Danmarks Nationalbank together with Nykredit and three other major shareholders announced an agreement to sell their shares in VP Securities to Euronext. Nykredit held 12.7% of the shares in VP Securities. The agreement was approved by the Danish FSA in July 2020, and the transaction was completed at the beginning of Q3/2020, leading to a minor profit in Q3.

Redemption of Additional Tier 1 capital

In September 2020 Nykredit Realkredit A/S was authorised by the Danish FSA to redeem capital notes in the form of AT1 capital of EUR 500 million (DKK 3.8 billion). The notes were redeemed on 26 October 2020 and have not been included in own funds as at end-September 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 Q1-Q3/2020 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. Market conditions have normalised somewhat after Q1. Valuations are still subject to greater uncertainty, but at a more moderate level than at end-March 2020.

The covid-19 pandemic has resulted in increased impairments partly based on management judgement following the uncertainty about the effect on the domestic and global economy. The Group has still not seen a material rise in write-offs, but the pandemic is expected to have a significant effect on future impairments.

MATERIAL RISKS

The Group's most material risks are described in detail in note 50 of the Annual Report for 2019, to which reference is made.

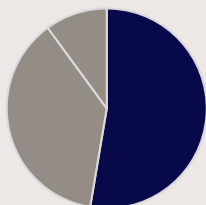
EVENTS SINCE THE BALANCE SHEET DATE

On 6 October 2020 Nykredit Realkredit A/S issued new AT1 capital notes with proceeds of EUR 500 million (DKK 3.7 billion). No further events have occurred in the period up to the presentation of the Q1-Q3 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.

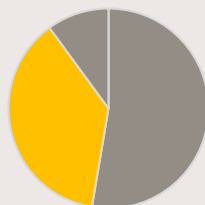
Business profit Q1-Q3/2020:
DKK 2,286 million

Income Q1-Q3/2020:
DKK 6,888 million

Impairment charges for loans and advances Q1-Q3/2020:
DKK 1,657 million

Total lending end-September 2020:
DKK 706 billion

Totalkredit Partners



Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 51 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Banking.

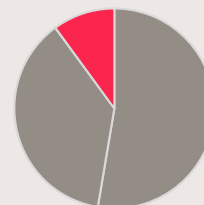
Business profit Q1-Q3/2020:
DKK 1,619 million

Income Q1-Q3/2020:
DKK 2,430 million

Impairment charges for loans and advances Q1-Q3/2020:
DKK 269 million

Total lending end-September 2020:
DKK 658 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 Q1-Q3/2020:
DKK 436 million

Income Q1-Q3/2020:
DKK 1,134 million

Total lending end-September 2020:
DKK 14 billion

Assets under management end-September 2020: DKK 332 billion

Assets under administration end-September 2020: DKK 898 billion

Percentages show the business divisions' share of business profit for Q1-Q3/2020 excluding Group Items.

To this should be added Group Items, which comprises other income and costs not allocated to business areas as well as 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 –	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
Banking							
Net interest income	4,955	4,735	1,659	1,659	1,637	1,581	6,330
Net fee income	1,410	1,532	492	493	425	655	2,070
Wealth management income	477	444	146	162	169	152	614
Net interest from capitalisation	(265)	(254)	(87)	(86)	(92)	(86)	(336)
Trading, investment portfolio and other income	311	207	238	333	(259)	4	526
Income	6,888	6,664	2,448	2,561	1,879	2,306	9,204
Costs	2,945	2,748	989	1,000	956	883	3,843
Business profit before impairment charges	3,943	3,916	1,459	1,561	923	1,422	5,361
Impairment charges for mortgage lending	1,245	607	36	239	970	329	842
Impairment charges for bank lending	412	174	160	72	180	80	205
Business profit (loss)	2,286	3,135	1,263	1,249	(227)	1,013	4,314
Legacy derivatives	52	(597)	154	318	(420)	(327)	(113)
Profit (loss) before tax	2,338	2,538	1,417	1,567	(646)	686	4,201

Q1-Q3 in summary

So far 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 lending has gone up. In order to strengthen customer experience

- we launched green home loans (Grønt BoligLån), green car loans (Grønt Billån) and green home check-up (Grønt BoligTjek) all aimed at our personal customers. These new products ensure that deciding to buy an electric car or making low-energy home improvements does not hinge on financing costs
- we now offer selected business customers who use Dinero's online accounting software easy access to an attractive business banking account
- we have launched Young Money, a new concept which makes it fun for children and teenagers to learn about saving up and payments
- we are dedicated to promoting sustainable solutions through green mortgage and bank financing.

Digital value propositions are a top priority in tandem with Nykredit's focus on having a nation-wide physical presence. In concert with other partners, such as fintech companies, we are working to expand the digital value propositions, making it easier to bank with Nykredit and to free up more hours for our advisers to service customers.

For this purpose, together with Dinero, we have launched a new digital concept for entrepreneurs, business owners and smaller business customers, providing access to a basic, inexpensive business account in less than 15 minutes. The solution will initially be tested on selected users of the accounting software. But the aim is to be able to scale all or part of the digital onboarding.

Similarly, we have launched Young Money, a new concept for children and teenagers aiming to make 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. To this end, as part of our business banking solutions, we have this year launched green construction loans,

green machinery financing and financing of solar panel parks, and we have increased our volume of green covered bonds and set up our Sustainable Solutions entity, with a team of specialists, advising businesses about the green transition and how to finance it. Similarly, for our personal customers, we have launched an energy calculator, green home loans, green car loans and green home check-ups.

Covid-19 response

At end-Q1, Denmark like other countries was hit by the coronavirus pandemic. 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 have also offered to pay out their frozen holiday pay by way of an interest- and fee-free overdraft equal to the amount of 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 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 more initiatives. First, refusals on loan applications 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.

We operate under a precautionary principle, and we abide by all government guidelines. Consequently, our customer centres have for some periods been closed, and for a while physical meetings were 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.

Selected balance sheet items	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Banking					
Retail Personal Banking					
Loans and advances	184,306	184,707	185,480	186,113	185,483
- of which mortgage lending, nominal value	166,945	167,537	168,022	168,397	167,652
- of which secured homeowner loans	7,682	7,684	7,704	7,727	7,774
- of which bank lending	9,679	9,487	9,754	9,989	10,057
Deposits	37,382	36,826	34,737	35,379	33,573
Retail Business Banking					
Loans and advances	243,708	243,857	244,866	243,976	243,733
- of which mortgage lending, nominal value	219,933	220,658	220,450	220,039	220,481
- of which bank lending	23,775	23,198	24,416	23,938	23,252
Deposits	22,954	22,052	20,962	21,059	20,933
Corporates & Institutions					
Loans and advances	277,811	272,389	267,990	264,003	235,931
- of which mortgage lending, nominal value	246,324	243,386	238,012	238,209	211,882
- of which bank lending	31,487	29,003	29,978	25,794	24,049
Deposits	9,813	10,135	6,149	9,495	10,285

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

Results for Q1-Q3/2020 relative to Q1-Q3/2019

Banking delivered a business profit of DKK 2,286 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 3,135 million).

Total income rose to DKK 6,888 million (Q1-Q3/2019: DKK 6,664 million). The underlying business is performing well. Continued growth in bank and mortgage lending positively impacted net interest income, up DKK 219 million compared with the same period in 2019 and totaling DKK 4,955 million (Q1-Q3/2019: DKK 4,735 million). Income from trading, investment portfolio and other income increased to DKK 311 million (Q1-Q3/2019: DKK 207 million), driven by positive value adjustments of swaps.

Costs amounted to DKK 2,945 million (Q1-Q3/2019: DKK 2,748 million), chiefly due to a substantial increase in resources allocated for compliance.

Impairment charges for loans and advances were DKK 1,657 million (Q1-Q3/2019: DKK 781 million). The increase in the first three quarters of 2020 was due to provisions taken in response to the expected adverse financial impact of covid-19.

Legacy derivatives saw a positive value adjustment of DKK 52 million (Q1-Q3/2019: a negative DKK 597 million).

Results for Q3/2020 relative to Q2/2020

Banking delivered a business profit of DKK 1,263 million in Q3/2020 (Q2/2020: DKK 1,249 million).

Income totalled DKK 2,448 million (Q2/2020: DKK 2,561 million), predominantly driven by increased investment portfolio income in Q2 compared with Q3.

Impairment charges for loans and advances came to DKK 196 million (Q2/2020: DKK 311 million). In line with Q2/2020 impairments were impacted by the uncertainty about the duration and severity of the

covid-19 pandemic. The negative impact, however, was lower in Q3 compared with Q2.

Legacy derivatives were a gain of DKK 154 million (Q2/2020: a gain of DKK 318 million), chiefly driven by tightened credit and funding spreads.

Activities

Banking has recorded strong lending growth since end-2019, especially in bank lending. Loan volumes totalled DKK 705.8 billion at 30 September 2020 (end-2019: DKK 694.1 billion), of which DKK 633.2 billion was mortgage loans at nominal value (end-2019: DKK 626.6 billion). The increase was primarily concentrated in bank lending to corporate clients.

Bank lending in Retail Personal Banking came to DKK 9.7 billion (end-2019: DKK 10.0 billion). Bank deposits in Retail Personal Banking rose by DKK 2.0 billion from end-2019 to DKK 37.4 billion.

Bank lending in Retail Business Banking stood at DKK 23.8 billion (end-2019: DKK 23.9 billion).

Bank lending in Corporates & Institutions rose to DKK 31.5 billion (end-2019: 25.8 billion).

Arrears

At the June due date, 75-day mortgage loan arrears were 0.59% of total mortgage payments due against 0.74% at the same date in 2019.



TOTALKREDIT PARTNERS

DKK million

Results –	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
Totalkredit Partners	2020	2019	2020	2020	2020	2019	2019
Net interest income	2,182	2,097	738	728	716	725	2,879
Net fee income	356	464	136	98	121	194	657
Net interest from capitalisation	(161)	(138)	(60)	(47)	(53)	(50)	(182)
Trading, investment portfolio and other income	53	19	1	32	21	8	24
Income	2,430	2,443	815	810	805	877	3,378
Costs	542	446	173	193	175	155	651
Business profit before impairment charges	1,888	1,997	642	617	629	722	2,726
Impairment charges for mortgage lending	269	(115)	27	139	103	(173)	(69)
Business profit	1,619	2,112	614	478	526	895	2,796

Q1-Q3 in summary

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

- as from December Totalkredit will offer a green contribution of DKK 10,000 to 3,000 customers who opt to replace their oil-fired boilers with heat pumps
- Totalkredit and its partner banks have together with the Danish Energy Agency, developed an energy calculator to be used by both our customers directly but also by our advisers to start conversations with customers about energy renovation
- Totalkredit has now three times been recommended by the Danish Consumer Council as the Danish mortgage lender offering the lowest mortgage prices, most recently in a price comparison of holiday home loans from June
- as at end-June, Totalkredit took over selected parts 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 housing content
- we have recorded 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 customers' mortgage loan costs. This means that right now Totalkredit generally charges the lowest administration margins in the market on the most popular types of mortgage loans.

The strong alliance between Totalkredit and its partner banks has been instrumental in driving the 6% growth in lending recorded since end-2019. We have welcomed a large number of new customers, and now just over 860,000 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.

The new shared property valuation unit 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 37 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

Covid-19 response

All functions of Totalkredit Partners have been running in order for Totalkredit to continue to help customers and support our partner banks. Thus, throughout the general lockdown, customers across Denmark have been able to raise mortgage loans with Totalkredit's partner banks as usual, both during the most recent regional and national restrictions and the temporary general lockdown in spring.

Moreover, backed by Forenet Kredit, the Nykredit Group has extended the KundeKroner benefits programme on the current terms up to and including 2021 to enhance our customers' financial visibility. KundeKroner is a unique strength of our mutual ownership structure, and in Denmark's current critical situation, we want our just over 860,000 homeowners with Totalkredit loans to feel assured that they can rely on the KundeKroner discount programme up to and including 2021.

Results for Q1-Q3/2020 relative to Q1-Q3/2019

Totalkredit Partners recorded business profit of DKK 1,619 million (Q1-Q3/2019: DKK 2,112 million).

Income amounted to DKK 2,430 million (Q1-Q3/2019: DKK 2,443 million).

Net interest income was satisfactory and rose to DKK 2,182 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 2,097 million) positively impacted by rising mortgage lending. Conversely, interest margins were under pressure, as more and more customers choose fixed-rate repayment loans.

Net fee income decreased to DKK 356 million relative to last year (Q1-Q3/2019: DKK 464 million), mainly driven by significantly higher re-mortgaging activity in the same period last year.

Costs rose to DKK 542 million (Q1-Q3/2019: DKK 446 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 were DKK 269 million (Q1-Q3/2019: a negative DKK 115 million). The increase was due to provisions for loan impairments as a consequence of covid-19. Write-offs and individual impairment provisions for the homeowner segment were low.

DKK million

Selected balance sheet items	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Totalkredit Partners					
Personal Banking					
Loans and advances	650,656	637,242	628,833	614,336	600,948
- of which mortgage lending, nominal value	642,383	628,634	619,871	604,881	590,877
- of which secured homeowner loans	8,274	8,608	8,962	9,455	10,070
Business Banking					
Loans and advances	7,750	7,339	6,772	6,319	5,528
- of which mortgage lending, nominal value	7,750	7,339	6,772	6,319	5,528

Results for Q3/2020 relative to Q2/2020

Totalkredit Partners delivered a business profit of DKK 614 million in Q3/2020 (Q2/2020: DKK 478 million).

Income increased to DKK 815 million (Q2/2020: DKK 810 million), mainly driven by higher net interest income and net fee income, which were positively affected by rising mortgage lending.

Impairment charges for loans and advances were DKK 27 million (Q2/2020: DKK 139 million) owing to provisions for loan impairment as a consequence of covid-19.

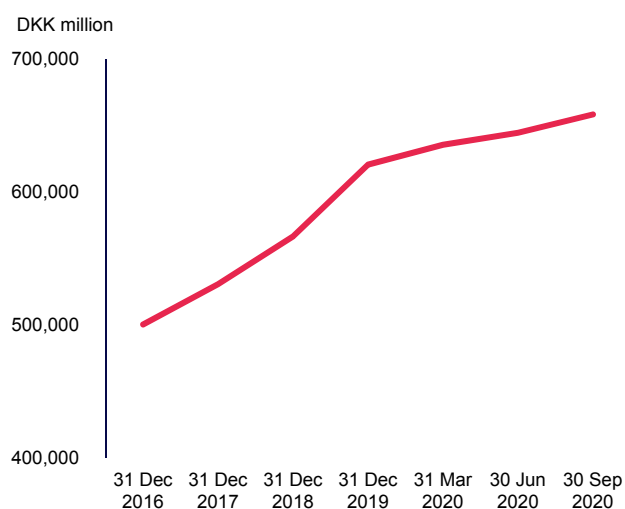
Activities

Totalkredit Partners recorded high lending growth, and nominal lending to personal customers came to DKK 650.7 billion at end-September 2020 (end-2019: DKK 614.3 billion), equal to a 6% increase. The business loan portfolio increased by DKK 1.4 billion to nominally DKK 7.8 billion (end-2019: DKK 6.3 billion).

Arrears

At the June due date, Totalkredit Partners's 75-day mortgage loan arrears were 0.20% of total mortgage payments due against 0.23% at the same date in 2019.

Lending, Totalkredit Partners



WEALTH MANAGEMENT

DKK million

Results –	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
Wealth Management							
Net interest income	138	94	48	49	41	29	129
Net fee income	28	28	12	6	10	13	36
Wealth management income	950	664	301	319	330	242	984
Net interest from capitalisation	(7)	(7)	(3)	(2)	(2)	(2)	(9)
Trading, investment portfolio and other income	25	17	8	12	5	5	23
Income	1,134	797	366	384	384	286	1,163
Costs	635	415	206	212	217	181	666
Business profit before impairment charges	499	381	160	172	167	105	498
Impairment charges for mortgage lending	(6)	5	(1)	0	(4)	5	11
Impairment charges for bank lending	69	(6)	9	5	55	(1)	0
Business profit	436	382	153	167	116	101	487
Legacy derivatives	0	(1)	1	1	(1)	(1)	0
Profit before tax	436	382	153	168	115	101	487

Q1-Q3 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 were affected by the impact from covid-19 on financial markets, but in Q2 and Q3 we again recorded an increase in assets under management. We continued our commitment to enhancing the customer experience by, for example,

- collaborating with our Sparinvest partner banks on offering relevant investment products to wealth clients all over Denmark. For instance, Sparinvest obtained its first Nordic Swan Ecolabel for a fund based on the strategy behind Denmark's first fund carrying the Nordic Swan Ecolabel, Nykredit Invest Bæredygtige Aktier
- offering a wide range of investment products, including a string of sustainable investment options
- expanding our business area within administration of credit and lending strategies in Nykredit Portefølje Administration
- upgrading our 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. In the latest survey conducted by Prospera, a market research company, Nykredit Private Banking Elite was named the best private banking provider in Denmark, for the fourth year running. Furthermore, Nykredit Private Banking Elite won the awards Best Private Bank Client Service and Best Private Bank Talent Management at the WealthBriefing European Awards 2020. Moreover, Nykredit Invest won all three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of equities, best manager of bonds as well as best manager of 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 the Morningstar category "European Equities". Nykredit Invest and Sparinvest were nominated in seven out of eight 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 the first nine months of the year. Over the past three years, 61% 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 held online.

Remaining in close contact with all of our Wealth Management clients was essential during the period of partial lockdown, as many client portfolios have been affected by the impact from covid-19 on financial markets. We remain in close contact with our clients.

Results for Q1-Q3/2020 relative to Q1-Q3/2019

Wealth Management's business profit remained high at DKK 436 million in Q1-Q3/2020 (Q1-Q3/2019: DKK 382 million).

Income amounted to DKK 1,134 million and rose compared with the previous year (Q1-Q3/2019: DKK 797 million) mainly due to recognition of Sparinvest as from September last year.

Impairment charges for loans and advances were DKK 63 million (Q1-Q3/2019: a negative DKK 1 million).

Results for Q3/2020 relative to Q2/2020

Wealth Management delivered a business profit of DKK 153 million in Q3 (Q2/2020: DKK 167 million).

Income amounted to DKK 366 million in Q3/2020, down by 18 million, primarily due to lower wealth management income (Q2/2020: DKK 384 million).

Impairment charges for loans and advances of DKK 8 million (Q2/2020: DKK 5 million) were limited and related to the coronavirus pandemic.

DKK million

Selected balance sheet items	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Wealth Management					
Assets under management	332,439	325,029	305,735	335,771	326,984
- of which Nykredit Group investment funds	157,237	153,063	142,158	162,997	157,798
Assets under administration	897,567	867,164	777,429	888,569	852,774
Lending/deposits					
Loans and advances	14,091	13,768	13,430	13,301	12,932
- of which mortgage lending, nominal value	9,688	9,377	9,075	8,539	8,173
- of which secured homeowner loans	1,090	1,107	1,117	1,134	1,152
- of which bank lending	3,313	3,284	3,238	3,629	3,607
Deposits	14,461	15,506	16,551	16,121	15,575

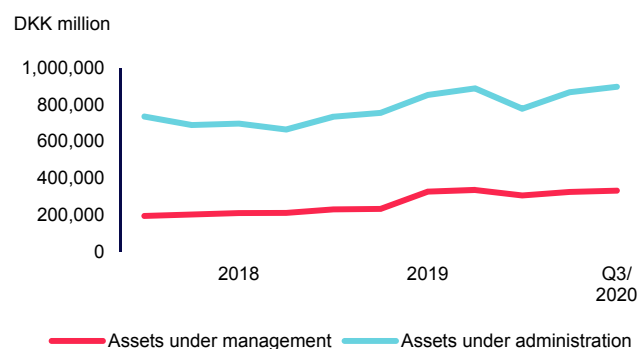
Activities

In Q1-Q3, financial markets first saw covid-19-induced substantial negative value adjustments and then a subsequent rebound, which has impacted the development in assets under management.

Total assets under management fell by DKK 3.3 billion to DKK 332.4 billion at end-September 2020 (end-2019: DKK 335.8 billion). The decrease comprised positive net sales of DKK 4.4 billion, driven by demand from international clients, Private Banking Elite clients and the Group's savings products, as well as negative returns of DKK 7.7 billion.

Total assets under administration increased by DKK 9.0 billion compared with end-2019 to DKK 897.6 billion at end-September 2020 (end-2019: DKK 888.6 billion). The decrease comprised a net addition of DKK 30.9 billion, driven by demand from institutional clients and the Group's savings products, as well as negative returns of DKK 21.9 billion.

Assets under management and assets under administration by Wealth Management



GROUP ITEMS

DKK million

Results – Group Items	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
Net interest income	6	2	3	2	1	2	6
Net fee income	(40)	(17)	(22)	(4)	(14)	(9)	(24)
Wealth management income	18	8	12	4	3	3	12
Net interest from capitalisation	127	136	41	43	43	49	175
Net income relating to customer benefits programmes ¹	(154)	(122)	(57)	(52)	(45)	(19)	(358)
Trading, investment portfolio and other income	(159)	921	173	828	(1,161)	(154)	1,099
Income	(202)	929	150	821	(1,173)	(128)	911
Costs	172	202	85	16	71	90	187
Business profit (loss) before impairment charges	(375)	727	64	806	(1,244)	(218)	723
Impairment charges for bank lending	(4)	0	(1)	(13)	9	(8)	5
Business profit (loss)	(370)	727	65	818	(1,253)	(210)	718
Badwill, impairment of goodwill and amortisation of customer relationships	(2)	-	0	(2)	-	0	564
Profit (loss) before tax	(372)	727	65	816	(1,253)	(210)	1,283

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 Q1-Q3/2020 relative to Q1-Q3/2019

The business profit of Group Items decreased by DKK 1,098 million relative to the same period last year to a negative DKK 370 million (Q1-Q3/2019: DKK 727 million).

This was strongly impacted by the covid-19 pandemic and the decrease is thus mainly associated with large losses on investment portfolio income in Q1 most of which, however, were regained in Q2 and Q3.

CAPITAL, LIQUIDITY AND FUNDING

EQUITY AND OWN FUNDS

Nykredit's equity was DKK 87.6 billion at end-September 2020, equaling an increase of DKK 3.3 billion on end-2019. In the Annual Report 2019, the Board of Directors proposed dividend for 2019 of DKK 3,610 million to the Company's shareholders in line with Nykredit's capital 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.

In September 2020 Nykredit Realkredit A/S was authorised by the Danish FSA to redeem AT1 capital of EUR 500 million (DKK 3.8 billion). The notes were redeemed on 26 October 2020 and have not been included in own funds as at end-September 2020. For capital adequacy purposes, AT1 capital is included in Tier 1 capital and not in CET1 capital.

	DKK million	
Nykredit Group	30.09.2020	31.12.2019
Equity (including AT1 capital)		
Equity, beginning of period	84,366	79,883
Profit for the period	3,378	7,427
Other adjustments	(125)	(2,944)
Equity, end of period	87,619	84,366

	DKK million	
Nykredit Group	30.09.2020	31.12.2019
Capital and capital adequacy		
Credit risk	327,152	323,497
Market risk	46,481	29,336
Operational risk	28,109	25,499
Total risk exposure amount	401,742	378,332
Equity (including AT1 capital)	87,619	84,366
AT1 capital etc	(3,823)	(3,777)
Deduction, profit for the period (excluding AT1 interest)	(3,020)	-
Proposed dividend	-	(3,610)
CET1 regulatory adjustments	(3,003)	(2,902)
Common Equity Tier 1 capital	77,773	74,077
AT1 capital	10	2,380
AT1 regulatory deductions	(10)	(48)
Tier 1 capital	77,773	76,409
Tier 2 capital	7,303	7,189
Tier 2 regulatory adjustments	1,876	1,224
Own funds	86,952	84,821
CET1 capital ratio, %	19.3	19.5
Tier 1 capital ratio, %	19.3	20.1
Total capital ratio, %	21.6	22.4
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.8	10.9

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

Capital and capital adequacy

Own funds include CET1 capital, AT1 capital and Tier 2 capital. At end-September 2020 Nykredit's risk exposure amount (REA) totalled DKK 401.7 billion (end-2019: DKK 378.3 billion). With own funds at DKK 87.0 billion, this corresponds to a total capital ratio of 21.6% (end-2019: 22.4%). The CET1 capital ratio was 19.3% (end-2019: 19.5%).

REA increased mainly in Q2 following elevated market risk caused by the financial market turbulence in Q1 and implementation of new regulatory requirements applying to IRB models. REA dropped by DKK 3.1 billion in Q3, driven by a DKK 2.8 billion and DKK 0.3 billion reduction in market risk and credit risk exposure, respectively. Over the coming 12-24 months, total REA is expected to increase by 0-10%, primarily driven by growth in lending, model changes and the impact of the covid-19 pandemic. The estimated scenario-based REA increase is subject to high uncertainty, and the same applies to the timing of such increase.

CET1 capital came to DKK 77.8 billion at end-September 2020 (end-2019: DKK 74.1 billion). The decision by the Annual General Meeting to transfer the net profit for 2019 to retained earnings increased CET1 capital by DKK 3,610 million, and the Tier 1 capital ratio has improved accordingly. Tier 2 capital stood at DKK 7.3 billion excluding regulatory adjustments (end-2019: DKK 7.2 billion). On 6 October 2020 Nykredit Realkredit A/S issued AT1 capital of EUR 500 million (DKK 3.7 billion).

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. The internal capital adequacy requirement, calculated as the required own funds as a percentage of REA, amounted to 10.8% at end-September 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 subsequent losses, while maintaining 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.

Dividend policy

Nykredit complies with the authorities' recommendation to financial undertakings to refrain from distributing dividend in 2020. Nykredit's long-term ambition remains to provide our owners with a competitive return in the form of dividend in the region of 50% of profit for the year, taking into account the current capital policy. The purpose is to ensure that Forenet Kredit strengthens its capital position and can continue to make contributions to the Group to be used for KundeKroner discounts for example.

FUNDING AND LIQUIDITY

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

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

Bank lending is mainly funded by deposits. At end-September 2020 Nykredit Bank's deposits equalled 121.7% 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 directly applicable for raising liquidity.

Nykredit holds substantial liquidity reserves and meets the regulatory requirements of the Danish FSA by a comfortable margin. The size and composition of the liquidity buffer remain as intended and ensures Nykredit's capacity to withstand any renewed financial turmoil. This also means that Nykredit has secured funding 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 Group	30.09.2020	31.12.2019
LCR determination		
Nykredit Realkredit Group	521	357
Nykredit Realkredit Group, LCR requirement in EUR	498	483
Nykredit Realkredit and Totalkredit	1,357	3,482
Nykredit Realkredit and Totalkredit, incl min LCR requirement	162	155
Nykredit Bank	194	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 its mortgage lending.

The LCR of the Nykredit Realkredit Group at end-2019 has been restated 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. In line with past experience, Nykredit did not have difficulty selling bonds to fund its lending despite the market turmoil. The covered bond market stabilised in Q2, and in Q3 activity levels normalised.

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 8.2 billion-worth of green bonds had been issued at end-September 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 assets 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 at the auctions conducted in November 2020.

The annual maturity one year ahead totals DKK 249 billion, of which ordinary principal payments, prepayments etc total DKK 81 billion. Refinancing volumes are expected to make up DKK 163 billion.

	DKK billion
Nykredit Group	1 October 2020
Refinancing ¹	- 30 September 2021
Total maturity before set-off of self-issued bonds	248.7
- ordinary principal payments and scheduled ² prepayments (paid up)	54.5
- ordinary principal payments and scheduled ² prepayments (unpaid)	26.7
- pre-issued bonds and interest rate risk ²	4.1
Total refinancing volume	163.3
- pre-auctioned amount sold under forward contracts	24.3
Refinancing volume remaining for 1 October 2020 - 30 September 2021	139.0
of which SDOs and ROs	139.0
of which other issues	-

¹ Applicable for the October 2020 as well as the January, April and July 2021 payment dates.

² Known as at 30 September 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.

Due to the debt buffer requirement, Nykredit must increase its MREL eligible liabilities by end-2021. Nykredit expects to issue DKK 0-5 billion-worth of senior debt in 2020 and will also be active in the senior debt market in 2021.

	DKK million	
Nykredit Group		
Bonds in issue	30.09.2020	31.12.2019
Covered bonds (RO), see note 14 a	147,156	152,406
Covered bonds (SDOs), see note 14 b	1,255,106	1,262,714
Senior secured debt, see note 14 c	8,931	934
Senior preferred debt in Nykredit Bank A/S	520	595
Senior preferred debt in Nykredit Realkredit A/S	5,585	774
Senior non-preferred (SNP)	35,999	30,306
Tier 2 capital, see note 17	10,933	11,004
Additional Tier 1 capital, see note 2 (Nykredit Realkredit A/S)	-	3,735
ECP issues of Nykredit Bank A/S	5,661	3,185

Supervisory Diamond

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

The Supervisory Diamond model for banks uses five key benchmarks to measure if a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as at 30 September 2020.

Nykredit Bank A/S		
Supervisory Diamond	30.09.2020	31.12.2019
Large exposures (limit value <175%)	143.2%	109.9%
Lending growth (limit value <20%)	11.6%	8.1%
Property exposure (limit value <25%)	11.3%	10.2%
Funding ratio (limit value <1.0)	0.67	0.57
Liquidity benchmark (limit value >100%)	188.1%	194.9%

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 requirement 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 Q1-Q3/2020 Nykredit issued DKK 5.6 billion-worth of senior preferred debt and DKK 9.4 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.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit Realkredit Group 30 September 2020	Nykredit Realkredit A/S 30 September 2020	Limit value
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.	6.6%	(19.1)%	15.0%
Commercial residential properties		3.6%	4.8%	15.0%
Agricultural properties		(0.6)%	(0.6)%	15.0%
Other commercial		3.4%	3.4%	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.	11.2%	19.8%	25.0%
Interest-only loans				
Personal customers	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.	7.3%	4.9%	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.	10.1%	15.7%	25.0%
Refinancing (quarterly)		2.7%	5.5%	12.5%
Large exposures				
Loans and advances:equity	The sum of the 20 largest exposures must be less than equity.	39.9%	38.9%	100.0%

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

CREDIT RATINGS

Nykredit Realkredit and Nykredit Bank have rating relationships with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the Companies and their funding.

S&P Global Ratings

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 changed the outlook on the Issuer Credit Rating from negative to stable. The previously 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 is continuously reassessed, and at end-September the scenario assumed that GDP will return to the pre-covid-19 level (end-2019) in 2022.

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 activities, retail, arts, entertainment and recreation activities, transport, construction, 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 impairments have generally not led to a change of stages.

In 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 etc. 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 creditworthy 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 Q3/2020, which is available at Nykredit.com.

Provisions in Q1-Q3 related to covid-19

Nykredit's loan impairments based on management judgement totalled DKK 2,375 million in Q1-Q3/2020, of which DKK 1,782 million was provided for the consequential losses arising from covid-19. 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 Group

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

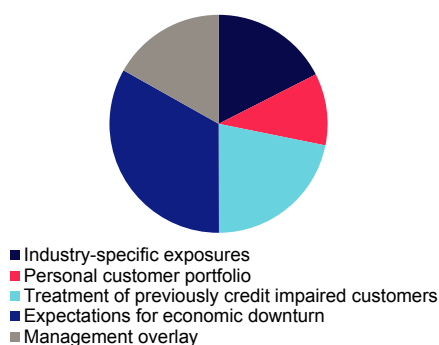
DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019	Q1-Q3	FY/2019
Mortgage lending, nominal value						
Nykredit Realkredit	501,181	500,522	4,868	3,845	1,220	695
Totalkredit	786,270	740,289	1,636	1,469	269	82
LR Realkredit	20,661	21,877	75	51	25	-
Total	1,308,111	1,262,689	6,579	5,365	1,514	777
Loans and advances etc						
Nykredit Bank	70,530	65,466	2,945	2,526	406	190
Total	70,530	65,466	2,945	2,526	406	190
Receivables from credit institutions	25,269	52,413	27	28	(4)	7
Reverse repurchase lending	38,396	48,749	-	-	-	-
Guarantees	6,855	6,616	206	137	69	20
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.97	0.77	0.24	0.14
Totalkredit	-	-	0.21	0.20	0.03	0.01
Total	-	-	0.50	0.43	0.12	0.06
Nykredit Bank	-	-	4.18	3.72	0.55	0.28
Total	-	-	4.18	3.72	0.55	0.28

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

The loan portfolio has developed positively in the first three quarters of 2020 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-September 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 in Q2 and DKK 225 million in Q3/2020.

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 model calculations include forward-looking macroeconomic scenarios. The scenarios reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. In light of the covid-19 pandemic Nykredit expects an adverse impact on the economy. At end-September the scenarios were updated to reflect the expected negative economic impact of the pandemic. The most likely scenario includes a GDP decline of 5% and house price declines of 0.8% in 2020. The scenario was included in the models at a probability of 80%. In addition to this scenario, there is also a base scenario and a positive scenario. The base scenario carries a 20% weighting and assumes that the economic development in 2020 will continue without improvement. This scenario uses realised levels of interest rates, GDP, house prices and unemployment. As for the positive scenario, the economy is currently not expected to improve further from the base scenario. The improved scenario is therefore not weighted.

	%			
Nykredit Group				
Main scenarios for impairment calculations	2019	2020	2021	2022
Short-term rate ¹	(0.4)	(0.2)	(0.2)	(0.2)
Long-term rate ²	(0.2)	(0.3)	(0.2)	0.0
House prices ³	3.0	(0.8)	0.0	2.2
GDP ³	2.3	(5.0)	3.8	2.7
Unemployment ⁴	3.1	5.0	5.0	4.5

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, particularly amidst the latest resurgence in the number of new covid-19 cases, both in Denmark and internationally. Scenarios as well as weights are monitored and will be regularly reassessed towards year-end.

MORTGAGE LENDING

At end-September 2020, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,308 billion, corresponding to an increase of DKK 45 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 was 61.6% at end-September 2020 (end-2019: 61.8%).

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.50% of total mortgage lending (end-2019: 0.43%). Total impairment provisions amounted to DKK 6,579 million at end-September 2020 (end-2019: DKK 5,365 million). The covid-19 provisions are based on management judgement and have been included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

DKK million	
Nykredit Group	
Total impairment provisions for mortgage lending	30.09.2020
Individual impairment provisions (stage 3)	2,713
Model-based impairment provisions (stages 1 and 2)	832
Management judgement (stages 1, 2 and 3)	3,034
- of the above attributable to covid-19	1,334
Total impairment provisions for mortgage lending	6,579

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.

Mortgage loans

Nykredit 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	528,945	198,873	109,317	8,345	1,598	1,283	848,361	67.0
Private rental ¹	99,458	32,367	12,661	886	360	339	146,070	60.9
Industry and trades	19,581	3,541	132	9	6	10	23,279	45.8
Office and retail	93,308	24,670	2,100	223	108	110	120,519	52.1
Agricultural property	59,409	20,545	6,717	599	229	286	87,785	61.3
Public housing	-	-	-	-	-	-	71,205	-
Other	11,009	2,218	672	37	23	47	14,007	50.8
LR Realkredit							21,537	-
Total Q1-Q3/2020	811,709	282,215	131,599	10,100	2,322	2,075	1,332,762	61.7
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 any 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 Group

Mortgage lending by property type¹

	30.09.2020		31.12.2019	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Owner-occupied dwellings	2,698	461	2,433	277
Private rental	688	237	467	181
Industry and trades	102	17	87	27
Office and retail	855	350	578	191
Agricultural property	1,598	344	1,250	3
Public housing	72	(25)	101	38
Cooperative housing	429	89	345	29
Other	137	32	109	22
Total	6,579	1,505	5,365	768

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 0.29% of total mortgage payments due 75 days past the June due date (June 2019: 0.36%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding decreased to DKK 2.84 billion (June 2019: DKK 3.47 billion).

Properties acquired by foreclosure

In the first three quarters of 2020, the Group acquired 18 properties and sold 23. The property portfolio counted 15 properties at 30 September 2020 (end-2019: 20).

Nykredit 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			
- June	0.29	0.22	2.84
- 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



BANK LENDING

Bank lending at amortised cost amounted to DKK 70.5 billion at end-September 2020 (end-2019: DKK 65.5 billion).

Reverse repurchase lending totalled DKK 38.4 billion at end-September 2020 (end-2019: DKK 48.7 billion). Guarantees provided amounted to DKK 6.9 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 2,945 million at end-September 2020 (end-2019: DKK 2,526 million). The covid-19 provisions are based on management judgement and included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

DKK million	
Nykredit Group	
Total provisions for bank loan impairment	30.09.2020
Individual impairment provisions (stage 3)	1,665
Model-based impairment provisions (stages 1 and 2)	365
Management judgement (stages 1, 2 and 3)	915
- of the above attributable to covid-19	448
Total provisions for bank loan impairment	2,945

Nykredit Group

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

DKK million

	30.09.2020			31.12.2019		
	Lending, end of period	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	814	4	3	765	1	(1)
Agriculture, hunting, forestry and fishing	3,448	203	44	4,197	164	27
Manufacturing, mining and quarrying	8,783	383	100	8,921	285	3
Energy supply	6,944	47	23	2,857	30	6
Construction	2,911	207	17	3,723	198	37
Trade	9,412	373	33	7,831	335	63
Transport, accommodation and food service activities	6,504	147	64	5,780	99	22
Information and communication	3,804	113	12	3,434	102	48
Finance and insurance	44,185	146	34	54,702	122	2
Real estate	14,252	604	134	14,266	472	20
Other	8,024	339	46	9,941	266	5
Total business customers	108,267	2,562	506	115,651	2,072	233
Personal customers	25,218	585	(33)	33,773	589	(22)
Total	134,300	3,151	476	150,188	2,663	210
- of which provisions for losses under guarantees		206	70		137	20
Impairment provisions for credit institutions		16	2		12	0
- of which intercompany guarantees and total	18,570	3,167	478	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.

DKK million

Nykredit Bank Group	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
Business profit and profit for the period							
Net interest income	1,275	1,117	432	434	410	375	1,520
Net fee income	391	405	118	128	145	138	538
Wealth management income	1,446	1,116	459	485	502	397	1,610
Net interest from capitalisation	(22)	(22)	(8)	(8)	(6)	(7)	(28)
Net income relating to customer benefits programmes ¹	205	-	69	68	68	-	(9)
Trading, investment portfolio and other income	427	394	282	376	(230)	46	720
Income	3,722	3,010	1,351	1,483	888	948	4,350
Costs	1,969	1,599	665	662	642	551	2,375
Business profit before impairment charges	1,753	1,411	686	821	246	397	1,975
Impairment charges for loans and advances	477	168	168	65	244	71	210
Business profit	1,277	1,244	518	756	2	327	1,765
Legacy derivatives	52	(597)	154	318	(421)	(328)	(112)
Profit (loss) before tax for the period	1,328	646	672	1,075	(419)	(1)	1,653
Tax	249	139	135	202	(88)	(2)	366
Profit (loss) for the period	1,079	507	537	873	(331)	1	1,287
Minority interests	22	3	8	7	7	3	(1)
Summary balance sheet	30.09.2020	30.09.2019	30.09.2020	30.06.2020	31.03.2020	30.09.2019	31.12.2019
Reverse repurchase lending	38,396	50,008	2,396	35,846	40,268	50,008	48,749
Loans, advances and other receivables at amortised cost	70,530	63,289	70,530	67,014	69,389	63,289	65,466
Payables to credit institutions and central banks	56,284	92,481	56,284	50,499	65,097	92,481	85,154
Repo deposits	1,088	2,673	1,088	1,693	2,555	2,673	3,331
Deposits and other payables	85,808	83,601	85,808	85,417	80,640	83,601	85,549
Equity	25,531	23,666	25,531	24,994	24,132	23,666	24,434
SELECTED FINANCIAL RATIOS							
Profit (loss) for the period as % pa of average equity	5.7	3.1	8.4	14.1	(5.6)	0.0	5.7
Costs as % of income	52.9	53.1	49.2	44.6	72.3	58.1	54.6
Average number of staff, full-time equivalent	962	865	972	958	958	908	900

This autumn, Nykredit Bank launched a number of green products to finance cars and homes. A green product range is a key element of Nykredit's ambitions for a greener Denmark. The new products (green home loans, green car loans and green home check-up) are offered to personal customers aimed to ensure that financing costs will not discourage them from buying an electric car or making low-energy home improvements.

Nykredit Bank has also launched a number of initiatives to help Danish families and businesses in the challenging situation prevailing in Denmark and other countries because of the covid-19 pandemic. We offer a special credit facility, payment holidays on car loans, consumption loans and bank home loans as well as no-fee overdrafts. We also offered to pay out our personal customers' frozen holiday pay by way of an interest- and fee-free overdraft equal to the amount of holiday pay due to the customer in October, and we offer our business customers payroll finance as well as payment holidays on banking and leasing products. We have also established a corona hotline, which business customers may consult by telephone or online for advice on and information about the government aid initiatives.

We operate under a precautionary principle, and we abide by all government guidelines. Nykredit keeps our guidelines for meetings and access to locations aligned with the authorities' recommendations and

rules on assembly. Nykredit's customer centres were closed for a period, but at the beginning of June, it was considered safe to reopen them. However, we still recommend that most meetings be held online or by telephone.

Thanks to satisfactory growth in business activities and customers and the prospect of lower-than-expected impairment charges, we raised our guidance for business profit and profit before tax for 2020 from DKK 1.4-1.8 billion to DKK 1.7-2.0 billion on 15 October. Also, the recovery in the financial markets has had a positive impact on our investment portfolio income and derivatives portfolios. Our guidance is subject to higher-than-usual uncertainty as a result of covid-19.

Q1-Q3 in summary

Nykredit Bank delivered a satisfactory financial performance in Q1-Q3. Business profit came to DKK 1,277 million (Q1-Q3/2019: DKK 1,244 million), and profit before tax for the period was DKK 1,328 million (Q1-Q3/2019: DKK 646 million). The underlying business remains robust and growing, as demonstrated by an 8% increase in lending to DKK 70,530 million (end-2019: DKK 65,466 million).

Income amounted to DKK 3,722 million (Q1-Q3/2019: DKK 3,010 million). Rising bank lending contributed to increasing net interest income and net fee income. Wealth management income was up DKK 330 million, mainly due to income from Sparinvest included in Q1-Q3/2020 but not included in the same period of 2019.

Costs were DKK 1,969 million (Q1-Q3/2019: DKK 1,599 million). The Group still maintains a strong focus on building organisational efficiency, while investing significant resources in compliance, the implementation of new regulatory requirements expanding the partnership with BEC as well as new staff from Sparinvest.

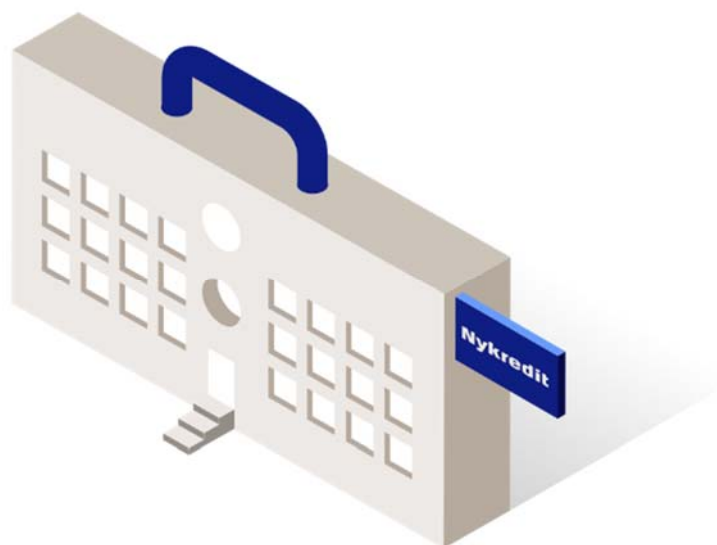
Impairment charges for loans and advances totalled DKK 477 million (Q1-Q3/2019: DKK 168 million). The conducive economic climate in early Q1 before the covid-19 outbreak continues to materialise in terms of low write-offs and low individual impairment provisions. The increase was driven by the current covid-19 pandemic and the consequent expected deterioration in the credit quality of especially SMEs and particularly vulnerable sectors.

The gain on legacy derivatives was DKK 52 million (Q1-Q3/2019: a negative DKK 597 million). Legacy derivatives are derivatives Nykredit no longer offers to customers.

The bond and equity portfolio stood at DKK 41.2 billion at end-September 2020 (end-2019: DKK 50.8 billion). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management.

Deposits and other payables amounted to DKK 85.8 billion at end-September 2020 (end-2019: DKK 85.5 billion).

Deposits exceeded lending at amortised cost by DKK 15.3 billion at end-September 2020 (end-2019: DKK 20.1 billion).



DKK million

Totalkredit	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q2/ 2020	Q1/ 2020	Q3/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD							
Net interest income	2,604	2,485	880	870	854	863	3,411
Net fee income	415	534	153	117	145	225	756
Net interest from capitalisation	(143)	(92)	(54)	(40)	(49)	(33)	(129)
Net income relating to customer benefits programmes	(319)	(78)	(112)	(106)	(101)	(13)	(98)
Trading, investment portfolio and other income	50	(50)	27	140	(116)	(72)	(93)
Income	2,608	2,800	895	979	734	969	3,848
Costs	650	555	211	229	211	191	791
Business profit before impairment charges	1,958	2,245	684	750	523	778	3,057
Impairment charges for loans and advances	253	14	42	123	88	(61)	79
Profit before tax for the period	1,705	2,231	643	628	435	840	2,978
Tax	245	307	102	98	46	118	405
Profit for the period	1,460	1,924	541	529	389	721	2,573
Interest on Additional Tier 1 capital not recognised in profit or loss	145	142	49	49	47	47	189
SUMMARY BALANCE SHEET							
	30.09.2020	30.09.2019	30.09.2020	30.06.2020	31.03.2020	30.09.2019	31.12.2019
Mortgage loans at fair value	799,909	741,549	799,909	780,457	760,318	741,549	753,110
Bonds at fair value	68,583	93,450	68,583	66,923	64,427	93,450	94,580
Payables to credit institutions and central banks	842,508	834,998	842,508	822,380	808,001	834,998	843,900
Bonds in issue at fair value	5,036	6,470	5,036	5,281	5,606	6,470	6,087
Equity	31,930	30,010	31,930	31,438	30,955	30,010	30,612
SELECTED FINANCIAL RATIOS							
Profit for the period as % pa of average equity ¹	5.5	9.5	7.1	7.1	5.1	10.8	9.4
Costs as % of income	24.9	19.8	23.5	23.4	28.7	19.7	20.5
Average number of staff, full-time equivalent	231	184	241	226	226	217	201

¹ For the purpose of return on equity etc, the AT1 capital raised in 2016 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.

Sustainability has become an important part of our work, and we are working across the Group to support Denmark's green transition. Thanks to a DKK 200 million contribution to the Nykredit Group from Forenet Kredit earmarked for green initiatives, as from December 2020 Totalkredit will make a green contribution of DKK 10,000 to 3,000 customers who opt to replace their oil-fired boilers with heat pumps. Furthermore, 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 helps raise awareness of sustainable housing and energy renovation. It provides homeowners with an easy and quick overview of ways to save the most money and obtain the biggest carbon reduction from home energy renovation. This way we can guide our customers towards a more economical and greener path.

Our alliance with the 51 Totalkredit partner banks is the foundation for our commitment to contribute to development and growth and offer attractive and secure loans all over Denmark at all times. The alliance between Totalkredit and its partner banks is strong, and partner satisfaction is higher than ever. Totalkredit has a close cooperation with its partner banks which are responsible for the direct customer contact. During the temporary lockdown, customers throughout Denmark were therefore able to raise mortgage loans with Totalkredit's partner banks as usual. Totalkredit has naturally made adjustments to its ways of working to minimise the spread of covid-19, but all essential functions

have been running allowing Totalkredit to continue to help customers and support our partner banks.

At end-June Totalkredit took over selected parts 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 housing content. The platform provides insight into the housing market, enabling us to deliver customised digital solutions to strengthen and support the ongoing dialogue between banks and customers about their home finances.

Moreover, it has been decided to extend the KundeKroner benefits programme on the current terms up to and including 2021 to enhance customers' financial visibility. In the current critical situation, it is important to us that our just over 860,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our mutual ownership structure.

Due to satisfactory growth in business activities and customers and the prospect of lower-than-expected loan impairment charges, we tightened our guidance for business profit and profit before tax for 2020 from DKK 1.8-2.2 billion to DKK 2.0-2.2 billion on 15 October. Guidance is still subject to higher-than-usual uncertainty as a result of covid-19.

Q1-Q3 in summary

Totalkredit A/S delivered a profit before tax for Q1-Q3/2020 of DKK 1,705 million (Q1-Q3/2019: DKK 2,231 million). Profit for the period as % pa of average equity came to 5.5% (Q1-Q3/2019: 9.5%).

Income came to DKK 2,608 million (Q1-Q3/2019: DKK 2,800 million), primarily due to decreasing net fee income prompted by markedly higher remortgaging activity in the same period last year. This was offset by increasing net interest income driven by growth in lending.

Trading, investment portfolio and other income was positively affected by value adjustments of the portfolio of self-issued bonds.

Costs were DKK 650 million (Q1-Q3/2019: DKK 555 million) due to increasing payroll costs related to the shared property valuation unit implemented in 2019. Costs as a percentage of income totalled 24.9% in Q1-Q3/2020 (Q1-Q3/2019: 19.8%).

Impairment charges for loans and advances were DKK 253 million (Q1-Q3/2019: DKK 14 million). Credit quality remains satisfactory. The increase was due to provisions for loan impairments for certain customer categories due to the impact of covid-19.

Mortgage loans at fair value increased to DKK 799.9 billion compared with end-2019 (end-2019: DKK 753.1 billion). At nominal value, the loan portfolio totalled DKK 786.3 billion at 30 September 2020 (end-2019: DKK 740.3 billion).



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 32) 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 September 2020 of Nykredit A/S and the Nykredit Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 September 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 September 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, 4 November 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

Olav Bredgaard Brusén*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Ann-Mari Lundbæk Lauritsen*

Lasse Nyby

Claus E. Petersen

Inge Sand*

Kristina Andersen Skiöld*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Group		Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q3/ 2019
	Note				
INCOME STATEMENT					
Interest income		17,546	18,894	5,791	6,376
Interest income based on the effective interest method		1,504	1,478	503	492
Interest expenses		10,630	12,162	3,461	4,108
Net interest income	6	8,419	8,210	2,833	2,761
Dividend on equities etc	6	43	164	5	14
Fee and commission income	5	2,819	2,543	903	1,027
Fee and commission expenses		2,815	2,776	964	995
Net interest and fee income		8,467	8,142	2,776	2,807
Value adjustments	6, 7	774	982	803	(198)
Other operating income		1,051	1,110	353	405
Staff and administrative expenses		3,933	3,500	1,347	1,205
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		218	205	71	69
Other operating expenses		141	106	35	35
Impairment charges for loans, advances and receivables etc	8	1,985	665	230	232
Profit (loss) from investments in associates and Group enterprises	9	5	1	1	(1)
Profit before tax		4,020	5,760	2,250	1,472
Tax		641	914	437	233
Profit for the period		3,378	4,846	1,812	1,239
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,182	4,669	1,746	1,178
Minority interests		22	3	8	3
Holders of Additional Tier 1 capital notes		174	174	58	58
Profit for the period		3,378	4,846	1,812	1,239
COMPREHENSIVE INCOME					
Profit for the period		3,378	4,846	1,812	1,239
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(35)	(1)	10	2
Tax on actuarial gains/losses on defined benefit plans		8	0	(2)	(1)
Total items that cannot be reclassified to profit or loss		(27)	(1)	8	2
Other comprehensive income		(27)	(1)	8	2
Comprehensive income for the period		3,351	4,845	1,820	1,241
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,155	4,668	1,753	1,180
Minority interests		22	3	8	3
Holders of Additional Tier 1 capital notes		174	174	58	58
Comprehensive income for the period		3,351	4,845	1,820	1,241

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S	Note	Q1-Q3/ 2020	Q1-Q3/ 2019	Q3/ 2020	Q3/ 2019
INCOME STATEMENT					
Interest expenses		0	0	0	0
Net interest income		(0)	(0)	(0)	(0)
Staff and administrative expenses		9	15	4	5
Profit from investments in associates and Group enterprises	9	3,189	4,683	1,749	1,184
Profit before tax		3,180	4,668	1,745	1,180
Tax		(2)	(3)	(1)	(1)
Profit for the period		3,182	4,671	1,746	1,181
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,182	4,671	1,746	1,181
Profit for the period		3,182	4,671	1,746	1,181
COMPREHENSIVE INCOME					
Profit for the period		3,182	4,671	1,746	1,181
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(27)	(1)	8	2
Total items that cannot be reclassified to profit or loss		(27)	(1)	8	2
Other comprehensive income		(27)	(1)	8	2
Comprehensive income for the period		3,155	4,670	1,753	1,182
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,155	4,670	1,753	1,182
Comprehensive income for the period		3,155	4,670	1,753	1,182

BALANCE SHEETS

Nykredit A/S		DKK million		
		Nykredit Group		
31.12.2019	30.09.2020	Note	30.09.2020	31.12.2019
ASSETS				
-	-		16,227	7,210
-	-		25,269	52,413
21			1,333,057	1,287,610
-	-	10		
-	-		109,292	114,590
-	-		107,607	108,555
-	-	12		
-	-		6,694	7,135
-	-		39	43
80,543	83,717		-	-
-	-		2,279	2,181
Land and buildings				
-	-		97	75
-	-		542	662
-	-		639	736
-	-			
-	-		138	156
3	9		206	255
10	6		121	126
-	-		8	32
-	-		31,134	28,710
1	1		711	568
80,579	83,734		1,633,422	1,610,319

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group		
31.12.2019	30.09.2020	Note	30.09.2020	31.12.2019
LIABILITIES AND EQUITY				
32	24		18,090	13,914
-	-	13	96,885	100,656
-	-	14	1,340,983	1,336,414
-	-	15	47,514	33,810
-	-	16	7,794	4,523
-	-		459	78
16	12		22,006	24,404
-	-		11	14
48	35		1,533,742	1,513,812
Provisions				
-	-		50	62
-	-		407	389
-	-		32	34
-	-		206	137
-	-		433	515
-	-		1,128	1,136
-	-	17	10,933	11,004
Equity				
1,327	1,327		1,327	1,327
Accumulated value adjustments				
-	-		5	5
Other reserves				
62,362	65,536		-	-
-	-		48,871	48,871
-	-		4,849	4,849
13,233	16,835		28,646	21,869
3,610	-		-	3,610
80,532	83,698		83,698	80,532
-	-		97	57
-	-		3,823	3,777
80,532	83,698		87,619	84,366
80,579	83,734		1,633,422	1,610,319
OFF-BALANCE SHEET ITEMS				
-	-		6,855	6,616
-	-		22,906	28,206
-	-		29,761	34,822

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve funds ²	Retained earnings	Proposed dividend	Shareholders of Nykredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2020										
Equity, 1 January	1,327	5	48,871	4,849	21,869	3,610	80,532	57	3,777	84,366
Profit for the period	-	-	-	-	3,182	-	3,182	22	174	3,378
Total other comprehensive income	-	-	-	-	(27)	-	(27)	-	-	(27)
Total comprehensive income	-	-	-	-	3,155	-	3,155	22	174	3,351
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	12	-	12	-	(12)	-
Subsequent adjustment of purchase price allocation	-	-	-	-	-	-	-	34	-	34
Reversed dividend	-	-	-	-	3,610	(3,610)	-	-	-	-
Distributed dividend	-	-	-	-	-	-	-	(16)	-	(16)
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	0	0
Equity, 30 September	1,327	5	48,871	4,849	28,646	-	83,698	97	3,823	87,619
2019										
Equity, 1 January	1,327	5	36,575	1,646	33,757	2,800	76,111	-	3,772	79,883
Profit for the period	-	-	-	-	4,671	-	4,671	3	174	4,848
Total other comprehensive income	-	-	-	-	(1)	-	(1)	-	-	(1)
Total comprehensive income	-	-	-	-	4,670	-	4,670	3	174	4,847
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	0	-	0	-	(0)	-
Tax on Additional Tier 1 capital	-	-	-	-	(0)	-	(0)	-	-	(0)
Distributed dividend	-	-	-	-	-	(2,800)	(2,800)	-	-	(2,800)
Additions relating to acquisition of Group enterprise	-	-	-	-	-	-	-	61	-	61
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	(9)	(9)
Equity, 30 September	1,327	5	36,575	1,646	38,428	-	77,981	64	3,821	81,866

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit 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 A/S

	Share capital ¹	Statutory reserves ²	Retained earnings	Proposed dividend	Total equity
2020					
Equity, 1 January	1,327	62,362	13,233	3,610	80,532
Profit (loss) for the period	-	3,189	(7)	-	3,182
Total other comprehensive income	-	(27)	-	-	(27)
Total comprehensive income	-	3,162	(7)	-	3,155
Reversed dividend	-	-	3,610	(3,610)	-
Adjustment relating to subsidiaries	-	12	-	-	12
Equity, 30 September	1,327	65,536	16,835	-	83,698
2019					
Equity, 1 January	1,327	57,925	14,058	2,800	76,111
Profit (loss) for the period	-	4,683	(12)	-	4,671
Total other comprehensive income	-	(1)	-	-	(1)
Total comprehensive income	-	4,682	(12)	-	4,670
Distributed dividend	-	-	-	(2,800)	(2,800)
Dividend received from subsidiaries	-	(2,800)	2,800	-	-
Adjustment relating to subsidiaries	-	0	-	-	0
Equity, 30 September	1,327	59,807	16,847	-	77,981

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

² The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646 million in Totalkredit A/S and DKK 3,203 million in LR Realkredit A/S.

CASH FLOW STATEMENT

DKK million

Nykredit Group	Q1-Q3/2020	Q1-Q3/2019
Profit for the period	3,378	4,846
Adjustments		
Net interest income	(8,419)	(8,210)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	218	204
Profit from investments in associates	(5)	(1)
Impairment charges for loans, advances and receivables etc	1,985	665
Prepayments/deferred income, net	(145)	(350)
Tax calculated on profit for the period	641	914
Other adjustments	364	(945)
Total	(1,982)	(2,878)
Change in operating capital		
Loans, advances and other receivables	(42,134)	(78,545)
Deposits and payables to credit institutions	405	12,889
Bonds in issue	18,274	131,809
Other operating capital	(273)	(2,531)
Total	(25,710)	60,745
Interest income received	18,773	20,127
Interest expenses paid	(11,638)	(11,632)
Corporation tax paid, net	(217)	(587)
Cash flows from operating activities	(18,792)	68,652
Cash flows from investing activities		
Acquisition of associates	(2)	-
Sale of associates	2	-
Dividend received from associates	9	5
Purchase and sale of bonds and equities, net	918	(22,274)
Purchase of intangible assets	(93)	(1,942)
Sale of intangible assets	3	-
Purchase of property, plant and equipment	(54)	(60)
Sale of property, plant and equipment	19	4
Total	801	(24,268)
Cash flows from financing activities		
Distributed dividend	(16)	(2,850)
Purchase and sale of self-issued subordinated debt instruments	10	0
Payment of lease liabilities	(117)	(107)
Total	(122)	(2,850)
Total cash flows for the period	(18,113)	41,534
Cash and cash equivalents, beginning of period	59,623	29,690
Foreign currency translation adjustment of cash	(13)	80
Total cash flows for the period	(18,113)	41,534
Cash and cash equivalents, end of period	41,497	71,304
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	16,227	7,352
Receivables from credit institutions and central banks	25,269	63,952
Total	41,497	71,304

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Nykredit Group

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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1-Q3/2020 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 Q1-Q3/2020 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 following material standards or amendments etc have been implemented in 2020:

Amendments to IAS 39, IFRS 9 and IFRS 7 "Interest Rate Benchmark Reform" implemented as at 1 January 2020

The amendments are aimed at mitigating the potential risks of hedge accounting in the transition period until the new interest rate benchmarks have been fully phased in. The amendments have not impacted profit (loss) for the period, comprehensive income, balance sheet or equity and are expected to have a relatively insignificant impact on the Company.

Amendment to IFRS 16 "Leases" implemented as at 1 June 2020

The amendment concerns the accounting treatment of covid-19-related lease payment holidays. The amendment has not impacted the financial reporting.

Amendments to IAS 1 and IAS 8 "Definition of Material" implemented as at 1 January 2020

The amendments clarify when information is material in relation to the decision-making of users of financial statements. The amendment has not impacted the financial reporting.

The accounting policies of Nykredit A/S and the Nykredit Group are thus generally unchanged compared with the Annual Report for 2019 (note 1), and compared with the information disclosed in the Annual Report for 2019, no new accounting rules etc have been implemented which have had a material impact on the Q1-Q3 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.

For Q1-Q3/2020 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. Market conditions have normalised somewhat after Q1. Valuations are still subject to greater uncertainty, but at a more moderate level than at end-March 2020.

The covid-19 pandemic has resulted in increased impairments partly based on management judgement following the uncertainty about the effect on the domestic and global economy. The Group has still not seen a material rise in write-offs, but the pandemic is expected to have a material impact on future impairments.

As a result of the pandemic, the authorities, including the EBA, ESMA and the Danish FSA, have issued guidelines on eg how lending on more lenient terms and temporary breach of loan terms exclusively as an effect of the pandemic under certain circumstances can be treated within the scope of the IFRS and the Danish Executive Order on Financial Reports without immediately being reclassified to stage 2 or 3 impairments. According to the guidelines, financial statements must still give a true and fair view, and impairments must reflect the expected credit losses but the guidelines also allow for impairment provisions related to temporary credit facilities etc to be made on more favourable terms. In the assessment of expected credit losses, current conditions and forecasts of economic conditions must be taken into consideration.

Loan impairments related to covid-19 are comprised of three different components based on management judgement:

- 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, some professionals as well as business rental
- the property values of stage 3 customers have been stressed to simulate a reduction in collateral values and the impact on impairment levels
- the macroeconomic scenarios have been updated to allow for the covid-19 impact, including mitigating relief packages.

Model-based impairments must still be determined using the most likely scenario and a worsened or improved scenario. Due to the economic situation resulting from covid-19, the macro scenarios used for the determination of impairments have been changed to reflect the current situation.

Nykredit has offered our customers a number of solutions to mitigate the impact of covid-19. The solutions include wider access to temporary overdrafts and payment holidays. For accounting purposes, these solutions reflect special loan options and not forbearance of existing credit facilities. Accordingly, no special impairment provisions have been made for such credit facilities, where they were offered to creditworthy (high-rated) customers in accordance with the new

guidelines. For credit facilities etc provided to low-rated customers, impairment provisions have been made in line with usual practice.

Nykredit's loan impairments based on management judgement totalled DKK 2 billion in 2020, of which DKK 1.8 billion was provided for the consequential losses arising from covid-19. This situation is monitored by Nykredit's scenario expert team, which regularly assesses the need for calculation updates based on input concerning relief packages, support schemes and international economic trends.

Covid-19-induced loan impairment have generally not led to a change of stages.

NOTES

Nykredit A/S		DKK million		
31.12.2019	30.09.2020		30.09.2020	31.12.2019
			Nykredit Group	
2. CAPITAL AND CAPITAL ADEQUACY				
80,532	83,698	Equity for accounting purposes	87,619	84,366
-	-	Minority interests not included	(97)	(57)
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,823)	(3,777)
-	(3,182)	Profit etc for Q1-Q3/2020 not included	(3,020)	-
80,532	80,516	Equity excluding Additional Tier 1 capital and minority interests	80,679	80,532
(3,610)	-	Proposed dividend	-	(3,610)
-	-	Prudent valuation adjustment	(41)	(78)
-	-	Minority interests	54	35
-	-	Intangible assets excluding deferred tax liabilities	(2,203)	(2,114)
-	-	Provisions for expected credit losses in accordance with IRB approach	(15)	(40)
-	-	Other regulatory adjustments	(395)	(343)
(306)	(306)	Deduction for own shares	(306)	(306)
(3,916)	(306)	Common Equity Tier 1 regulatory deductions	(2,906)	(6,455)
76,616	80,210	Common Equity Tier 1 capital	77,773	74,077
-	-	Additional Tier 1 capital	10	2,380
-	-	Additional Tier 1 regulatory deductions	(72)	(48)
-	-	Set-off of excess regulatory deductions	61	-
-	-	Total Additional Tier 1 capital after regulatory deductions	-	2,332
76,616	80,210	Tier 1 capital	77,773	76,409
-	-	Tier 2 capital	7,303	7,189
-	-	Tier 2 regulatory adjustments	1,876	1,224
76,616	80,210	Own funds	86,952	84,821
298,011	309,754	Credit risk	327,152	323,497
-	-	Market risk	46,481	29,336
1	1	Operational risk	28,109	25,499
298,011	309,755	Total risk exposure amount	401,742	378,332
Financial ratios				
25.7	25.8	Common Equity Tier 1 capital ratio, %	19.3	19.5
25.7	25.8	Tier 1 capital ratio, %	19.3	20.1
25.7	25.8	Total capital ratio, %	21.6	22.4

Note: Comparative figures as at 31.12.2019 for Nykredit A/S have been restated as a result of deductions for own shares.

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 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 Q2/2020 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									
Q1-Q3/2020									
Results by business area									
Net interest income	1,451	2,063	3,514	1,440	4,955	2,182	138	6	7,280
Net fee income	498	464	962	448	1,410	356	28	(40)	1,754
Wealth management income	293	100	394	83	477	-	950	18	1,446
Net interest from capitalisation	(56)	(103)	(159)	(107)	(265)	(161)	(7)	127	(307)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(154)	(154)
Trading, investment portfolio and other income	11	111	122	190	311	53	25	(159)	231
Income	2,198	2,635	4,833	2,055	6,888	2,430	1,134	(202)	10,250
Costs	1,555	863	2,417	528	2,945	542	635	172	4,294
Business profit (loss) before impairment charges	643	1,773	2,416	1,527	3,943	1,888	499	(375)	5,955
Impairment charges for loans and advances	134	1,113	1,247	410	1,657	269	63	(4)	1,985
Business profit (loss)	509	659	1,169	1,117	2,286	1,619	436	(370)	3,970
Legacy derivatives	(4)	(57)	(60)	112	52	-	(0)	-	52
Badwill	-	-	-	-	-	-	-	(2)	(2)
Profit (loss) before tax	506	603	1,108	1,229	2,338	1,619	436	(372)	4,020

BALANCE SHEET, 30 SEPTEMBER 2020**Assets**

Mortgage loans etc at fair value	176,237	224,078	400,315	250,966	651,280	670,814	10,668	-	1,332,762
Reverse repurchase lending								38,396	38,396
Loans and advances at amortised cost	11,387	23,898	35,286	31,651	66,936	-	3,639	321	70,896
Assets by business area	187,624	247,976	435,600	282,616	718,217	670,814	14,307	38,717	1,442,054
Unallocated assets									191,368
Total assets									1,633,422

Liabilities and equity

Repo deposits								11,288	11,288
Bank deposits and other payables at amortised cost	37,290	22,898	60,188	9,789	69,977	-	14,426	1,194	85,597
Liabilities by business area	37,290	22,898	60,188	9,789	69,977	-	14,426	12,482	96,885
Unallocated liabilities									1,448,917
Equity									87,619
Total liabilities and equity									1,633,422

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

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

Results Q1-Q3/2019	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results by business area									
Net interest income	1,389	2,080	3,469	1,266	4,735	2,097	94	2	6,929
Net fee income	517	540	1,058	475	1,532	464	28	(17)	2,008
Wealth management income	255	110	365	79	444	-	664	8	1,116
Net interest from capitalisation	(50)	(115)	(165)	(89)	(254)	(138)	(7)	136	(262)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(122)	(122)
Trading, investment portfolio and other income	18	45	63	144	207	19	17	921	1,164
Income	2,130	2,660	4,790	1,874	6,664	2,443	797	928	10,832
Costs	1,480	825	2,305	443	2,748	446	415	201	3,811
Business profit before impairment charges	650	1,835	2,485	1,431	3,916	1,997	381	727	7,021
Impairment charges for loans and advances	211	533	744	37	781	(115)	(1)	(0)	665
Business profit	439	1,302	1,741	1,394	3,135	2,112	383	727	6,357
Legacy derivatives	(4)	(325)	(329)	(268)	(597)	-	(1)	-	(597)
Profit before tax	435	977	1,412	1,126	2,538	2,112	382	727	5,760

BALANCE SHEET, 30 SEPTEMBER 2019

Assets

Mortgage loans etc at fair value	178,539	226,767	405,306	217,923	623,229	623,766	9,239	-	1,256,233
Reverse repurchase lending								50,008	50,008
Loans and advances at amortised cost	11,958	23,379	35,337	24,181	59,518	-	3,970	147	63,636
Assets by business area	190,497	250,146	440,643	242,103	682,746	623,766	13,209	50,155	1,369,877
Unallocated assets									232,705
Total assets									1,602,582

Liabilities and equity

Repo deposits								14,873	14,873
Bank deposits and other payables at amortised cost	33,512	20,894	54,406	10,266	64,672	-	15,547	3,230	83,449
Liabilities by business area	33,512	20,894	54,406	10,266	64,672	-	15,547	18,103	98,322
Unallocated liabilities									1,422,394
Equity									81,866
Total liabilities and equity									1,602,582

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

Nykredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENTS

	Q1-Q3/2020			Q1-Q3/2019		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	7,280	1,139	8,419	6,929	1,281	8,210
Dividend on equities etc		43	43		164	164
Fee and commission income, net	1,754	(1,749)	5	2,008	(2,240)	(232)
Net interest and fee income		(567)	8,467		(795)	8,142
Wealth management income	1,446	(1,446)	-	1,116	(1,116)	-
Net interest from capitalisation	(307)	307	-	(262)	262	-
Net income relating to customer benefits programmes	(154)	154	-	(122)	122	-
Trading, investment portfolio and other income	231	(231)	-	1,164	(1,164)	-
Value adjustments		774	774		982	982
Other operating income		1,051	1,051		1,110	1,110
Income	10,250			10,833		
Costs	4,294	(1)	4,293	3,811	-	3,811
Business profit before impairment charges	5,955			7,022		
Impairment charges for loans and advances etc	1,985	0	1,985	665	-	665
Profit from investments in associates and Group enterprises		5	5		1	1
Business profit	3,970			6,357		
Legacy derivatives	52	(52)	-	(597)	597	-
Badwill	(2)	2	-	-	-	-
Profit before tax	4,020	-	4,020	5,760	-	5,760

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 Group	Q1-Q3/2020	Q1-Q3/2019
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees:	2,819	2,543
Revenue from contracts with customers (IFRS 15) by business area		
Retail	476	550
Corporates & Institutions	244	231
Totalkredit Partners	605	682
Wealth Management	1,461	1,035
Group Items	35	45
Total	2,819	2,543

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 Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

Q1-Q3/2020	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	(30)	23	(53)	-	-	(53)
Lending and deposits	1,502	(85)	1,587	-	2	1,589
Repo transactions and reverse repurchase lending	(144)	(68)	(77)	-	-	(77)
Subordinated debt	-	268	(268)	-	-	(268)
Other financial instruments	106	85	21	-	-	21
Total	1,433	223	1,211	-	2	1,212
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	16,228	9,173	7,055	-	(2)	7,053
- of which administration margin income	6,975	-	6,975	-	-	-
Bonds	241	-	241	-	535	776
Equities etc	-	-	-	43	(425)	(382)
Derivative financial instruments	(87)	-	(87)	-	476	389
Total	16,382	9,173	7,209	43	585	7,836
Foreign currency translation adjustment					188	188
Net interest income etc and value adjustments	17,815	9,396	8,419	43	774	9,237
Negative interest income	567	567	-			
Negative interest expenses	667	667	-			
Total	19,049	10,630	8,419			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	1,071					
Q1-Q3/2019						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(13)	51	(64)	-	-	(64)
Lending and deposits	1,456	(7)	1,464	-	7	1,470
Repo transactions and reverse repurchase lending	(172)	(82)	(90)	-	-	(90)
Subordinated debt	-	269	(269)	-	-	(269)
Other financial instruments	100	77	23	-	-	23
Total	1,372	308	1,064	-	7	1,071
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	17,503	10,664	6,838	-	(24)	6,814
- of which administration margin income	6,708	(79)	6,787	-	-	6,787
Bonds	328	-	328	-	1,333	1,661
Equities etc	-	-	-	164	821	986
Derivative financial instruments	(21)	-	(21)	-	(1,227)	(1,248)
Total	17,810	10,664	7,146	164	903	8,213
Foreign currency translation adjustment					72	72
Net interest income etc and value adjustments	19,182	10,972	8,210	164	982	9,356
Negative interest income	587	587	-			
Negative interest expenses	602	602	-			
Total	20,372	12,162	8,210			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	982					

¹ Recognised at fair value under the fair value option.

NOTES

DKK million

Nykredit Group	Q1-Q3/2020	Q1-Q3/2019	2019
6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS (CONTINUED)			
Nykredit Group			
Interest income			
Interest income	17,815	19,182	25,266
Negative interest income	(567)	(587)	(822)
Negative interest expenses	667	602	939
Total	19,049	20,372	27,028
Interest expenses			
Interest expenses	9,396	10,973	14,229
Negative interest expenses	(667)	(602)	(939)
Negative interest income	567	587	822
Total	10,630	12,162	15,990
Net interest income	8,419	8,210	11,037
Nykredit A/S			
Interest income			
Interest income	-	0	0
Negative interest income	-	0	0
Negative interest expenses	-	0	0
Total	-	0	0
Interest expenses			
Interest expenses	0	0	0
Negative interest expenses	-	-	-
Negative interest income	-	-	-
Total	0	0	0
Net interest income	(0)	(0)	(0)

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

Nykredit A/S		DKK million	
Q1-Q3/2019	Q1-Q3/2020	Q1-Q3/2020	Q1-Q3/2019
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
-	- Mortgage loans	2,209	14,828
-	- Other loans, advances and receivables at fair value	2	7
-	- Bonds	535	1,333
-	- Equities etc	(425)	821
-	- Foreign exchange	188	72
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments	472	(1,258)
-	- Other assets	4	31
Liabilities measured at fair value through profit or loss			
-	- Bonds in issue	(2,211)	(14,852)
-	- Total	774	982

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

Nykredit Group

8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP)**8 a. Impairment charges for loans, advances and receivables etc**

	Loans and advances at fair value	Loans and advances at fair value	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions	Credit institutions	Guarantees etc ¹	Guarantees etc ¹	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total impairment provisions										
Impairment provisions as at 1 January	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	3,253	2,342	1,202	855	9	7	128	75	4,591	3,280
Releases as a result of redemptions and change in credit risk	1,787	1,907	749	756	10	0	58	58	2,605	2,722
Impairment provisions written off	247	260	79	159	-	-	-	-	326	419
Other adjustments and interest from impaired facilities	-	-	46	44	-	-	-	-	46	44
Transferred to "Impairment provisions for properties acquired by foreclosure"	5	2	-	-	-	-	-	-	5	2
Total impairment provisions	6,579	5,198	2,945	2,751	27	28	206	134	9,757	8,111
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	1,465	435	453	99	(2)	7	69	17	1,986	558
Write-offs for the period, not previously written down for impairment	211	320	15	101	-	-	-	-	226	421
Recoveries on claims previously written off	(68)	(71)	(41)	(38)	-	-	-	-	(109)	(110)
Total	1,608	683	427	162	(2)	7	69	17	2,103	869
Value adjustment of assets in temporary possession	13	(40)	-	-	-	-	-	-	13	(40)
Value adjustment of claims previously written off	5	(39)	(23)	(11)	-	-	-	-	(18)	(50)
Losses offset, in accordance with partnership agreement ²	(114)	(115)	-	-	-	-	-	-	(114)	(115)
Earnings impact	1,513	490	404	150	(2)	7	69	17	1,985	665

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 Group

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

8 b. Total impairment provisions by stage 2020	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 2020	1,589	1,235	2,542	425	199	1,930	52	38	46	8,056
Transfer to stage 1	241	(170)	(71)	110	(85)	(25)	14	(14)	(0)	-
Transfer to stage 2	(79)	327	(248)	(16)	156	(140)	(4)	8	(4)	-
Transfer to stage 3	(7)	(183)	190	(10)	(21)	30	(0)	(3)	3	-
Impairment provisions for new loans and advances (additions)	171	81	200	107	12	94	14	4	4	687
Additions as a result of change in credit risk	991	702	1,108	346	127	525	52	31	22	3,904
Releases as a result of change in credit risk	627	584	576	201	156	403	28	13	18	2,605
Previously written down for impairment, now written off	-	-	252	-	-	79	-	-	-	331
Other adjustments and interest from impaired facilities	-	-	-	-	-	46	-	-	-	46
Total impairment provisions, end of period	2,279	1,408	2,891	762	232	1,978	100	53	53	9,757
Total, end of period	6,579			2,972			206			9,757
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				27	-	-				27
Earnings impact for Q1-Q3/2020	536	199	731	253	(17)	216	38	23	9	1,986

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

Impairment provisions, end of period, are moreover attributable to:

Credit institutions 28 - - 28

Earnings impact for Q1-Q3/2019 (617) 431 621 (37) (5) 148 (7) 15 9 558

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.

Nykredit Group

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

30 September 2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,292,843	34,652	12,141	1,339,636
Total impairment provisions, end of period	2,279	1,408	2,891	6,579
Value, end of period	1,290,563	33,244	9,250	1,333,057
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	105,502	4,201	2,534	112,238
Total impairment provisions, end of period	735	232	1,978	2,945
Value, end of period	104,767	3,969	556	109,292
Guarantees etc				
Guarantees etc	33,873	1,089	180	35,143
Total impairment provisions, end of period	100	53	53	206
Value, end of period	33,773	1,037	127	34,937
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

NOTES

Nykredit A/S		DKK million	
Nykredit Group		Nykredit Group	
Q1-Q3/2019	Q1-Q3/2020	Q1-Q3/2020	Q1-Q3/2019
8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)			
8 d. Impairment provisions for properties acquired by foreclosure			
-	- Impairment provisions, beginning of period	41	88
-	- Transfer from impairment provisions for loans and advances	5	2
-	- Impairment provisions for the period	37	22
-	- Impairment provisions reversed	(24)	(62)
-	- Impairment provisions written off	(4)	(12)
-	- Impairment provisions, end of period	55	38
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".			
9. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
-	- Profit from investments in associates	5	1
4,683	3,189 Profit from investments in Group enterprises	-	-
4,683	3,189 Total	5	1

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2019	30.09.2020	30.09.2020	31.12.2019
10. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
-	- Mortgage loans	1,332,762	1,287,370
-	- Arrears and outlays	295	240
-	- Total	1,333,057	1,287,610
10 a. Mortgage loans			
-	- Balance, beginning of period, nominal value	1,262,689	1,171,449
-	- Additions from LR Realkredit A/S	-	21,877
-	- New loans	221,882	404,162
-	- Indexation	135	156
-	- Foreign currency translation adjustment	(628)	(393)
-	- Ordinary principal payments	(24,826)	(28,412)
-	- Prepayments and extraordinary principal payments	(151,139)	(306,151)
-	- Balance, end of period, nominal value	1,308,111	1,262,689
-	- Loans transferred relating to properties in temporary possession	(20)	(7)
-	- Total	1,308,091	1,262,681
-	- Adjustment for interest rate risk etc	31,066	29,889
Adjustment for credit risk			
-	- Impairment	(6,395)	(5,200)
-	- Balance, end of period, fair value	1,332,762	1,287,370
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
-	- Supplementary guarantees totalling	94,818	97,887
-	- Interim loan guarantees totalling	27,639	23,903
-	- Mortgage registration guarantees etc totalling	31,656	58,209
10 b. Arrears and outlays			
-	- Arrears before impairment provisions	413	350
-	- Outlays before impairment provisions	65	55
-	- Individual impairment provisions for arrears and outlays	(184)	(165)
-	- Total	295	240

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2019	30.09.2020	30.09.2020	31.12.2019
		11. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST	
-	- Bank loans and advances	73,468	67,992
-	- Mortgage loans	10	10
-	- Reverse repurchase lending	38,396	48,749
-	- Other loans and advances	364	366
-	- Balance, end of period	112,237	117,116
		Adjustment for credit risk	
-	- Impairment provisions	(2,945)	(2,526)
-	- Balance after impairment provisions, end of period	109,292	114,590
		12. BONDS AT FAIR VALUE	
-	- Self-issued SDOs	59,291	93,305
-	- Self-issued ROs	34,310	16,437
-	- Self-issued corporate bonds	176	178
-	- Self-issued senior debt	8,313	310
-	- Other covered bonds	88,254	95,718
-	- Government bonds	14,400	8,564
-	- Other bonds	4,953	4,273
-	- Total	209,696	218,786
-	- Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 14	(59,282)	(93,295)
-	- Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 15	(10)	(10)
-	- Set-off of self-issued ROs against "Bonds in issue at fair value" – note 14	(34,310)	(16,437)
-	- Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 15	(176)	(178)
-	- Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 14	(8,004)	-
-	- Set-off of self-issued senior unsecured debt against "Bonds in issue at amortised cost" – note 15	(308)	(310)
-	- Total	107,607	108,555
		Of bonds at fair value before set-off of self-issued bonds:	
-	- Redeemed bonds	1,058	1,290
-	- As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	10,222	7,918
	The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few days.		
	Collateral security was provided on an arm's length basis.		

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	Nykredit Group
31.12.2019	30.09.2020	30.09.2020	31.12.2019
13. DEPOSITS AND OTHER PAYABLES			
-	- On demand	79,576	76,973
-	- At notice	-	5
-	- Time deposits	3,044	5,087
-	- Special deposits	2,976	3,310
-	- Repo deposits	11,288	15,281
-	- Total	96,885	100,656
14. BONDS IN ISSUE AT FAIR VALUE			
-	- ROs	156,229	162,763
-	- SDOs	1,277,215	1,282,248
-	- Senior secured debt	9,134	1,135
-	- Total	1,442,578	1,446,146
-	- Offsetting of self-issued bonds	(101,596)	(109,732)
-	- Total	1,340,983	1,336,414
14 a. ROs			
-	- ROs at nominal value	147,156	152,406
-	- Fair value adjustment	9,073	10,357
-	- ROs at fair value	156,229	162,763
-	- Self-issued ROs	(34,310)	(16,437)
-	- Total	121,919	146,326
-	- Of which pre-issuance	38	320
-	- ROs redeemed and maturing at next creditor payment date	10,005	7,447
14 b. SDOs			
-	- SDOs at nominal value	1,255,106	1,262,714
-	- Fair value adjustment	22,110	19,534
-	- SDOs at fair value	1,277,215	1,282,248
-	- Self-issued SDOs	(59,282)	(93,295)
-	- Total	1,217,934	1,188,954
-	- Of which pre-issuance	1,672	6,836
-	- SDOs redeemed and maturing at next creditor payment date	64,276	121,423

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2019	30.09.2020	30.09.2020	31.12.2019
	17. SUBORDINATED DEBT		
	Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
	Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.		
	Subordinate loan capital		
	Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down	4,504	4,555
-	- Nominally EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years	6,057	6,087
-	- Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months	372	373
-	- Total subordinate loan capital	10,934	11,016
-	- Portfolio of self-issued bonds	(1)	(12)
-	- Total subordinated debt	10,933	11,004
-	- Subordinated debt that may be included in own funds	7,303	7,189

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1-Q3/2020.

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 September 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 September 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.

19. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

Net value adjustment due to CVA, DVA and FVA amounted to DKK 601 million at 30 September 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 September 2020, the non-amortised minimum margin amounted to DKK 124 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 166 million at end-September 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 1,880 million at 30 September 2020 (end-2019: DKK 1,033 million). Credit value adjustments came to DKK 2,052 million at 30 September 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 68 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 September 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 503 million at 30 September 2020 (0.57% of equity at 30 September 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 September 2020, financial assets of DKK 9.4 billion (end-2019: DKK 1.4 billion) have been transferred from Listed prices to Observable inputs and DKK 2.8 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 0.3 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 September 2020, the amount was DKK 1.1 billion (end-2019: DKK 0.6 billion).

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

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19. FAIR VALUE DISCLOSURES (CONTINUED)**Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)****30 September 2020**

	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
Financial assets:					
- bonds at fair value	16,091	91,516	-	107,607	
- equities measured at fair value through profit or loss	3,605	-	3,089	6,694	
- positive fair value of derivative financial instruments	85	21,070	1,880	23,035	
- mortgage loans, arrears and outlays ¹	-	1,333,057	-	1,333,057	
- owner-occupied properties	-	-	59	59	
Total	19,781	1,445,643	5,028	1,470,452	
Percentage	1.3	98.3	0.3	100.0	
Financial liabilities:					
- other non-derivative financial liabilities at fair value	3,517	4,276	-	7,794	
- negative fair value of derivative financial instruments	45	11,809	-	11,854	
- bonds in issue at fair value ¹	1,336,920	4,063	-	1,340,983	
Total	1,340,483	20,148	-	1,360,631	
Percentage	98.5	1.5	-	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	(1)	-	134	338	471
Purchases for the period	-	-	138	-	138
Sales for the period	(15)	(2)	(199)	(117)	(333)
Transferred from Listed prices and Observable inputs ²	-	-	1	2,297	2,298
Transferred to Listed prices and Observable inputs ³	-	-	-	(1,670)	(1,670)
Reclassification to "Other assets"	-	-	-	-	-
Fair value, end of period, assets	59	-	3,089	1,880	5,028

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

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19. FAIR VALUE DISCLOSURES (CONTINUED)**Fair value of assets and liabilities recognised at fair value (IFRS hierarchy) (continued)****31 December 2019**

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- 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	-	-	74	74
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 year, 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	-	195	-	197
Sales for the year	(3)	(64)	(333)	(162)	(562)
Transferred from Listed prices and Observable inputs ²	-	-	6	388	394
Transferred to Listed prices and Observable inputs ³	-	-	(57)	(569)	(627)
Reclassification to "Other assets"	(7)	-	-	-	(7)
Fair value, year-end, 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.

20. 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 54 of the Annual Report for 2019 for more information.

The acquisition of LR Realkredit has not given rise to significant accounting adjustments in the Q1-Q3 Interim Report 2020.

NOTES

DKK million

Nykredit Group	Q1-Q3/ 2020	Q1-Q3/ 2019	Q1-Q3/ 2018	Q1-Q3/ 2017	Q1-Q3/ 2016
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21. FIVE-YEAR FINANCIAL HIGHLIGHTS

SUMMARY INCOME STATEMENT

Net interest income	8,419	8,210	8,157	8,607	8,383
Net fee income etc	48	(68)	(194)	(107)	(145)
Net interest and fee income	8,467	8,142	7,963	8,500	8,238
Value adjustments	774	982	1,054	3,691	45
Other operating income	1,051	1,110	722	327	149
Staff and administrative expenses	3,933	3,500	3,437	3,299	3,427
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	218	205	83	183	156
Other operating expenses	141	106	97	108	124
Impairment charges for loans, advances and receivables etc	1,985	665	213	(550)	385
Profit from investments in associates and Group enterprises	5	1	2	18	7
Profit before tax	4,020	5,760	5,910	9,497	4,346
Tax	641	914	1,127	1,904	868
Profit for the period	3,378	4,846	4,783	7,594	3,478

Value adjustment and reclassification of strategic equities against equity	-	-	-	72	38
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Summary balance sheet, end of period

	30.09.2020	30.09.2019	30.09.2018	30.09.2017	30.09.2016
Assets					
Cash balances and receivables from credit institutions and central banks	41,497	71,304	29,526	40,064	41,685
Mortgage loans at fair value	1,332,762	1,256,233	1,183,494	1,155,047	1,127,516
Bank loans excluding reverse repurchase lending	70,523	63,289	58,749	57,257	53,115
Bonds and equities etc	114,301	122,535	92,412	95,531	108,574
Remaining assets	74,340	89,220	61,047	51,635	74,919
Total assets	1,633,422	1,602,582	1,425,228	1,399,534	1,405,810
Liabilities and equity					
Payables to credit institutions and central banks	18,090	23,422	18,498	13,233	19,362
Deposits and other payables	96,885	98,322	85,640	69,001	64,895
Bonds in issue at fair value	1,340,983	1,319,545	1,184,320	1,161,855	1,151,669
Subordinated debt	10,933	11,084	10,940	10,985	11,276
Remaining liabilities	78,912	68,343	46,910	65,977	89,732
Equity	87,619	81,866	78,921	78,484	68,876
Total liabilities and equity	1,633,422	1,602,582	1,425,228	1,399,534	1,405,810

Off-balance sheet items

Contingent liabilities	6,855	6,557	6,074	7,488	6,720
Other commitments	22,906	25,093	9,351	8,241	6,965

FINANCIAL RATIOS¹

Total capital ratio, %	19.3	22.2	23.5	24.4	19.6
Tier 1 capital ratio, %	21.6	20.0	21.5	22.0	18.3
Return on equity before tax, %	4.7	7.1	7.5	12.8	6.2
Return on equity after tax, %	3.9	6.0	6.0	10.2	5.3
Income:cost ratio	1.6	2.3	2.5	4.1	2.1
Foreign exchange position, %	0.0	0.2	0.0	0.2	0.4
Loans and advances:equity (loan gearing)	16.5	16.7	16.2	15.7	17.5
Growth in loans and advances for the period, %	3.8	4.3	2.5	1.1	(1.5)
Impairment charges for the period, %	0.14	0.05	0.02	(0.04)	0.03
Return on capital employed, %	0.21	0.30	0.33	0.54	0.24

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 56 in the Annual Report for 2019.

NOTES

DKK million

Nykredit A/S	Q1-Q3/ 2020	Q1-Q3/ 2019	Q1-Q3/ 2018	Q1-Q3/ 2017	Q1-Q3/ 2016
21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	(0)	(0)	(0)	-
Net fee income etc	-	-	-	-	-
Net interest and fee income	(0)	(0)	(0)	(0)	-
Staff and administrative expenses	9	15	18	44	24
Profit from investments in associates	3,189	4,683	4,600	7,493	3,325
Profit before tax	3,180	4,668	4,582	7,449	3,301
Tax	(2)	(3)	(4)	(4)	(1)
Profit for the period	3,182	4,671	4,586	7,453	3,302
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2020	30.09.2019	30.09.2018	30.09.2017	30.09.2016
Assets					
Cash balances and receivables from credit institutions and central banks	(0)	18	27	-	2
Remaining assets	17	20	18	9	10
Investments in Group enterprises	83,717	77,988	75,147	74,704	65,046
Total assets	83,734	78,026	75,192	74,713	65,057
Liabilities and equity					
Payables to credit institutions and central banks	24	35	28	25	-
Remaining liabilities	12	10	8	26	12
Equity	83,698	77,981	75,156	74,662	65,045
Total liabilities and equity	83,734	78,026	75,192	74,713	65,057
FINANCIAL RATIOS¹					
Total capital ratio, %	25.8	26.0	25.9	26.2	27.0
Tier 1 capital ratio, %	25.8	26.0	25.9	26.2	27.0
Return on equity before tax, %	3.9	6.1	6.1	10.5	5.2
Return on equity after tax, %	3.9	6.1	6.1	10.5	5.2
Income:cost ratio	338.7	310.5	256.6	171.5	140.9
Return on capital employed, %	3.8	5.99	6.10	9.98	5.08

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 56 in the Annual Report for 2019.

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

	Ownership interest as %, 30 September 2020	Profit for the period, 2020	Equity, 30 September 2020	Profit for 2019	Equity, 31 December 2019
Nykredit A/S (Parent), Copenhagen, g)	-	3,182	83,698	7,194	80,532
Nykredit Realkredit A/S, Copenhagen, a)	100	3,364	87,541	7,443	84,321
Totalkredit A/S, Copenhagen, a)	100	1,460	31,930	2,573	30,612
Nykredit Bank A/S, Copenhagen, b)	100	1,057	25,434	1,288	24,377
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	143	1,221	191	1,079
Nykredit Leasing A/S, Gladsaxe, e)	100	62	858	102	858
Sparinvest Holdings SE, Luxembourg, g)	75	102	279	280	233
Nykredit Mægler A/S, Copenhagen, c)	100	67	140	69	138
LR Realkredit A/S, Copenhagen, a)	100	28	3,327	175	3,299
Ejendomsselskabet Kalvebod A/S, Copenhagen, g)	100	27	725	28	698
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	21	577	25	556
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	6	114	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.

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Geographical distribution of activities					
Denmark: Names and activities appear from the Group structure above	3,760	21,686	4,020	641	-

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 A/S 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 Realkredit A/S are available from:

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

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