



Nykredit

H1 Interim Report 2021

**Nykredit
Group**

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CONTENTS

MANAGEMENT COMMENTARY	2
Financial highlights	3
Executive summary	4
Financial review	6
Performance highlights in H1/2021	6
Results for Q2/2021 relative to Q1/2021	7
Outlook and guidance for 2021	7
Special accounting circumstances	8
Other	8
Material risks	8
Events since the balance sheet date	8
Business areas	9
Banking	10
Totalkredit Partners	12
Wealth Management	14
Group Items	16
Capital, liquidity and funding	17
Equity and own funds	17
Funding and liquidity	19
Credit risk	22
Mortgage lending	24
Bank lending	26
Alternative performance measures	27
MANAGEMENT STATEMENT	28
Statement by the Board of Directors and the Executive Board	28
FINANCIAL STATEMENTS	29
Statements of income and comprehensive income	29
Balance sheets	31
Statement of changes in equity	33
Cash flow statement	35
Notes	36

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Group	H1/ 2021	H1/ 2020	Q2/ 2021	Q1/ 2021	Q2/ 2020	2020
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	4,940	4,832	2,485	2,454	2,438	9,780
Net fee income ¹	1,216	1,188	632	584	626	2,438
Wealth management income	1,100	987	556	544	485	1,950
Net interest from capitalisation	(246)	(198)	(132)	(114)	(93)	(421)
Net income relating to customer benefits programmes ²	(174)	(97)	(103)	(72)	(52)	(203)
Trading, investment portfolio and other income ¹	1,244	(241)	418	826	1,173	1,026
Income	8,080	6,470	3,857	4,223	4,576	14,569
Costs	2,989	2,841	1,541	1,448	1,421	5,773
Business profit before impairment charges	5,091	3,630	2,317	2,775	3,156	8,796
Impairment charges for loans and advances	89	1,755	(2)	91	443	2,272
Business profit	5,002	1,875	2,319	2,684	2,713	6,524
Legacy derivatives	292	(103)	56	237	318	258
Badwill, impairment of goodwill and amortisation of customer relationships	0	(2)	0	0	(2)	(2)
Profit before tax for the period	5,295	1,770	2,374	2,920	3,029	6,780
Tax	942	204	408	535	581	1,116
Profit for the period	4,353	1,566	1,967	2,386	2,448	5,664
Other comprehensive income, remaining items	(16)	(35)	(13)	(2)	(20)	(26)
Comprehensive income for the period	4,337	1,531	1,954	2,384	2,428	5,638
Interest on Additional Tier 1 capital charged against equity	76	116	38	38	58	233
Minority interests	17	14	8	9	14	21
SUMMARY BALANCE SHEET						
Assets	30.06.2021	30.06.2020	30.06.2021	31.03.2021	30.06.2020	31.12.2020
Receivables from credit institutions and central banks	47,978	32,698	47,978	53,437	32,698	59,361
Mortgage loans at fair value	1,357,294	1,313,138	1,357,294	1,348,654	1,313,138	1,350,630
Bank loans excluding reverse repurchase lending	70,844	67,014	70,844	70,285	67,014	71,140
Bonds and equities	104,526	114,005	104,526	119,256	114,005	113,776
Remaining assets	74,034	71,035	74,034	69,350	71,035	70,852
Total assets	1,654,676	1,597,890	1,654,676	1,660,983	1,597,890	1,665,759
Liabilities and equity						
Payables to credit institutions and central banks	13,029	14,445	13,029	13,221	14,445	14,611
Deposits excluding repo deposits	91,701	85,267	91,701	85,498	85,267	88,113
Bonds in issue at fair value	1,349,776	1,313,990	1,349,776	1,362,675	1,313,990	1,366,709
Subordinated debt	10,806	10,951	10,806	11,592	10,951	10,893
Remaining liabilities	97,577	87,446	97,577	98,059	87,446	95,678
Equity	91,786	85,791	91,786	89,938	85,791	89,754
Total liabilities and equity	1,654,676	1,597,890	1,654,676	1,660,983	1,597,890	1,665,759
FINANCIAL RATIOS						
Profit for the period as % pa of average business capital (ROAC) ³	13.1	4.6	11.8	14.5	15.2	8.6
Profit for the period as % pa of average equity ⁴	9.8	3.5	8.8	10.9	11.8	6.6
Costs as % of income	37.0	43.9	39.9	34.3	31.0	39.6
Total provisions for loan impairment and guarantees	9,881	9,579	9,881	9,865	9,579	9,906
Impairment charges for the period, %	0.00	0.12	(0.00)	0.00	0.02	0.15
Total capital ratio, %	22.8	22.0	22.8	22.9	22.0	22.9
Common Equity Tier 1 capital ratio, %	20.1	19.2	20.1	20.0	19.2	20.2
Internal capital adequacy requirement, %	11.0	10.7	11.0	10.9	10.7	11.0
Average number of staff, full-time equivalent	3,782	3,726	3,734	3,831	3,725	3,799

¹ Fee income pertaining to Shared Valuation has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". Comparative figures have been restated.

² "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures".

³ "Profit for the period as % pa of average business capital (ROAC)" shows profit for the period relative to business capital. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital.

⁴ For the purpose of return on equity, the AT1 capital is treated as a financial obligation for accounting purposes, and the dividends thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the period.

EXECUTIVE SUMMARY

Nykredit posted a very satisfactory profit before tax of DKK 5,295 million in H1/2021 (H1/2020: DKK 1,770 million).

Nykredit made a strong start to 2021, recording underlying business growth. H1 was in particular characterised by solid growth in Totalkredit mortgage lending as well as increasing assets under management and administration in Wealth Management. In H1 Nykredit welcomed many new full-service customers. H1 results were also influenced by the favourable financial market trends, particularly in the first months of the year, which impacted trading, investment portfolio and other income positively.

Impairment charges for loans and advances in H1 were lower than expected owing to continued positive economic trends, rising property prices and improved credit quality among our customers.

Based on this as well as the prospect of continued low impairment charges, guidance was raised on 1 July to a business profit and profit before tax for 2021 from DKK 7.25-7.75 billion to DKK 8.25-8.75 billion.

We help our customers get through the crisis

Nykredit holds a robust capital position and is backed by a group of strong owners. Consequently, we are strongly positioned to continue to offer attractive and secure loans all over Denmark at all times. Being able to always keep our loan books open – also when the Danish economy is struggling – is essential to us.

We provide loans throughout Denmark

Totalkredit recorded lending growth in all 98 Danish municipalities in H1. This underlines the very strong collaboration we have with our Totalkredit partners, which provide sound financial advice to customers all across Denmark. It also highlights another central aspect of our corporate responsibility. We should not only be ready to provide loans at all times. We should be ready to provide loans all across Denmark. This way, we can help ensure continued development and growth in all regions of Denmark.

We focus on green choices

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

All across the Group we have launched several products that will make it easier and more affordable for our customers to make green choices. Nykredit Bank now offers green home loans (Grønt Boliglån) to finance energy improvements at 0% interest and no up-front fees. We offer green car loans (Grønt Billån) to finance electric, hydrogen and plug-in hybrid cars at 1% interest and no up-front fees. Totalkredit offers a cash contribution of DKK 10,000 to customers who replace their oil-fired boilers with energy-saving heat pumps. Since December, more than 1,600 Totalkredit customers have taken specific steps towards more sustainable housing. Moreover, customers with a Totalkredit mortgage loan who want to make energy-saving improvements to their home can order a home energy check-up from 1 May and have their home energy-labelled.

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

Stronger service and advisory proposition to agricultural customers

We strive to be agricultural customers' first choice while at the same time promoting sustainable solutions in the agricultural area, underpinning the positive trend of improved customer satisfaction, increased wealth management sales and strong sustainability positioning. The launch of green machinery financing and the new forest foundation have given customers a concrete path to the green transition. At the same time, agricultural advisers' green transition training and close customer contact have produced good results.

Top ranking of our products

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

In March 2021, Nykredit Invest won two out of three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of bonds as well as best manager of equities and bonds. This is the fourth year running that Nykredit Invest has won one or more main categories at the Morningstar Fund Awards. In addition the fund Sparindex OMX C25 was awarded best fund for Danish equities, and Sparindex DJSI World was named best fund for global equities. Combined, Nykredit Invest and Sparindex won four out of eight Morningstar Awards.

Benefits of being owned by customers

In H1 we distributed dividend for 2020 to our shareholders. Forenet Kredit, the association that owns nearly 80% of Nykredit, received the largest share. In March, the Committee of Representatives of Forenet Kredit subsequently decided to return an amount in excess of one billion kroner to Nykredit, which we will give back to our customers in 2021 through benefits programmes.

This will be the fifth consecutive year where customers gain cash benefits from our mutual ownership structure. Our KundeKroner and ErhvervsKroner discounts have a large impact on the total costs of a mortgage loan. For instance, homeowners' average administration margin payments to Totalkredit are today the lowest for more than seven years.

Nykredit was one of Denmark's Olympic partners, and with our sponsorship we supported the Danish athletes up to the Olympic Games. Danish athletes are forged from a proud heritage of community sports clubs run by thousands of volunteers. Our strong ties to the long-standing Danish tradition of community sports make it even more important for Nykredit as a company owned by its customers to sponsor the Danish Olympic athletes.

Insurance partnership

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

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

The MREL fund

Expanding our alliance with the Totalkredit partners is a strategic priority, effectively illustrated by the MREL fund. The minimum requirement for own funds and eligible liabilities (MREL) was introduced in the wake of the financial crisis to ensure banks are sufficiently bolstered to steer through any future crises. The requirement poses a

challenge to most institutions, but access to capital markets is generally more difficult for regional and local banks than for SIFIs.

Building on Nykredit's in-depth knowledge of the market, we have set up a fund which will improve regional and local banks' opportunities and conditions for capital market funding. The MREL fund enables large, professional investors to invest in a portfolio comprising a large number of small MREL issues.

Thanks to the MREL fund, the local and regional banks will not have to use equity capital to meet the MREL requirement, which could weaken their capacity for growth and new business going forward. In the coming years, Nykredit expects to regularly launch new MREL funds together with partner banks and large, professional investors.

FINANCIAL REVIEW

	Business profit H1/2021	Profit H1/2021	Income H1/2021
	DKK 5,002 million Business profit	DKK 5,295 million Profit before tax for the period	DKK 8,080 million Income
	ROAC	Return on equity	Cost:income ratio
	13.1% Profit for the period as % pa of average business capital	9.8% Profit for the period as % pa of average equity	37.0% Costs as % of income

PERFORMANCE HIGHLIGHTS IN H1/2021

Nykredit posted a profit before tax for H1/2021 of DKK 5,295 million (H1/2020: DKK 1,770 million), while business profit for the period was DKK 5,002 million (H1/2020: DKK 1,875 million). Results were positively impacted by strong growth in mortgage lending and high wealth management income. At the same time, business profit was positively impacted by a favourable trend in investment portfolio income.

Impairment charges in H1 were lower than expected due to our customers' good liquidity and improved economic trends.

Profit before tax for the period was also positively impacted by a favourable trend in the portfolio of legacy derivatives, primarily in Q1.

Income

Income totalled DKK 8,080 million in H1/2021 (H1/2020: DKK 6,470 million).

Net interest income was satisfactory and amounted to DKK 4,940 million (H1/2020: DKK 4,832 million). The underlying business is performing well, and the rise was driven by continued high housing market activity. In addition, negative personal deposit rates also affected net interest income positively.

Net fee income went up to DKK 1,216 million in H1/2021 (H1/2020: DKK 1,188 million), chiefly due to higher income from the insurance partnership as well as increased banking business activity.

Wealth management income rose to DKK 1,100 million in H1/2021 (H1/2020: DKK 987 million), primarily due to rising assets under management and administration and higher Asset Management income.

Net interest expenses from capitalisation, which includes interest on subordinated debt came to DKK 246 million (H1/2020: DKK 198 million).

Net income relating to the customer benefits programmes (KundeKroner and ErhvervsKroner) as well as mutual and green customer benefits was a negative DKK 174 million in H1/2021 (H1/2020: a negative DKK 97 million). The amount includes contributions of DKK 649 million received from Forenet Kredit for H1/2021.

Trading, investment portfolio and other income, including value adjustment of swaps etc, rose to DKK 1,244 million (H1/2020: a loss of DKK

241 million), partly driven by considerable capital gains on the portfolio of strategic equities etc, including from the sale of shares in Vestjysk Bank to Arbejdernes Landsbank in Q1. In addition, income of DKK 114 million was attributable to the fair value adjustment of lending which Nykredit carried at a discount in connection with Nykredit's acquisition of LR Realkredit.

Costs

Costs totalled DKK 2,989 million in H1/2021 (H1/2020: DKK 2,841 million). The Group maintains its focus on further building organisational efficiency, while investing significant resources in compliance, implementation of new regulatory requirements and expansion of the partnership with BEC.

The average headcount was 3,782 in H1/2021 (H1/2020: 3,726).

Impairment charges for loans and advances

Impairment charges for loans and advances totalled DKK 89 million in H1/2021 (H1/2020: DKK 1,755 million). Write-offs as well as individual impairment provisions for homeowners and businesses alike were low.

	DKK million	
	Q2/ 2021	Q1/ 2021
Nykredit Group		
Impairment charges for loans and advances		
Individual impairment provisions (stage 3)	(109)	(312)
Model-based impairment provisions (stages 1, 2 and 3)	107	403
- of the above attributable to covid-19	2	(31)
Impairment charges for loans and advances	(2)	91

In H1/2021, a reversal (gain) of DKK 29 million was provided for losses anticipated as a consequence of covid-19. Such provisions are based on stress tests and portfolio calculations. Write-offs prompted by the covid-19 pandemic remained 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. 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 22 of this report as well as our Fact Book Q2 2021, which is available at nykredit.com.

Other items

Income from legacy derivatives, which are not included in business profit, was DKK 292 million (H1/2020: a negative DKK 103 million). Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 5.8 billion (end-2020: DKK 7.4 billion). The portfolio was written down to DKK 4.3 billion at end-June 2021 (end-2020: DKK 5.6 billion).

Tax

Tax calculated on profit for H1/2021 was DKK 942 million (H1/2020: DKK 204 million).

Balance sheet

Nominal mortgage lending was DKK 1,358 billion at end-June 2021 (end-2020: DKK 1,321 billion), equal to an increase of DKK 37 billion on end-2020.

The strong alliance between Totalkredit and its partner banks continues to drive growth in Totalkredit's mortgage lending, which amounted to DKK 838 billion at nominal value at end-June 2021 (end-2020: DKK 798 billion). This represents a 5% increase since end-2020. More than 875,000 homeowners now have Totalkredit loans.

The Group's market share of total Danish mortgage lending was 43.9% at end-June 2021 (end-2020: 43.6%).

Lending by Nykredit Bank dropped by DKK 0.3 billion to DKK 70.8 billion at end-June 2021 (end-2020: DKK 71.1 billion). Bank lending (including secured homeowner loans transferred to Totalkredit) fell to DKK 77.3 billion (end-2020: DKK 77.8 billion). At 30 June 2021, secured homeowner loans transferred to Totalkredit amounted to DKK 6.4 billion (end-2020: DKK 6.7 billion).

Nykredit had provided guarantees totalling DKK 10.0 billion at end-June 2021 (end-2020: DKK 9.1 billion).

Deposits excluding repo deposits totalled DKK 91.7 billion, and Nykredit Bank's deposits exceeded lending by DKK 20.9 billion at end-June 2021 (end-2020: DKK 17.1 billion).

Equity

The Nykredit Group's equity stood at DKK 91.8 billion at end-June 2021 (end-2020: DKK 89.8 billion). In March 2021 dividend was distributed to the Company's shareholders.

RESULTS FOR Q2/2021 RELATIVE TO Q1/2021

Profit before tax was DKK 2,374 million in Q2/2021 (Q1/2021: DKK 2,920 million).

Income totalled DKK 3,857 million in Q2/2021 (Q1/2021: DKK 4,223 million). The continued growth in mortgage lending contributed to a rise in net interest and net fee income.

Costs in Q2/2021 were higher than in Q1 and totalled DKK 1,541 million (Q1/2021: DKK 1,448 million), which was mainly due to higher costs for the Danish Resolution Fund scheme.

Impairment charges for loans and advances were an income of DKK 2 million in Q2/2021, which was lower than in the previous quarter (Q1/2021: DKK 91 million). Impairment charges for loans and advances were positively impacted by rising property values and the improved credit quality of our customers.

Legacy derivatives resulted in a positive value adjustment of DKK 56 million (Q1/2021: DKK 237 million).

OUTLOOK AND GUIDANCE FOR 2021

Driven by good business growth, the prospect of lower-than-expected impairment charges for loans and advances as well as favourable trends in investment portfolio income and the portfolio of legacy derivatives, our guidance for 2021 was raised on 1 July 2021 to a business profit and profit before tax for 2021 from DKK 7.25-7.75 billion to DKK 8.25-8.75 billion.

Our overall guidance for business profit and profit before tax for 2021 reflects that:

- Nykredit expects slightly higher total income than in 2020, driven by higher investment portfolio income as well as increasing net interest income and wealth management income from higher customer sales. Costs are expected to rise, primarily due to increasing investments in digitisation and compliance and higher costs for the Danish Resolution Fund scheme
- Impairment charges for loans and advances are expected to be considerably lower than in 2020, which was affected by provisions for loan impairment related to covid-19.

The main uncertainties affecting our 2021 guidance are related to 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

Income from Shared Valuation

In order to present income from activity-driven partnerships on an aggregated basis, customer-driven income from the Shared Valuation partnership has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". The change which affects the business area Totalkredit Partners has no impact on profit. The reclassification totalled DKK 52 million in H1/2020, and comparative figures have been restated.

OTHER

Changes to the Board of Directors

At the Company's Annual General Meeting held on 25 March 2021, Preben Sunke was elected new member of the Board of Directors. Merete Eldrup, Nina Smith, Michael Demnitz, Per W. Hallgren, Jørgen Høholt, Hans-Ole Jochumsen, Vibeke Krag, Lasse Nyby and Claus E. Petersen were re-elected to the Board of Directors. In addition, the Board of Directors includes five staff-elected members: Olav Bredgaard Brusén, Allan Kristiansen, Ann-Mari Lundbæk Lauritsen, Inge Sand and Kristina Andersen Skiøld.

Immediately following the Annual General Meeting, the Board of Directors elected Merete Eldrup as Chair and Nina Smith as Deputy Chair.

New auditors appointed by the Annual General Meeting

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

Termination of guarantee agreement with partner banks

In January Nykredit and Totalkredit terminated an agreement from 2014 on the provision of additional security by the Totalkredit partner banks. The agreement was an addendum to the partnership agreement, and its termination means that the banks no longer have to provide a 6% guarantee covering the mortgage loans originated by them. As a result of Totalkredit's and the Nykredit Group's strengthened capital position over the last few years, the need for external guarantees has been reduced.

Merger with LR Realkredit

LR Realkredit A/S was merged with Nykredit Realkredit with effect from 1 January 2021 following approval by the Danish Ministry for Industry, Business and Financial Affairs and the Danish FSA of the merger between Nykredit Realkredit A/S and LR Realkredit and approval at the extraordinary general meeting of LR Realkredit A/S held on 25 January 2021.

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.

In 2020 the covid-19 pandemic resulted in increased impairments following uncertainty about the effect on the domestic and global economies. The Group has still not seen a rise in write-offs, and the effects of the pandemic are expected to be covered by the current covid-19-related provisions.

MATERIAL RISKS

The Group's material risks are unchanged compared with the risks described in the Annual Report for 2020. See also note 50 in the Annual Report for 2020.

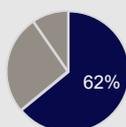
EVENTS SINCE THE BALANCE SHEET DATE

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

BUSINESS AREAS

Nykredit's governance and organisational structure is based on the business areas below. Percentages reflect the business divisions' share of business profit for H1/2021 excluding Group Items.

Banking



Comprises Retail and Corporates & Institutions.

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

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

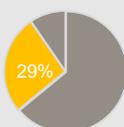
Business profit H1/2021:
DKK 2,698 million

Income H1/2021:
DKK 4,781 million

Impairment charges for loans and advances H1/2021:
Net reversal of DKK 6 million

Total lending end-June 2021:
DKK 710.1 billion

Totalkredit Partners



Comprises Totalkredit-branded mortgage loans to personal and business customers arranged by 46 Danish local and regional banks (excluding Nykredit Bank). Mortgage loans arranged by Nykredit are included in the business area Banking.

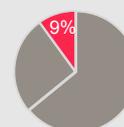
Business profit H1/2021:
DKK 1,258 million

Income H1/2021:
DKK 1,719 million

Impairment charges for loans and advances H1/2021:
DKK 91 million

Total lending end-June 2021:
DKK 702.3 billion

Wealth Management



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

Business profit H1/2021:
DKK 403 million

Income H1/2021:
DKK 848 million

Total lending end-June 2021:
DKK 16.2 billion

Assets under management end-June 2021:
DKK 405.8 billion

Assets under administration end-June 2021:
DKK 1,092.4 billion

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 –	H1/	H1/	Q2/	Q1/	
Banking	2021	2020	2021	2021	2020
Net interest income	3,326	3,296	1,664	1,661	6,607
Net fee income	866	918	434	433	1,873
Wealth management income	387	331	206	181	665
Net interest from capitalisation	(161)	(178)	(86)	(75)	(349)
Trading, investment portfolio and other income	359	73	152	207	516
Income	4,781	4,440	2,374	2,407	9,311
Costs	2,089	1,956	1,074	1,015	4,078
Business profit before impairment charges	2,692	2,483	1,300	1,392	5,233
Impairment charges for mortgage lending	(31)	1,209	(45)	15	1,408
Impairment charges for bank lending	25	252	48	(23)	525
Business profit	2,698	1,023	1,297	1,400	3,300
Legacy derivatives	292	(102)	55	237	258
Profit before tax	2,990	921	1,353	1,637	3,558

H1 in summary

2021 continued where 2020 left off, at a high activity level. We have welcomed many new full-service personal and business customers, and also many new private banking clients.

Nykredit's personal customers are part of a bigger whole, as Nykredit is partly owned by an association, Forenet Kredit, which represents our customers. Thanks to this unique ownership structure, at the beginning of the year we were able to launch a suite of singular mutual benefits offered to customers depending on the amount of business they do with Nykredit:

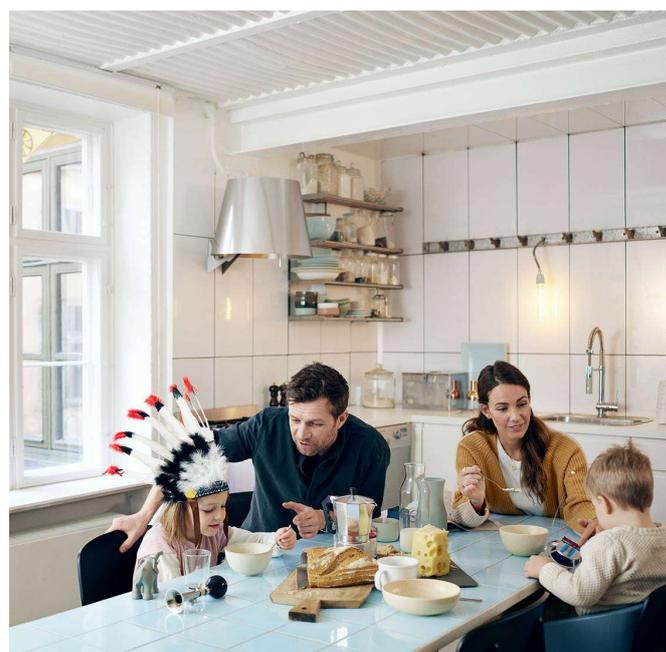
- Discount on selected fees
- Discount on the interest expenses of selected bank home loans
- Discount on personal mortgage loans
- Discount on investment management fees
- Green benefits in the form of green home loans, green car loans and home energy check-ups
- Discount on business mortgage loans.

We remain focused on delivering a leading customer experience through a range of actions that partly make it easier to bank with Nykredit and partly free up more adviser time for customers.

Digital value propositions are a top priority in tandem with Nykredit's focus on having a nation-wide physical presence. In concert with other providers, such as fintech companies, efforts are made to expand the digital value propositions. With the digital onboarding process launched in H1, personal customers are onboarded with Nykredit in a matter of ten minutes. In addition, we are working to improve digital value propositions and develop new digital propositions to entrepreneurs, business owners and small businesses to scale our propositions to more customer segments.

We remain dedicated to promoting sustainable solutions and having a sustainable product range. This year we will be focused on promoting our green solutions and products launched in 2020 as well as deepening our expertise in this area by offering for example sustainability training to our agricultural advisors.

Based on a new insurance partnership between the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, Spar Nord, Nykredit and Codan we intend to establish Denmark's strongest bancassurance model. We want to offer our customers innovative insurance propositions, strong digital solutions and competitive prices. Since 1 May 2021, our customers have been offered insurance through Privatsikring, a member of the Codan group. The insurance offer was well received by the customers.



Selected balance sheet items	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Banking				
Retail Personal Banking				
Loans and advances	181,449	182,172	182,605	184,707
- of which mortgage lending, nominal value	164,353	165,011	165,419	167,537
- of which secured homeowner loans	7,487	7,561	7,640	7,684
- of which bank lending	9,609	9,600	9,547	9,487
Deposits	40,014	40,160	38,938	36,826
Retail Business Banking				
Loans and advances	242,737	243,389	242,701	243,857
- of which mortgage lending, nominal value	218,515	218,658	218,921	220,658
- of which bank lending	24,222	24,730	23,779	23,198
Deposits	24,890	23,475	24,645	22,052
Corporates & Institutions				
Loans and advances	285,873	282,687	283,578	272,389
- of which mortgage lending, nominal value	254,680	252,306	251,224	243,386
- of which bank lending	31,193	30,382	32,355	29,003
Deposits	11,585	7,203	8,843	10,135

Results for H1/2021 relative to H1/2020

Banking delivered a business profit of DKK 2,698 million in H1/2021 (H1/2020: DKK 1,023 million).

Total income rose to DKK 4,781 million (H1/2020: DKK 4,440 million). The underlying business is performing well. High mortgage lending growth contributed favourably to increasing net interest income and fee income. Net interest income totalled DKK 3,326 million (H1/2020: DKK 3,296 million) and net fee income came to DKK 866 million in H1/2021 (H1/2020: DKK 918 million).

Costs amounted to DKK 2,089 million (H1/2020: DKK 1,956 million).

Impairment charges for loans and advances were a net reversal of DKK 6 million (H1/2020: a charge of DKK 1,461 million), positively impacted by rising property values and improved credit quality of our customers.

Legacy derivatives saw a positive value adjustment of DKK 292 million (H1/2020: a negative DKK 102 million).

Results for Q2/2021 relative to Q1/2021

Banking delivered a business profit of DKK 1,297 million in Q2/2021 (Q1/2021: DKK 1,400 million).

Income totalled DKK 2,374 million (Q1/2021: DKK 2,407 million). The decrease was mainly driven by falling trading, investment portfolio and other income.

Impairment charges for loans and advances came to DKK 3 million (Q1/2021: DKK 8 million). Impairment charges were positively impacted by rising property values and our customers' high credit quality in Q2/2021, whereas they were less affected by the uncertainty about the duration and severity of the covid-19 pandemic in Q2/2021.

Legacy derivatives were a gain of DKK 55 million (Q1/2021: a gain of DKK 237 million).

Activities

Loan volumes totalled DKK 710.1 billion at 30 June 2021 (end-2020: DKK 708.9 billion), of which DKK 637.5 billion was mortgage loans at nominal value (end-2020: DKK 635.6 billion).

Bank lending in Retail Personal Banking came to DKK 9.6 billion (end-2020: DKK 9.5 billion).

Bank lending in Retail Business Banking stood at DKK 24.2 billion (end-2020: DKK 23.8 billion).

Bank lending in Corporates & Institutions fell to DKK 31.2 billion (end-2020: DKK 32.4 billion).

Arrears

At the March due date 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.32% against 0.67% at the same date in 2020.

TOTALKREDIT PARTNERS

DKK million

Results –	H1/	H1/	Q2/	Q1/	
Totalkredit Partners	2021	2020	2021	2021	2020
Net interest income	1,514	1,443	769	745	2,978
Net fee income ¹	335	271	184	151	575
Net interest from capitalisation	(128)	(101)	(67)	(61)	(222)
Net income relating to customer benefits programmes ²	-	-	-	-	(5)
Trading, investment portfolio and other income ¹	(2)	1	0	(2)	0
Income	1,719	1,615	885	834	3,326
Costs	370	368	201	169	719
Business profit before impairment charges	1,349	1,246	684	665	2,607
Impairment charges for mortgage lending	91	242	3	87	291
Business profit	1,258	1,004	681	578	2,315

¹ Fee income pertaining to Shared Valuation has been reclassified from "Trading, investment portfolio and other income" to "Net fee income". Comparative figures have been restated.

² "Net income relating to customer benefits programmes" is described in detail in "Alternative performance measures".

H1 in summary

Totalkredit Partners has welcomed many new full-service personal as well as business customers. Totalkredit Partners is committed to offering customers the best loan propositions in the market as well as strengthening the alliance with its partner banks:

- Recommended three times by the Danish Consumer Council as the Danish mortgage lender offering the lowest mortgage prices in the sector
- Fastrente+, a fixed-rate loan with a 30-year interest-only option, was offered from January this year
- Lending growth in all 98 municipalities in Denmark and strong customer growth
- Totalkredit home energy check-up for customers interested in a visit from an energy consultant and having their home energy-labelled. The home energy check-ups are a joint initiative offered in concert with our Totalkredit partner banks
- A contribution of DKK 10,000 is offered to up to 3,000 customers to replace their oil-fired boilers with heat pumps
- An energy calculator, developed together with our partner banks, building on data published by the Danish Energy Agency, for use by both our customers directly and by our advisers to engage with customers about energy renovation.

The Totalkredit alliance is developing a new joint IT platform aimed to secure its market position 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.

Totalkredit business mortgages are offered to the segments Office and Retail, Residential Rental as well as Industry and Trades. A total of 35 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

Moreover, backed by Forenet Kredit, the Nykredit Group has extended the KundeKroner discount programme on the current terms up to and including 2022 to enhance our customers' financial visibility. The KundeKroner programme is a unique strength of our mutual ownership structure, which according to Forenet Kredit's objective is expected to benefit our customers in the coming years.

DKK million

Selected balance sheet items	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Personal Banking				
Loans and advances	693,544	677,975	660,989	637,242
- of which mortgage lending, nominal value	686,458	670,502	653,109	628,634
- of which secured homeowner loans	7,086	7,473	7,881	8,608
Business Banking				
Loans and advances	8,799	8,614	8,100	7,339
- of which mortgage lending, nominal value	8,799	8,614	8,100	7,339

Results for H1/2021 relative to H1/2020

Totalkredit Partners delivered a business profit of DKK 1,258 million in H1/2021 (H1/2020: DKK 1,004 million).

Income totalled DKK 1,719 million (H1/2020: DKK 1,615 million). The increase was mainly driven by higher net interest income and net fee income.

Net interest income developed satisfactorily and rose to DKK 1,514 million in H1/2021 (H1/2020: DKK 1,443 million).

Impairment charges for loans and advances totalled DKK 91 million in H1/2021 (H1/2020: DKK 242 million).

Results for Q2/2021 relative to Q1/2021

Totalkredit Partners delivered a business profit of DKK 91 million in Q2/2021 (Q1/2021: DKK 578 million).

Income increased to DKK 885 million (Q1/2021: DKK 834 million), mainly due to higher net interest income and net fee income resulting from higher activity in Q2 compared with Q1.

Impairment charges for loans and advances were DKK 3 million in Q2/2021 (Q1/2021: DKK 87 million).

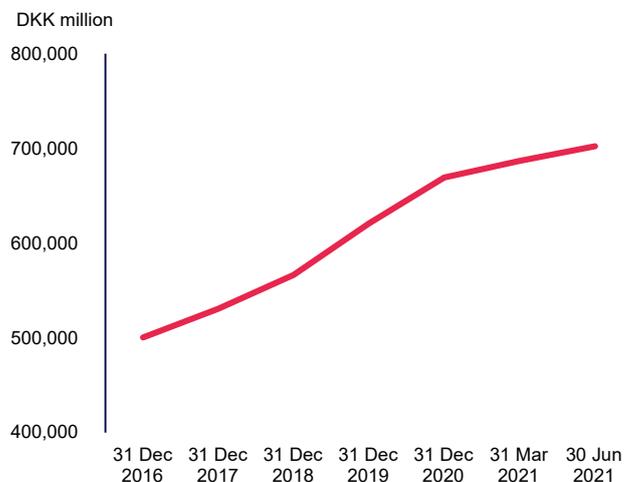
Activities

Totalkredit Partners recorded lending growth, and nominal lending to personal customers came to DKK 686.5 billion at end-June 2021 (end-2020: DKK 661.0 billion), equal to a 5% increase. The business loan portfolio increased by DKK 0.7 billion to nominally DKK 8.8 billion (end-2020: DKK 8.1 billion).

Arrears

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.14% against 0.23% at the same date in 2020.

Lending, Totalkredit Partners



WEALTH MANAGEMENT

DKK million

Results –	H1/ 2021	H1/ 2020	Q2/ 2021	Q1/ 2021	2020
Wealth Management					
Net interest income	96	90	50	46	185
Net fee income	29	16	19	10	32
Wealth management income	701	649	344	356	1,261
Net interest from capitalisation	(5)	(5)	(3)	(2)	(10)
Trading, investment portfolio and other income	28	17	12	16	37
Income	848	768	422	426	1,505
Costs	433	429	227	205	883
Business profit before impairment charges	416	339	195	221	622
Impairment charges for mortgage lending	1	(5)	1	1	(6)
Impairment charges for bank lending	11	60	0	11	62
Business profit	403	283	194	209	567
Legacy derivatives	0	(1)	0	0	0
Profit before tax	403	283	194	209	567

H1 in summary

Wealth Management got off to a strong start in 2021 with continued client growth in the Private Banking Elite segment. We continued our commitment to enhancing the customer experience by, for example,

- upscaling digital propositions, channels and customer advisory services
- developing products and solutions, which in addition to our existing product range, provide our customers with even more and better opportunities to make sustainable and responsible investments, for example in three passive investment funds, which, as the first of its kind, invest in accordance with the Paris Agreement and carry the Nordic Swan Ecolabel
- increasing our investments in alternatives as well as offering alternative investments to more customer segments
- collaborating with our Sparinvest partner banks on offering relevant investment products to wealth clients all over the country, for example, Sparinvest's first Nordic Swan Ecolabelled fund, Sparinvest Bæredygtige Aktier
- 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.

Nykredit wants to invest in alignment with the Paris Agreement and contribute to reaching the UN Sustainable Development Goals (SDGs). We have committed to making our overall investment activities climate neutral by 2050. In our efforts to realise this objective, Nykredit will set specific targets to be reached by 2030, contribute to the development of recognised sector-wide methods and influence investee companies to supply relevant data and thereby enable the attainment of the objective across all asset classes.

In March Nykredit was one of the first asset managers in Denmark to sign the Net Zero Asset Management Initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Nykredit now has six Nordic Swan Ecolabelled investment funds, and two thirds of our funds are categorised in the two top sustainability categories in accordance with the EU Disclosure Regulation, which sets common standards for sustainable investment.

Award-winning value propositions

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

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.

58% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2021. Over the past three years, 68% has generated above-benchmark returns.

DKK million

Selected balance sheet items	30.06.2021	31.03.2021	31.12.2020	30.06.2020
Wealth Management				
Assets under management	405,795	393,650	371,710	325,029
- of which Nykredit Group investment funds	188,508	180,280	168,415	153,063
Assets under administration¹	1,092,436	993,679	948,684	858,788
Lending/deposits				
Loans and advances	16,176	15,239	14,494	13,768
- of which mortgage lending, nominal value	11,516	10,731	10,170	9,377
- of which secured homeowner loans	1,058	1,058	1,078	1,107
- of which bank lending	3,602	3,450	3,245	3,284
Deposits	14,283	13,408	14,649	15,506

¹ Comparative figures have been restated due to a change in Nykredit funds.

Results for H1/2021 relative to H1/2020

Wealth Management's business profit remained high at DKK 403 million in H1/2021 (H1/2020: DKK 283 million).

In H1/2021 income amounted to DKK 848 million and rose compared with the previous year (H1/2020: DKK 768 million) mainly due to increasing assets under management and administration and mortgage lending, which contributes to rising net interest income and wealth management income.

Impairment charges for loans and advances totalled DKK 12 million in H1/2021 (H1/2020: DKK 55 million).

Results for Q2/2021 relative to Q1/2021

Wealth Management delivered a business profit of DKK 194 million in Q2/2021 (Q1/2021: DKK 209 million).

Income was DKK 422 million in Q2/2021 (Q1/2021: DKK 426 million), down DKK 4 million, primarily due to reduced trading, investment portfolio and other income.

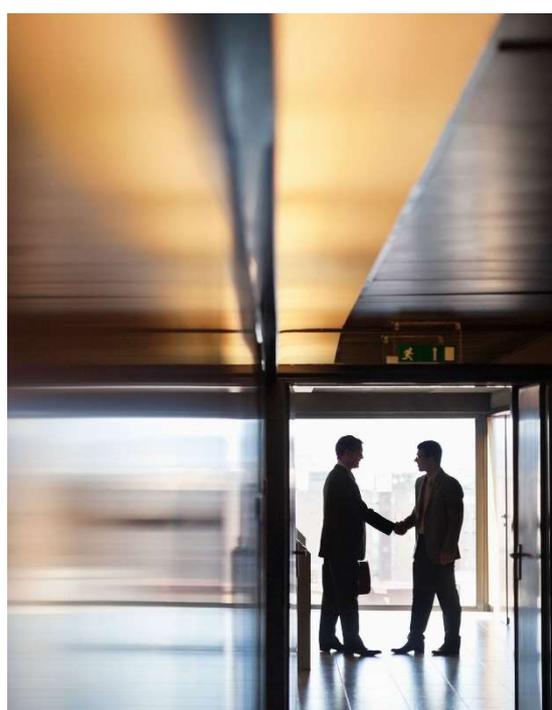
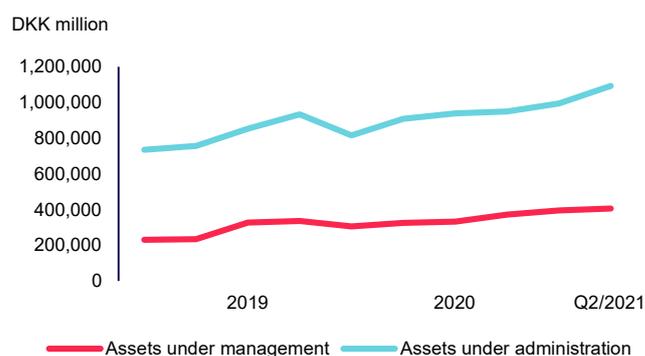
Impairment charges for loans and advances were DKK 1 million (Q1/2021: DKK 12 million).

Activities

Total assets under management rose by DKK 34.1 billion to DKK 405.8 billion at end-June 2021 (end-2020: DKK 371.7 billion). The rise comprised positive net sales of DKK 20.2 billion, driven by demand from international clients, Private Banking Elite clients and the Group's savings products, as well as positive returns of DKK 13.8 billion.

Total assets under administration increased by DKK 143.8 billion on end-2020 to DKK 1,092.4 billion at end-June 2021 (end-2020: DKK 948.7 billion) with a net addition of DKK 68 billion, driven by demand from institutional clients and the Group's savings products, as well as positive returns of DKK 75.8 billion.

Assets under management and assets under administration by Wealth Management



GROUP ITEMS

DKK million

Results –	H1/	H1/	Q2/	Q1/	
Group Items	2021	2020	2021	2021	2020
Net interest income	4	3	2	1	10
Net fee income	(15)	(18)	(5)	(10)	(42)
Wealth management income	12	7	6	7	24
Net interest from capitalisation	49	86	25	24	160
Net income relating to customer benefits programmes ¹	(179)	(97)	(107)	(72)	(199)
Trading, investment portfolio and other income	860	(332)	254	606	473
Income	732	(352)	176	556	426
Costs	97	87	38	59	93
Business profit (loss) before impairment charges	635	(439)	138	497	334
Impairment charges for bank lending	(8)	(3)	(9)	0	(8)
Business profit (loss)	644	(435)	147	497	342
Badwill, impairment of goodwill and amortisation of customer relationships	-	(2)	-	-	(2)
Profit (loss) before tax	644	(438)	147	497	340

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 Kalvebod Ejendomme I A/S and Kirstinehøj 17 A/S also form part of Group Items.

Results for H1/2021 relative to H1/2020

The business profit of Group Items increased by DKK 1,079 million relative to H1/2020 to DKK 644 million (H1/2020: a loss of DKK 435 million).

The increase was mainly driven by investment portfolio income in H1, positively affected by significant capital gains on the portfolio of Danish bank equities, among other things.

CAPITAL, LIQUIDITY AND FUNDING

EQUITY AND OWN FUNDS

The Nykredit Group's equity stood at DKK 91.8 billion at end-June 2021 (end-2020: DKK 89.8 billion). In March 2021 dividend of DKK 2.2 billion was distributed to the Company's shareholders, equal to about 40% of profit after tax for 2020.

Equity carried for accounting purposes includes Additional Tier 1 (AT1) capital. For capital adequacy purposes, AT1 capital is included in Tier 1 capital and not in CET1 capital.

	DKK million	
Nykredit Group	30.06.2021	31.12.2020
Equity (including AT1 capital)		
Equity, beginning of period	89,754	84,366
Profit for the period	4,353	5,664
Dividend and other adjustments	(2,321)	(276)
Equity, end of period	91,786	89,754

	DKK million	
Nykredit Group	30.06.2021	31.12.2020
Capital and capital adequacy		
Credit risk	354,574	332,383
Market risk	31,786	40,128
Operational risk	27,244	28,109
Total risk exposure amount	413,604	400,620
Equity (including AT1 capital)	91,786	89,754
AT1 capital etc	(3,750)	(3,753)
Statutory deduction for estimated dividend	(2,130)	-
Proposed dividend	-	(2,200)
CET1 regulatory adjustments	(2,745)	(2,864)
CET1 capital	83,161	80,938
AT1 capital	2,244	2,232
AT1 regulatory deductions	(62)	(38)
Tier 1 capital	85,342	83,132
Tier 2 capital	7,016	6,935
Tier 2 regulatory adjustments	2,022	1,925
Own funds	94,380	91,993
CET1 capital ratio, %	20.1	20.2
Tier 1 capital ratio, %	20.6	20.7
Total capital ratio, %	22.8	22.9
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.0	11.0

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

Capital and capital adequacy

The Nykredit Group's own funds include CET1 capital, AT1 capital and Tier 2 capital after regulatory deduction.

At end-June 2021, Nykredit's risk exposure amount (REA) totalled DKK 413.6 billion (end-2020: DKK 400.6 billion). With own funds at DKK 94.4 billion, this corresponded to a total capital ratio of 22.8% (end-2020: 22.9%). The CET1 capital ratio was 20.1% (end-2020: 20.2%).

Credit risk exposures increased in H1/2021 mainly following implementation of new regulatory requirements applying to IRB models. To this should be added the impact of a new standardised approach for measuring counterparty risk (SA-CCR), phased in with the most recent amendments to capital requirements as at 28 June 2021. Market risk exposures reduced, as the model-based risk target, Value-at-Risk, has decreased since last year. So far, the underlying development has only been slightly impacted by covid-19, as Nykredit has recorded neither rising arrears, overdrafts nor property price declines or similar. Nykredit has focused on vulnerable sectors and customers to ensure that any signs of weakness are addressed in the credit process.

CET1 capital totalled DKK 83.2 billion at end-June 2021 (end-2020: DKK 80.9 billion). AT1 capital amounted to DKK 2.2 billion after regulatory adjustments (end-2020: DKK 2.2 billion). Tier 2 capital was DKK 7 billion excluding regulatory adjustments (end-2020: DKK 6.9 billion). When determining the Nykredit Group's own funds, minority interests have been excluded from AT1 capital and Tier 2 capital issued by the subsidiary Nykredit Realkredit A/S.

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 required, in Management's judgement, to cover all significant risks. This accounted for 11.0% of the risk exposure amount at end-June 2021 equal to the internal capital adequacy requirement.

Capital targets 2021

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 its business model, Nykredit aims to have stable earnings, a strong capital structure and competitive ratings.

The Board of Directors has set the CET1 target at 15.5-16.5% of REA, whereas the overall target for own funds has been set at 20-21%. This corresponds to Nykredit's capital requirement during a severe recession and is based on stress test results. Furthermore, Nykredit holds 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.

As a systemically important financial institution (SIFI), Nykredit is subject to a special SIFI buffer requirement of 2%. A capital conservation buffer of 2.5% is also applicable to all financial institutions. Both buffer requirements are included in the overall capital target and must be met using CET1 capital. Upon recommendation by the Danish Systemic Risk Council, the Danish Minister for Industry, Business and Financial Affairs has decided that the countercyclical capital buffer must be restored from the current 0% to 1% from 30 September 2022. The counter cyclical buffer will not increase Nykredit's capital requirement, as it is determined based on stress tests in a severe recession scenario.

In H1 Nykredit completed the annual FSA stress test, which shows that Nykredit would be sufficiently resilient to a severe recession. Nykredit's capital policy comfortably accommodates the test results. Furthermore, Nykredit has participated in the EU-wide stress test exercises of the EBA, which were published on 30 July. In this stress test scenario Nykredit Realkredit Group's CET1 capital ratio declines by 6.3 percentage points over a 3-year period. The depth of the decline is significant, and a common denominator for the Danish participants in the exercise. Nevertheless, in the EBA stress test scenario, Nykredit would still have excess coverage of almost 3.3 percentage points relative to the regulatory CET1 capital requirement including buffers. The results are reassuring and testifies to Nykredit's robust and very resilient capital position.

Dividend policy

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

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.

Bank lending is mainly funded by deposits. At end-June 2021, Nykredit Bank's deposits equalled 130% of lending against 124% at end-2020.

Nykredit's balance sheet mainly consists of match-funded mortgage loans. Mortgage lending is secured by mortgages on real estate and funded through the issuance of mortgage covered bonds (SDOs and ROs) and is therefore characterised by a high level of collateralisation.

Liquidity

Nykredit's liquid assets are mainly placed in liquid 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 by a comfortable margin. This is illustrated in the table below, which shows that the LCRs of the various Group companies are significantly above the regulatory requirement of 100%.

	(%)	
Nykredit Group		
LCR determination	30.06.2021	31.12.2020 ¹
Nykredit Realkredit Group*	799	756
Nykredit Realkredit Group, LCR requirement in EUR	977	422
Nykredit Realkredit and Totalkredit	2,206	5,064
Nykredit Realkredit and Totalkredit, incl min LCR requirement	164	171
Nykredit Bank	202	178

* Since 2016, as a Danish mortgage provider, Nykredit has been exempt from including part of its 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.

¹ The LCR of the Nykredit Realkredit Group at end-2020 has subsequently been adjusted downwards by about 2% from 771% to 756%.

Green bonds

Since 2019 Nykredit has been offering green mortgage loans to finance energy-efficient buildings with energy label A or B or other equivalent certification. At end-June 2021, about DKK 17.5 billion-worth of green mortgage bonds and about DKK 0.7 billion-worth of green senior bonds had been issued.

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 sustainable assets are eligible for financing with green bonds.

Refinancing and issuance schedule for 2021

Nykredit's SDOs and ROs are issued through daily tap issuance coupled with bond auctions to refinance ARMs and floating-rate loans etc.

Nykredit holds refinancing auctions four times a year to reduce refinancing risk as much as possible.

	DKK billion
Nykredit Group	1 July 2021
Refinancing ¹	- 30 June 2022
Total maturity before set-off of self-issued bonds	240.3
- ordinary principal payments and scheduled ² prepayments (settled)	47.0
- ordinary principal payments and scheduled ² prepayments (not settled)	26.2
- pre-issued bonds and interest rate risk ²	0.9
Total refinancing volume	166.2
- pre-auctioned amount sold under forward contracts	20.1
Refinancing volume remaining for 1 January 2021 - 31 December 2021	146.1
of which SDOs and ROs	146.0
of which other issues	0.2

¹ Applicable for the July and October 2021 payment dates as well as January and April 2022 payment dates.

² Known as at 30 June 2021.

The annual maturity one year ahead totals DKK 24 billion, of which ordinary principal payments, prepayments etc total DKK 74 billion. Thus, refinancing volumes amount to DKK 166 billion.

Because of the continued low interest rate levels, borrowers increasingly choose loans funded by bonds with maturities from 5 to 30 years. Annual refinancing volumes are expected to be maintained at around DKK 160 billion.

DKK million		
Nykredit Group		
Bonds in issue	30.06.2021	31.12.2020
Covered bonds (ROs), see note 15 a	129,616	138,260
Covered bonds (SDOs), see note 15 b	1,311,777	1,282,909
Senior secured debt, see note 15 c	853	852
Senior preferred debt in Nykredit Bank A/S	508	516
Senior preferred debt in Nykredit Realkredit A/S	5,577	5,579
Senior non-preferred debt	52,030	41,651
Tier 2 capital, see note 18	10,806	10,893
AT1 capital, see note 2 (Nykredit Realkredit A/S)	3,721	3,729
ECP issues of Nykredit Bank A/S	1,756	4,885

As from 2022, the current regulatory requirement of a debt buffer of 2% of mortgage lending will be adjusted so that, together with own funds and the MREL requirement, the debt buffer will amount to at least 8% of the consolidated balance sheet. At end-H1/2021, Nykredit already fully met the revised 8% debt buffer requirement.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit Realkredit Group 30 June 2021	Nykredit Realkredit A/S 30 June 2021	Totalkredit A/S 30 June 2021	Limit value
Lending growth in segment					
Personal customers ¹		6.8%	(23.5)%	8.8%	15.0%
Commercial residential properties	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial.	7.7%	10.3%	20.5%	15.0%
Agricultural properties		(1.5)%	(1.5)%	-	15.0%
Other commercial		0.6%	4.7%	19.0	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.	10.3%	20.3%	8.0%	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.	6.9%	3.8%	7.0%	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.	9.8%	14.1%	7.1%	25.0%
Refinancing (quarterly)		2.4%	1.0%	3.1%	12.5%
Large exposures					
	The sum of the 20 largest exposures must be less than equity.				
Loans and advances:equity		37.7%	36.9%	4.2%	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.

In H1/2021 Nykredit issued about DKK 10.5 billion-worth of senior non-preferred debt and DKK 4.5 billion-worth of Tier 2 capital, both eligible for meeting the revised debt buffer requirement.

Nykredit expects to issue DKK 0-5 billion in the remaining part of 2021.

Supervisory Diamond

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

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

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

Ratings

Nykredit Realkredit and Nykredit Bank collaborate with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the Group's 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.

Covered bonds (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 initially 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 preferred debt ratings of A+/F1.

Senior non-preferred debt is rated A by Fitch.

Listing of ratings

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

ESG ratings

ESG ratings (Environmental, Social and Governance) are a tool used by investors and other stakeholders to assess a company's position relative to sustainability, corporate responsibility and governance.

Nykredit currently focuses on the ESG rating agencies, MSCI and Sustainalytics, which consider all ESG factors, as well as on the CDP (formerly Carbon Disclosure Project), which assesses the environmental impact of businesses. The agencies have published unsolicited ratings of Nykredit based on publicly available information.

Sustainalytics revised Nykredit's ESG Risk rating in April 2021. Sustainalytics still considers Nykredit's ESG risk to be low and the rating was changed from 16.5 to 16.4 – a slight improvement. Furthermore, in May 2021, MSCI raised Nykredit's ESG rating from A to AA.

ESG rating agency	Nykredit's rating	Scale
MSCI	AA	AAA to CCC
Sustainalytics	16.4	0 to 100 ¹
CDP	A-	A to D-

¹ The scale shows from highest to lowest rating. Lower score reflects lower risk assessment.

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. When deferred VAT payments fall due, the number of bankruptcies could increase. Nykredit's main scenario is continuously reassessed, and at end-June 2021 the scenario assumed GDP growth of 2.9% in 2021.

Loan impairments related to covid-19 are comprised of three different components based on stress test calculations. Firstly, stress simulations have been performed for the stage 1 and stage 2 personal customer segment and high-attention sectors. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. At stage 3 there is a higher probability of an adverse scenario for customers in vulnerable sectors, and lastly, the macroeconomic scenarios of the impairment model for stage 1 and stage 2 customers have been updated to allow for the covid-19 impact, including relief packages.

We offer 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, 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 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 Q2 2021, which is available at Nykredit.com.

Provisions in H1/2021 related to covid-19

For H1/2021 Nykredit reversed DKK 29 million of loan impairment provisions (equal to a gain) taken to cover the consequential losses arising from covid-19. This situation is monitored by Nykredit's scenario experts, who regularly assess the need for calculation updates based on input concerning relief packages, government aid initiatives and overall international economic trends.

The loan portfolio has developed positively in H1/2021, 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. Nykredit has made only a few covid-19-related individual impairment provisions.

Nykredit's macroeconomic forecasts in connection with loan impairments related to covid-19 have been incorporated into the impairment models and in the model-based impairment provisions.

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	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	H1/2021	2020
Mortgage lending, nominal value						
Nykredit Realkredit	519,419	523,062	4,899	5,019	(79)	1,403
Totalkredit	838,432	798,424	1,725	1,633	137	296
Total	1,357,851	1,321,486	6,625	6,652	58	1,699
Loans and advances etc						
Nykredit Bank	70,844	71,146	2,952	3,012	(27)	475
Total	70,844	71,146	2,952	3,012	(27)	475
Receivables from credit institutions	10,082	43,215	17	22	(5)	(6)
Reverse repurchase lending	44,229	37,271	-	-	-	-
Guarantees	10,029	9,086	304	241	63	104
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.94	0.96	(0.02)	0.27
Totalkredit	-	-	0.21	0.20	0.02	0.04
Total	-	-	0.49	0.50	0.00	0.13
Nykredit Bank	-	-	4.00	4.06	(0.04)	0.64
Total	-	-	4.00	4.06	(0.04)	0.64

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

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 must reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. In Q2/2021 the scenarios were updated to reflect the current and expected economic environment caused by the covid-19 crisis. The base scenario must reflect the economic environment, including the effect of covid-19 relief packages, taking into account the economic effects of reopening and vaccine roll-out. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 2.9% and house price rises of 9.4% in 2021 but based on a significant drop in GDP in 2020 (-2.7%). The adverse scenario was included in the models with a weighting of 35%. This scenario implies expected GDP growth of 1.0% and house price declines of -3% in 2021. The improved scenario carries a 10% weighting and is based on the macroeconomic conditions observed at the date of this Interim Report. This scenario uses realised levels of interest rates, GDP, house prices and unemployment.

	%			
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)	(0.4)	(0.2)	(0.1)
House prices ³	3.1	4.1	9.4	2.4
GDP ³	2.8	(2.7)	2.9	3.4
Unemployment ⁴	3.1	4.2	3.7	3.5

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 despite the reopening. Nykredit's main scenario assumes that during 2021 GDP and house price trends will return to the levels prevailing in the period immediately preceding the covid-19 pandemic due to the effects of the relief packages and the current reopening.

MORTGAGE LENDING

At end-June 2021, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,358 billion, corresponding to an increase of DKK 36.4 billion (end-2020: DKK 1,321 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.

The average LTV ratio was 57.4% at end-June 2021 (end-2020: 61.3%).

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment equalled 0.49% of total mortgage lending, excluding credit institutions (end-2020: 0.50%). Total impairment provisions amounted to DKK 6,625 million at end-June 2021 (end-2020: DKK 6,652 million). The covid-19 provisions are based on stress test calculations 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	30.06.2021	31.12.2020
Individual impairment provisions (stage 3)	2,369	2,681
Model-based impairment provisions (stages 1, 2 and 3)	4,256	3,971
- of the above attributable to covid-19	1,507	1,482
Total impairment provisions for mortgage lending	6,625	6,652

Stress test calculations 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.

Earnings impact

Impairment charges for mortgage lending for the period came to DKK 58 million (FY/2020: DKK 1,699 million). Of the impairment charges for loans and advances for the period, DKK 102 million was attributable to owner-occupied dwellings and a negative DKK 44 million to the business segment.

Mortgage lending

Nykredit Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value) ²						Total	LTV avg, %
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	583,567	203,934	79,733	2,091	732	731	870,789	61.6
Private rental ¹	107,835	32,053	11,227	669	281	287	152,352	58.4
Industry and trades	18,990	3,245	175	8	5	8	22,431	45.2
Office and retail	97,507	22,307	1,631	244	151	100	121,940	50.2
Agriculture	59,327	20,220	5,881	422	166	141	86,158	60.1
Public housing	-	-	-	-	-	-	84,549	-
Other	14,648	3,222	857	100	90	156	19,075	52.6
Total H1/2021	881,875	284,981	99,506	3,534	1,426	1,423	1,357,294	57.4
Total 2020	828,097	286,246	131,100	8,093	1,983	1,909	1,350,630	61.3

Nykredit Group

Mortgage lending by property type¹

DKK million

	30.06.2021		31.12.2020	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Owner-occupied dwellings	2,649	102	2,625	447
Private rental	829	71	766	318
Industry and trades	106	29	84	1
Office and retail	993	48	951	452
Agriculture	1,538	(223)	1,727	508
Public housing	24	(9)	27	(69)
Cooperative housing	377	54	326	(8)
Other	108	(20)	145	40
Total	6,625	53	6,652	1,690

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 0.22% of total mortgage payments due 75 days past the March due date (December 2020: 0.22%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also decreased to DKK 2.07 billion (December 2020: DKK 2.28 billion).

Properties acquired by foreclosure

In H1/2021 the Group acquired 13 properties by foreclosure and sold 15. The property portfolio counted 6 properties at 30 June 2021 (end-2020: 8).

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
2021			
- March	0.22	0.15	2.07
2020			
- December	0.22	0.17	2.28
- September	0.26	0.19	2.41
- June	0.29	0.22	2.84
- March	0.34	0.25	3.15
2019			
- December	0.30	0.24	2.96

BANK LENDING

Bank lending at amortised cost amounted to DKK 70.8 billion at end-June 2021 (end-2020: DKK 71.1 billion).

Reverse repurchase lending totalled DKK 44.2 billion at end-June 2021 (end-2020: DKK 37.3 billion). Guarantees provided amounted to DKK 10.0 billion (end-2020: DKK 9.1 billion).

Total provisions for bank loan impairment etc

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,952 million at end-June 2021 (end-2020: DKK 3,012 million). The covid-19 provisions are based on stress test calculations and included in total impairment provisions.

Impairment charges for loans and advances are mainly attributable to:

	DKK million	
Nykredit Group	30.06.2021	31.12.2020
Total provisions for bank loan impairment		
Individual impairment provisions (stage 3)	1,690	1,960
Model-based impairment provisions (stages 1, 2 and 3)	1,262	1,052
- of the above attributable to covid-19	565	577
Total provisions for bank loan impairment	2,952	3,012

Guarantees

At end-June 2021, guarantees provided amounted to DKK 10,029 million (end-2020: DKK 9,086 million). At end-June 2021, provisions for guarantees amounted to DKK 304 million (end-2020: DKK 241 million).

Nykredit Group

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

DKK million

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

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

ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 3 and the business areas (pages 9-15 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 29) 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" comprising income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

"Net income relating to customer benefits programmes" comprising discounts etc, such as KundeKroner, ErhvervsKroner as well as mutual and green benefits granted to the Group's customers. The amount includes contributions received. The effect of the benefits programmes is included under "Group Items".

Supplementary financial ratios etc

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

Profit (loss) as % of average business capital (ROAC). The return target appearing from the table in the financial highlights shows profit for the period relative to average business capital. Profit corresponds to net profit or loss less interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount.

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

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

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

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 June 2021 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 June 2021 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 June 2021.

Further, in our opinion, the Management Commentary gives a fair review of the development in the operations and financial circumstances of the Group and the Parent as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent.

The Interim Report has not been subject to audit or review.

Copenhagen, 19 August 2021

Executive Board

Michael Rasmussen
Group Chief Executive

Anders Jensen
Group Managing Director

David Hellemann
Group Managing Director

Tonny Thierry Andersen
Group Managing Director

Board of Directors

Merete Eldrup
Chair

Nina Smith
Deputy Chair

Allan Kristiansen*

Ann-Mari Lundbæk Lauritsen*

Claus E. Petersen

Hans-Ole Jochumsen

Inge Sand*

Jørgen Høholt

Kristina Andersen Skiøld*

Lasse Nyby

Michael Demsitz

Olav Bredgaard Brusén*

Per W. Hallgren

Preben Sunke

Vibeke Krag

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Group		H1/ 2021	H1/ 2020	Q2/ 2021	Q2/ 2020
	Note				
INCOME STATEMENT					
Interest income		11,479	11,753	5,711	5,771
Interest income based on the effective interest method		986	1,002	508	505
Interest expenses		6,806	7,169	3,412	3,537
Net interest income	6	5,659	5,586	2,806	2,739
Dividend on equities etc	6	110	39	56	15
Fee and commission income	5	2,190	1,917	1,108	907
Fee and commission expenses		2,091	1,851	1,064	916
Net interest and fee income		5,869	5,691	2,906	2,744
Value adjustments	6, 7	1,768	(28)	640	1,794
Other operating income		731	698	364	352
Staff and administrative expenses		2,686	2,586	1,363	1,278
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		159	147	80	72
Other operating expenses		143	106	97	71
Impairment charges for loans, advances and receivables etc	8	89	1,755	(2)	443
Profit from investments in associates and Group enterprises	9	4	4	3	2
Profit before tax		5,295	1,770	2,374	3,029
Tax		942	204	408	581
Profit for the period		4,353	1,566	1,967	2,448
Distribution of profit for the period					
Shareholders of Nykredit A/S		4,260	1,436	1,921	2,383
Minority interests		17	14	8	7
Holders of Additional Tier 1 capital notes		76	116	38	58
Profit for the period		4,353	1,566	1,967	2,448
COMPREHENSIVE INCOME					
Profit for the period		4,353	1,566	1,967	2,448
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(23)	(45)	(14)	(25)
Tax on actuarial gains/losses on defined benefit plans		5	10	(2)	6
Fair value adjustment of owner-occupied properties		2	-	2	-
Total items that cannot be reclassified to profit or loss		(16)	(35)	(13)	(20)
Other comprehensive income		(16)	(35)	(13)	(20)
Comprehensive income for the period		4,337	1,531	1,954	2,428
Distribution of comprehensive income					
Shareholders of Nykredit A/S		4,244	1,402	1,908	2,363
Minority interests		17	14	8	7
Holders of Additional Tier 1 capital notes		76	116	38	58
Comprehensive income for the period		4,337	1,531	1,954	2,428

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S	Note	H1/ 2021	H1/ 2020	Q2/ 2021	Q2/ 2020
INCOME STATEMENT					
Interest expenses		0	0	0	0
Net interest income		(0)	(0)	(0)	(0)
Staff and administrative expenses		3	5	2	2
Profit from investments in associates and Group enterprises	9	4,262	1,440	1,922	2,384
Profit before tax		4,259	1,435	1,921	2,383
Tax		(1)	(1)	(0)	(0)
Profit for the period		4,260	1,436	1,921	2,383
Distribution of profit for the period					
Shareholders of Nykredit A/S		4,260	1,436	1,921	2,383
Profit for the period		4,260	1,436	1,921	2,383
COMPREHENSIVE INCOME					
Profit for the period		4,260	1,436	1,921	2,383
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(16)	(35)	(13)	(20)
Total items that cannot be reclassified to profit or loss		(16)	(35)	(13)	(20)
Other comprehensive income		(16)	(35)	(13)	(20)
Comprehensive income for the period		4,244	1,402	1,908	2,363
Distribution of comprehensive income					
Shareholders of Nykredit A/S		4,244	1,402	1,908	2,363
Comprehensive income for the period		4,244	1,402	1,908	2,363

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group		
31.12.2020	30.06.2021	Note	30.06.2021	31.12.2020
LIABILITIES AND EQUITY				
22	12		13,029	14,611
-	-	14	98,426	97,987
-	-	15	1,349,776	1,366,709
-	-	16	58,296	52,368
-	-	17	12,545	9,723
-	-		300	74
12	10		18,753	22,618
-	-		10	14
34	21		1,551,136	1,564,104
Provisions				
-	-		41	47
-	-		363	395
-	-		31	32
-	-		304	241
-	-		209	293
-	-		947	1,008
-	-	18	10,806	10,893
Equity				
1,327	1,327		1,327	1,327
Accumulated value adjustments				
-	-		1	5
Other reserves				
67,745	69,763		-	-
-	-		41,762	41,762
-	-		4,849	4,849
14,634	16,861		40,011	35,762
2,200	-		-	2,200
85,906	87,951		87,951	85,906
-	-		84	96
-	-		3,750	3,753
85,906	87,951		91,786	89,754
85,940	87,973		1,654,676	1,665,759
OFF-BALANCE SHEET ITEMS				
-	-		10,029	9,121
-	-		21,496	20,762
-	-		31,525	29,883

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve fund ²	Retained earnings	Proposed dividend	Shareholders of Nykredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2021										
Equity, 1 January	1,327	5	41,762	4,849	35,762	2,200	85,906	96	3,753	89,754
Profit for the period	-	-	-	-	4,260	-	4,260	17	76	4,353
Total other comprehensive income	-	-	-	-	(16)	-	(16)	-	-	(16)
Total comprehensive income	-	-	-	-	4,244	-	4,244	17	76	4,337
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(77)	(77)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	2	-	2	-	(2)	-
Realised from the sale of properties	-	(4)	-	-	4	-	-	-	-	-
Distributed dividend	-	-	-	-	-	(2,200)	(2,200)	(29)	-	(2,229)
Other adjustments	-	-	-	-	(0)	-	(0)	-	-	(0)
Equity, 30 June	1,327	1	41,762	4,849	40,011	-	87,951	84	3,750	91,786
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	-	-	-	-	1,436	-	1,436	14	116	1,566
Total other comprehensive income	-	-	-	-	(35)	-	(35)	-	-	(35)
Total comprehensive income	-	-	-	-	1,402	-	1,402	14	116	1,531
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(117)	(117)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	9	-	9	-	(9)	-
Subsequent adjustment of purchase price allocation	-	-	-	-	-	-	-	34	-	34
Reversed dividend	-	-	-	-	3,610	(3,610)	-	-	-	-
Distributed dividend	-	-	-	-	-	-	-	(16)	-	(16)
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	(8)	(8)
Equity, 30 June	1,327	5	48,871	4,849	26,889	-	81,942	89	3,760	85,791

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 A non-distributable reserve fund in Totalkredit A/S of DKK 1,646 million and Nykredit Realkredit A/S of DKK 3,203 million.

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. As authorised by the Danish FSA, on 26 October 2020 Nykredit redeemed the AT1 capital (nominally EUR 500 million/AT1 capital) raised in 2015. On 15 October 2020, Nykredit issued new AT1 capital of nominally EUR 500 million which carries an interest of 4.125% up to 15 October 2026. The loan is perpetual with an early redemption option from April 2026. The loan will be written down if the Common Equity Tier 1 (CET1) capital of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit A/S

	Share capital ¹	Statutory reserves ²	Retained earnings	Proposed dividend	Total equity
2021					
Equity, 1 January	1,327	67,745	14,634	2,200	85,906
Profit (loss) for the period	-	4,262	(3)	-	4,260
Total other comprehensive income	-	(16)	-	-	(16)
Total comprehensive income	-	4,247	(3)	-	4,244
Distributed dividend	-	-	-	(2,200)	(2,200)
Dividend received from subsidiaries	-	(2,230)	2,230	-	-
Adjustment relating to subsidiaries	-	2	-	-	2
Equity, 30 June	1,327	69,763	16,861	-	87,951
2020					
Equity, 1 January	1,327	62,362	13,233	3,610	80,532
Profit (loss) for the period	-	1,440	(4)	-	1,436
Total other comprehensive income	-	(35)	-	-	(35)
Total comprehensive income	-	1,406	(4)	-	1,402
Reversed dividend	-	-	3,610	(3,610)	-
Adjustment relating to subsidiaries	-	9	-	-	9
Equity, 30 June	1,327	63,776	16,838	-	81,942

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 Nykredit Realkredit A/S.

CASH FLOW STATEMENT

DKK million

Nykredit Group	H1/2021	H1/2020
Profit for the period	4,353	1,566
Adjustments		
Net interest income	(5,659)	(5,586)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	159	148
Profit from investments in associates	(4)	(4)
Impairment charges for loans, advances and receivables etc	(46)	1,755
Prepayments/deferred income, net	(217)	(255)
Tax calculated on profit for the period	942	204
Other adjustments	(1,265)	537
Total	(1,737)	(1,635)
Change in operating capital		
Loans, advances and other receivables	(13,261)	(16,298)
Deposits and payables to credit institutions	(1,143)	(2,965)
Bonds in issue	(11,004)	(12,250)
Other operating capital	3,186	732
Total	(23,959)	(32,416)
Interest income received	12,193	12,726
Interest expenses paid	(6,718)	(7,916)
Corporation tax paid, net	(941)	(215)
Cash flows from operating activities	(19,424)	(27,820)
Cash flows from investing activities		
Dividend received from associates	4	4
Purchase and sale of bonds and equities, net	10,269	1,175
Purchase of intangible assets	(222)	(56)
Sale of intangible assets	157	3
Purchase of property, plant and equipment	(13)	(25)
Sale of property, plant and equipment	19	19
Total	10,213	1,120
Cash flows from financing activities		
Issuance of subordinated debt instruments	4,436	-
Redemption of subordinated debt	(4,478)	-
Distributed dividend	(2,228)	(16)
Purchase and sale of self-issued subordinated debt instruments	3	(8)
Payment of lease liabilities	(80)	(78)
Total	(2,347)	(101)
Total cash flows for the period	(11,558)	(26,802)
Cash and cash equivalents, beginning of period	59,361	59,623
Foreign currency translation adjustment of cash	174	(123)
Total cash flows for the period	(11,558)	(26,802)
Cash and cash equivalents, end of period	47,978	32,698
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	37,896	12,220
Receivables from credit institutions and central banks	10,082	20,478
Total	47,978	32,698

NOTES

Nykredit Group

1. Accounting policies	37
2. Capital and capital adequacy	38
3. Business areas	39
4. Reconciliation of internal and regulatory income statement	41
5. Fee and commission income	42
6. Net interest income etc and value adjustments	43
7. Value adjustments	44
8. Impairment charges for loans, advances and receivables etc (Group)	45
9. Profit from investments in associates and Group enterprises	48
10. Loans, advances and other receivables at fair value	49
11. Loans, advances and other receivables at amortised cost	50
12. Bonds at fair value	50
13. Bonds at amortised cost	50
14. Deposits and other payables	51
15. Bonds in issue at fair value	51
16. Bonds in issue at amortised cost	52
17. Other non-derivative financial liabilities at fair value	52
18. Subordinated debt	53
19. Related party transactions and balances	54
20. Fair value disclosures	55
21. Five-year financial highlights	59
22. Group structure	61

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for H1/2021 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

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

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

All figures in the Interim 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.

Business areas

In order to present income from activity-driven partnerships on an aggregated basis, customer-driven income from the Shared Valuation partnership has been reclassified from "Trading, investment portfolio and other income" to "Net fee income" in note 3. Comparative figures have been restated.

The changes do not affect income statement, including total comprehensive income, balance sheet or equity.

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 2020.

While covid-19-related restrictions were gradually lifted in the last part of H1, the partial lockdown of borders and workplaces as well as the effect of discontinued relief packages and uncertainty relating to the stronger unemployment trends mean that the determination of impairment provisions for loans and advances remains subject to increased uncertainty. The main reason for this is the current difficulty in predicting the duration and severity of the crisis and its resulting impact on customers' financial position.

NOTES

Nykredit A/S		DKK million		
31.12.2020	30.06.2021		30.06.2021	31.12.2020
2. CAPITAL AND CAPITAL ADEQUACY				
85,906	87,951	Equity for accounting purposes	91,786	89,754
-	-	Minority interests not included	(84)	(96)
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,750)	(3,753)
-	(2,130)	Statutory deduction for estimated dividend	(2,130)	-
85,906	85,821	Equity excluding Additional Tier 1 capital and minority interests	85,822	85,906
(2,200)	-	Proposed dividend	-	(2,200)
-	-	Prudent valuation adjustment	(58)	(33)
-	-	Minority interests	49	49
-	-	Intangible assets excluding deferred tax liabilities	(1,999)	(2,099)
-	-	Provisions for expected credit losses in accordance with IRB approach	-	(16)
-	-	Other regulatory adjustments	(319)	(337)
(329)	(329)	Deduction for own shares	(329)	(329)
-	-	Deduction for non-performing exposures	(3)	-
-	-	Tax on interest accrued	0	(2)
(2,529)	(329)	Common Equity Tier 1 regulatory deductions	(2,661)	(4,968)
83,376	85,492	Common Equity Tier 1 capital	83,161	80,938
-	-	Additional Tier 1 capital	2,244	2,232
-	-	Additional Tier 1 regulatory deductions	(62)	(38)
-	-	Total Additional Tier 1 capital after regulatory deductions	2,181	2,194
83,376	85,492	Tier 1 capital	85,342	83,132
-	-	Tier 2 capital	7,016	6,935
-	-	Tier 2 regulatory adjustments	2,022	1,925
83,376	85,492	Own funds	94,380	91,993
317,927	325,395	Credit risk	354,574	332,383
-	-	Market risk	31,786	40,128
1	1	Operational risk	27,244	28,109
317,928	325,396	Total risk exposure amount	413,604	400,620
Financial ratios				
26.2	26.2	Common Equity Tier 1 capital ratio, %	20.1	20.2
26.2	26.2	Tier 1 capital ratio, %	20.6	20.7
26.2	26.2	Total capital ratio, %	22.8	22.9

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 (CRR) and Regulation (EU) No 876/2019 amending Regulation (EU) No 575/2013 of 20 May 2019 (CRR2).

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement of 2% applies to the Nykredit Realkredit Group. To this should be added the permanent buffer requirement of 2.5% and the countercyclical buffer of temporarily 0% in Denmark which must also be met with Common Equity Tier 1 capital. The countercyclical capital buffer will be reactivated at 1% from 30 September 2022.

NOTES

DKK million

Nykredit 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. Income from the Shared Valuation partnership was reclassified in Q1 from "Trading, investment portfolio and other income" to "Net fee income". The change concerning the business area Totalkredit Partners does not affect total results. The reclassification totalled DKK 52 million in H1/2020, and comparative figures have been restated.

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

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Totalkredit Partners	Wealth Management	Group Items	Total
Results									
H1/2021									
Results by business area									
Net interest income	964	1,340	2,304	1,021	3,326	1,514	96	4	4,940
Net fee income	374	217	592	274	866	335	29	(15)	1,216
Wealth management income	230	70	300	87	387	-	701	12	1,100
Net interest from capitalisation	(38)	(57)	(94)	(67)	(161)	(128)	(5)	49	(246)
Net income relating to customer benefits programmes ¹	-	5	5	-	5	-	-	(179)	(174)
Trading, investment portfolio and other income	9	97	106	253	359	(2)	28	860	1,244
Income	1,541	1,672	3,212	1,569	4,781	1,719	848	732	8,080
Costs	1,130	590	1,720	369	2,089	370	433	97	2,989
Business profit before impairment charges	411	1,082	1,492	1,199	2,692	1,349	416	635	5,091
Impairment charges for loans and advances	(124)	234	110	(116)	(6)	91	13	(8)	89
Business profit	535	848	1,382	1,315	2,698	1,258	403	644	5,002
Legacy derivatives	(2)	176	174	118	292	-	0	-	292
Profit before tax	533	1,024	1,557	1,433	2,990	1,258	403	644	5,295

BALANCE SHEET, 30 JUNE 2021

Assets

Mortgage loans etc at fair value	169,973	218,425	388,398	254,575	642,973	702,055	12,266	-	1,357,294
Reverse repurchase lending								44,229	44,229
Loans and advances at amortised cost	11,469	24,353	35,822	31,363	67,185	-	3,926	117	71,228
Assets by business area	181,441	242,779	424,220	285,938	710,158	702,055	16,192	44,346	1,472,751
Unallocated assets									181,925
Total assets									1,654,676

Liabilities and equity

Repo deposits								6,725	6,725
Bank deposits and other payables at amortised cost	39,954	24,852	64,806	11,568	76,374	-	14,262	1,066	91,701
Liabilities by business area	39,954	24,852	64,806	11,568	76,374	-	14,262	7,791	98,426
Unallocated liabilities									1,464,464
Equity									91,786
Total liabilities and equity									1,654,676

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

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

Results H1/2020	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Total Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results by business area									
Net interest income	965	1,376	2,341	954	3,296	1,443	90	3	4,832
Net fee income	316	311	627	291	918	271	16	(18)	1,188
Wealth management income	202	69	271	60	331	-	649	7	987
Net interest from capitalisation	(37)	(71)	(108)	(71)	(178)	(101)	(5)	86	(198)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(97)	(97)
Trading, investment portfolio and other income	6	28	34	39	73	1	17	(332)	(241)
Income	1,453	1,713	3,166	1,274	4,440	1,615	768	(352)	6,470
Costs	1,035	578	1,613	343	1,956	368	429	87	2,841
Business profit (loss) before impairment charges	417	1,136	1,553	931	2,483	1,246	339	(439)	3,630
Impairment charges for loans and advances	195	973	1,168	293	1,461	242	56	(3)	1,755
Business profit (loss)	222	163	385	638	1,023	1,004	283	(435)	1,875
Legacy derivatives	(4)	(127)	(131)	29	(102)	-	(1)	-	(103)
Badwill	-	-	-	-	-	-	-	(2)	(2)
Profit (loss) before tax	218	36	254	667	921	1,004	283	(438)	1,770

BALANCE SHEET, 30 JUNE 2020

Assets

Mortgage loans etc at fair value	176,432	224,191	400,623	247,283	647,906	654,900	10,332	-	1,313,138
Reverse repurchase lending								35,846	35,846
Loans and advances at amortised cost	11,115	23,325	34,440	29,161	63,601	-	3,618	160	67,379
Assets by business area	187,547	247,516	435,063	276,444	711,507	654,900	13,950	36,006	1,416,363
Unallocated assets									181,527
Total assets									1,597,890

Liabilities and equity

Repo deposits								11,893	11,893
Bank deposits and other payables at amortised cost	36,761	22,013	58,774	10,117	68,892	-	15,479	897	85,267
Liabilities by business area	36,761	22,013	58,774	10,117	68,892	-	15,479	12,789	97,160
Unallocated liabilities									1,414,939
Equity									85,791
Total liabilities and equity									1,597,890

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 STATEMENT

	H1/2021			H1/2020		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	4,940	719	5,659	4,832	754	5,586
Dividend on equities etc		110	110		39	39
Fee and commission income, net	1,216	(1,116)	100	1,188	(1,121)	66
Net interest and fee income		(287)	5,869		(329)	5,691
Wealth management income	1,100	(1,100)	-	987	(987)	-
Net interest from capitalisation	(246)	246	-	(198)	198	-
Net income relating to customer benefits programmes	(174)	174	-	(97)	97	-
Trading, investment portfolio and other income	1,244	(1,244)	-	(241)	241	-
Value adjustments		1,768	1,768		(28)	(28)
Other operating income		731	731		698	698
Income	8,080			6,470		
Costs	2,989	-	2,989	2,841	(1)	2,839
Business profit before impairment charges	5,091			3,630		
Impairment charges for loans and advances etc	89	-	89	1,755	-	1,755
Profit from investments in associates and Group enterprises		4	4		4	4
Business profit	5,002			1,875		
Legacy derivatives	292	(292)	-	(103)	103	-
Profit before tax	5,295	-	5,295	1,770	-	1,770

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.

NOTES

DKK million

Nykredit Group	H1/2021	H1/2020
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	348	321
Corporates & Institutions	223	183
Totalkredit Partners	474	406
Wealth Management	1,119	981
Group Items	26	26
Total	2,190	1,917

The allocation of fees to business divisions shows the business divisions where fees are included on initial recognition. These fees, together with other income, are subsequently reallocated to the business divisions serving the customers on a net basis, see note 3.

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

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

Revenue comprised by IFRS 15 mainly relates to:

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

NOTES

DKK million

Nykredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2021	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(11)	51	(62)	-	-	(62)
Lending and deposits	976	(88)	1,064	-	4	1,068
Repo transactions and reverse repurchase lending	(83)	(26)	(57)	-	-	(57)
Bonds	(1)	-	(1)	-	-	(1)
Subordinated debt	-	173	(173)	-	-	(173)
Other financial instruments	65	52	12	-	-	12
Total	945	162	783	-	4	787
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	10,712	5,948	4,764	-	140	4,904
- of which administration margin income	4,766	-	4,766	-	-	4,766
Bonds	112	-	112	-	(141)	(29)
Equities etc	-	-	-	110	1,006	1,117
Derivative financial instruments	(1)	-	(1)	-	682	682
Total	10,824	5,948	4,876	110	1,687	6,673
Foreign currency translation adjustment					78	78
Net interest income etc and value adjustments	11,769	6,110	5,659	110	1,768	7,538
Negative interest income	301	301	-			
Negative interest expenses	395	395	-			
Total	12,465	6,806	5,659			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	757					
H1/2020						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(17)	22	(39)	-	-	(39)
Lending and deposits	999	(56)	1,056	-	2	1,057
Repo transactions and reverse repurchase lending	(105)	(51)	(54)	-	-	(54)
Subordinated debt	-	178	(178)	-	-	(178)
Other financial instruments	68	56	13	-	-	13
Total	946	149	797	-	2	799
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	10,785	6,095	4,690	-	(2)	4,688
- of which administration margin income	4,630	-	4,630	-	-	4,630
Bonds	156	-	156	-	211	367
Equities etc	-	-	-	39	(487)	(449)
Derivative financial instruments	(57)	-	(57)	-	107	51
Total	10,885	6,095	4,789	39	(171)	4,657
Foreign currency translation adjustment					141	141
Net interest income etc and value adjustments	11,830	6,244	5,586	39	(28)	5,596
Negative interest income	416	416	-			
Negative interest expenses	509	509	-			
Total	12,755	7,169	5,586			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	709					

¹ Recognised at fair value under the fair value option.

NOTES

DKK million

Nykredit A/S		Nykredit Group	
H1/2020	H1/2021	H1/2021	H1/2020
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
-	- Mortgage loans	(28,867)	(2,277)
-	- Other loans, advances and receivables at fair value	4	2
-	- Bonds	(141)	211
-	- Equities etc	1,006	(487)
-	- Foreign exchange	78	141
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments	680	103
-	- Other assets	3	4
Liabilities measured at fair value through profit or loss			
-	- Bonds in issue	29,006	2,275
-	- Total	1,768	(28)

NOTES

DKK million

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
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Total impairment provisions										
Impairment provisions as at 1 January	6,652	5,365	3,012	2,526	22	28	241	137	9,928	8,056
New impairment provisions as a result of additions and change in credit risk	2,247	3,053	920	893	4	12	174	170	3,344	4,127
Releases as a result of redemptions and change in credit risk	2,114	1,606	922	678	9	9	110	52	3,156	2,346
Impairment provisions written off	167	195	85	61	-	-	-	-	252	256
Other adjustments and interest from impaired facilities	9	-	27	30	-	-	-	-	36	30
Transferred to "Impairment provisions for properties acquired by foreclosure"	2	3	-	-	-	-	-	-	2	3
Total impairment provisions	6,625	6,614	2,952	2,710	17	30	304	255	9,898	9,609
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	133	1,447	(2)	215	(5)	2	63	118	189	1,782
Write-offs for the period, not previously written down for impairment	75	109	10	9	-	-	-	-	85	117
Recoveries on claims previously written off	(51)	(47)	(29)	(26)	-	-	-	-	(81)	(73)
Total	156	1,509	(21)	197	(5)	2	63	118	193	1,826
Value adjustment of assets in temporary possession	7	3	-	-	-	-	-	-	7	3
Value adjustment of claims previously written off	(36)	14	(6)	(11)	-	-	-	-	(41)	4
Losses offset, in accordance with partnership agreement ²	(70)	(77)	-	-	-	-	-	-	(70)	(77)
Earnings impact	58	1,448	(27)	186	(5)	2	63	118	89	1,755

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.

NOTES

DKK million

Nykredit Group

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

8 b. Total impairment provisions by stage 2021	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 2021	1,751	2,241	2,661	450	584	2,001	70	104	67	9,928
Transfer to stage 1	823	(796)	(26)	266	(241)	(25)	49	(47)	(2)	-
Transfer to stage 2	(74)	441	(367)	(70)	297	(227)	(7)	16	(9)	-
Transfer to stage 3	(5)	(449)	454	(2)	(60)	62	(0)	(11)	11	-
Impairment provisions for new loans and advances (additions)	260	202	126	77	97	56	15	22	6	862
Additions as a result of change in credit risk	221	906	532	62	379	252	12	99	20	2,483
Releases as a result of change in credit risk	1,158	461	495	350	213	369	67	26	17	3,156
Previously written down for impairment, now written off	-	-	169	0	0	85	-	-	-	254
Other adjustments and interest from impaired facilities	(0)	(0)	10	-	-	27	-	-	-	36
Total impairment provisions, end of period	1,816	2,084	2,724	433	844	1,691	72	157	76	9,898
Total, end of period		6,625			2,969			304		9,898
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				17	-	-				17
Earnings impact, H1/2021	(678)	648	163	(211)	264	(61)	(40)	95	8	189

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	1,591	1,233	2,541	425	199	1,930	52	38	46	8,056
Transfer to stage 1	169	(144)	(25)	104	(86)	(18)	13	(13)	(0)	-
Transfer to stage 2	(78)	348	(270)	(16)	197	(182)	(4)	7	(3)	-
Transfer to stage 3	(5)	(147)	152	(8)	(19)	26	(0)	(2)	2	-
Impairment provisions for new loans and advances (additions)	250	151	74	57	14	70	35	8	5	665
Additions as a result of change in credit risk	740	772	1,066	193	138	431	80	26	16	3,463
Releases as a result of change in credit risk	494	571	542	215	182	290	28	11	14	2,346
Previously written down for impairment, now written off	-	-	198	0	0	61	-	-	-	259
Other adjustments and interest from impaired facilities	-	-	-	-	-	30	-	-	-	30
Total impairment provisions, end of period	2,173	1,643	2,798	541	262	1,937	149	53	52	9,609
Total, end of period		6,614			2,740			255		9,609
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				30	-	-				30
Earnings impact, H1/2020	496	353	598	35	(29)	211	87	23	8	1,782

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

Credit institutions 30 - - 30

Earnings impact, H1/2020 496 353 598 35 (29) 211 87 23 8 1,782

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

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

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

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

NOTES

DKK million

Nykredit Group

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

8 c. Loans, advances and guarantees etc by stage

30 June 2021	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,300,238	45,435	18,488	1,364,161
Total impairment provisions, end of period	1,816	2,084	2,724	6,625
Value, end of period	1,298,422	43,351	15,763	1,357,537
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	102,051	13,806	2,552	118,410
Total impairment provisions, end of period	417	844	1,691	2,952
Value, end of period	101,635	12,962	861	115,457
Guarantees etc				
Guarantees etc	32,715	2,777	322	35,814
Total impairment provisions, end of period	72	157	76	304
Value, end of period	32,644	2,620	246	35,510
End-2020				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,291,075	52,110	14,392	1,357,577
Total impairment provisions, end of period	1,751	2,241	2,661	6,652
Value, end of period	1,289,324	49,869	11,732	1,350,925
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	96,628	12,201	2,951	111,781
Total impairment provisions, end of period	428	584	2,001	3,012
Value, end of period	96,200	11,618	950	108,768
Guarantees etc				
Guarantees etc	21,698	3,275	231	25,205
Total impairment provisions, end of period	70	104	67	241
Value, end of period	21,628	3,171	164	24,963

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
H1/2020	H1/2021	H1/2021	H1/2020
8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)			
8 d. Impairment provisions for properties acquired by foreclosure			
-	- Impairment provisions, beginning of period	31	41
-	- Transfer from impairment provisions for loans and advances	2	3
-	- Impairment provisions for the period	14	26
-	- Impairment provisions reversed	(6)	(23)
-	- Impairment provisions written off and other disposals	(16)	(1)
-	- Impairment provisions, end of period	25	46
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	4	4
1,440	4,262 Profit from investments in Group enterprises	-	-
1,440	4,262 Total	4	4

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2020	30.06.2021	30.06.2021	31.12.2020
10. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
-	- Mortgage loans	1,357,294	1,350,630
-	- Arrears and outlays	243	295
-	- Total	1,357,537	1,350,925
10 a. Mortgage loans			
-	- Balance, beginning of period, nominal value	1,321,486	1,262,689
-	- New loans	157,951	298,845
-	- Indexation	16	135
-	- Foreign currency translation adjustment	(245)	830
-	- Ordinary principal payments	(17,037)	(32,299)
-	- Prepayments and extraordinary principal payments	(104,320)	(208,714)
-	- Balance, end of period, nominal value	1,357,851	1,321,486
-	- Loans transferred relating to properties in temporary possession	-	(20)
-	- Total	1,357,851	1,321,465
-	- Adjustment for interest rate risk etc	5,943	35,695
Adjustment for credit risk			
-	- Impairments	(6,501)	(6,530)
-	- Balance, end of period, fair value	1,357,294	1,350,630
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
-	- Supplementary guarantees totalling	110,744	105,515
-	- Interim loan guarantees totalling	32,534	26,954
-	- Mortgage registration guarantees etc totalling	36,450	30,901
10 b. Arrears and outlays			
-	- Arrears before impairment provisions	334	374
-	- Outlays before impairment provisions	33	43
-	- Individual impairment provisions for arrears and outlays	(124)	(122)
-	- Total	243	295

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	Nykredit Group
31.12.2020	30.06.2021	30.06.2021	31.12.2020
15. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
15 c. Senior secured debt			
-	- Senior secured debt at nominal value	8,855	8,856
-	- Fair value adjustment	149	175
-	- Senior secured debt at fair value	9,004	9,031
-	- Self-issued senior secured debt	(8,002)	(8,004)
-	- Total	1,003	1,027
16. BONDS IN ISSUE AT AMORTISED COST			
-	- Corporate bonds	1,094	5,574
-	- SDOs	8	10
-	- Senior unsecured debt	57,607	47,230
-	- Other securities	71	45
-	- Total	58,781	52,859
-	- Self-issued corporate bonds	(169)	(174)
-	- Self-issued SDOs	(8)	(10)
-	- Self-issued senior unsecured debt at amortised cost	(307)	(308)
-	- Total	58,296	52,368
17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	- Negative securities portfolios	12,545	9,723
-	- Total	12,545	9,723

19. 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 H1/2021.

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

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

Significant related party transactions prevailing/entered into as at 30 June 2021 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 0.8 billion at 30 June 2021. 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.

Agreements between Nykredit Realkredit A/S and other companies:

LR Realkredit A/S was merged into Nykredit Realkredit A/S with effect from 1 January 2021.

20. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

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

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2021, the non-amortised minimum margin amounted to DKK 112 million (end-2020: DKK 119 million). With regard to liquidity and credit risk, these amounts have been included above in the net adjustment of FVA and CVA; DKK 153 million at end-June 2021 (end-2020: DKK 161 million). Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by 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 1,660 million at 30 June 2021 (end-2020: DKK 2,065 million). Credit value adjustments came to DKK 1,503 million at 30 June 2021 (end-2020: DKK 1,843 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 51 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2021, the proportion was thus 0.4% (end-2020: 0.2%). The proportion of financial liabilities was 0.0% (end-2020: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.4 billion (end-2020: DKK 5.3 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 536 million at 30 June 2021 (0.58% of equity at 30 June 2021), (end-2020: DKK 532 million, equal to 0.59% 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 2021 and 2020, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 30 June 2021, financial assets of DKK 9.9 billion (end-2020: DKK 10.8 billion) have been transferred from Listed prices to Observable inputs and DKK 12.2 billion (end-2020: DKK 7.6 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.7 billion (end-2020: DKK 0.0 billion) were transferred from Listed prices to Observable inputs and DKK 0.3 billion (end-2020: DKK 0.0 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2021 the amount was DKK 4.0 billion (end-2020: DKK 1.2 billion).

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

NOTES

DKK million

Nykredit Group

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2021

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	26,758	69,633	-	96,391
- equities measured at fair value through profit or loss	3,455	-	3,669	7,124
- positive fair value of derivative financial instruments	109	16,367	1,660	18,135
- mortgage loans, arrears and outlays ¹	-	1,357,537	-	1,357,537
- owner-occupied properties	-	-	35	35
Total	30,322	1,443,536	5,363	1,479,221
Percentage	2.0	97.6	0.4	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	5,483	7,062	-	12,545
- negative fair value of derivative financial instruments	97	9,079	-	9,176
- bonds in issue at fair value ¹	1,348,766	1,010	-	1,349,776
Total	1,354,346	17,151	-	1,371,498
Percentage	98.7	1.3	-	100.0
Assets measured on the basis of unobservable inputs				
	Real estate	Equities	Derivatives	Total
Fair value, beginning of period, assets	58	3,199	2,064	5,321
Value adjustment recognised through profit or loss	(6)	298	(287)	5
Value adjustment recognised in "Other comprehensive income"	2	-	-	2
Purchases for the period	-	339	-	339
Sales for the period	(19)	(167)	(28)	(214)
Transferred from Listed prices and Observable inputs ²	-	-	158	158
Transferred to Listed prices and Observable inputs ³	-	-	(249)	(249)
Reclassification to "Other assets"	-	-	-	-
Fair value, end of period, assets	35	3,669	1,660	5,363

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.

Nykredit Group

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2020

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	21,810	84,284	-	106,094
- equities measured at fair value through profit or loss	3,847	-	3,199	7,046
- positive fair value of derivative financial instruments ⁴	35	20,264	2,064	22,364
- mortgage loans, arrears and outlays ¹	-	1,350,925	-	1,350,925
- owner-occupied properties	-	-	58	58
Total	25,692	1,455,473	5,321	1,486,486
Percentage	1.7	97.9	0.4	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,115	6,607	-	9,723
- negative fair value of derivative financial instruments	36	11,988	-	12,024
- bonds in issue at fair value ¹	1,366,699	10	-	1,366,709
Total	1,369,850	18,605	-	1,388,455
Percentage	98.7	1.3	-	100.0

Assets measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	75	2	3,014	1,033	4,124
Value adjustment recognised through profit or loss	4	-	252	(385)	(129)
Purchases for the year	0	-	147	-	147
Sales for the year	(22)	(2)	(215)	(117)	(355)
Transferred from Listed prices and Observable inputs ²	-	-	1	373	375
Transferred to Listed prices and Observable inputs ³	-	-	-	(868)	(868)
Adjustment ⁴	-	-	-	2,028	2,028
Fair value, end of period, assets	58	-	3,199	2,064	5,321

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.

⁴ An adjustment has been made of the classification between unobservable input and observable input as at 31 December 2020. The change will not impact "Total fair value".

NOTES

DKK million

Nykredit Group	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	5,659	5,586	5,450	5,444	5,822
Net fee income etc	210	105	(114)	(115)	(37)
Net interest and fee income	5,869	5,691	5,336	5,329	5,786
Value adjustments	1,768	(28)	1,180	786	2,860
Other operating income	731	698	705	439	135
Staff and administrative expenses	2,686	2,586	2,295	2,301	2,185
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	159	147	136	48	116
Other operating expenses	143	106	71	65	71
Impairment charges for loans, advances and receivables etc	89	1,755	433	103	(448)
Profit from investments in associates and Group enterprises	4	4	2	2	4
Profit before tax	5,295	1,770	4,288	4,040	6,860
Tax	942	204	681	755	1,407
Profit for the period	4,353	1,566	3,606	3,285	5,453
Value adjustment and reclassification of strategic equities against equity	-	-	-	-	125
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Assets					
Cash balances and receivables from credit institutions and central banks	47,978	32,698	43,475	29,003	33,704
Mortgage loans at fair value	1,357,294	1,313,138	1,232,135	1,178,370	1,140,548
Bank loans excluding reverse repurchase lending	70,844	67,014	63,505	58,344	57,534
Bonds and equities etc	103,515	114,005	117,650	96,434	95,088
Remaining assets	75,045	71,035	83,929	60,131	52,824
Total assets	1,654,676	1,597,890	1,540,695	1,422,282	1,379,697
Liabilities and equity					
Payables to credit institutions and central banks	13,029	14,445	26,647	17,541	14,420
Deposits and other payables	98,426	97,160	95,356	92,165	69,442
Bonds in issue at fair value	1,349,776	1,313,990	1,263,666	1,179,842	1,140,474
Subordinated debt	10,806	10,951	11,077	10,982	10,956
Remaining liabilities	90,852	75,554	63,379	44,296	68,004
Equity	91,786	85,791	80,569	77,456	76,401
Total liabilities and equity	1,654,676	1,597,890	1,540,695	1,422,282	1,379,697
Off-balance sheet items					
Contingent liabilities	10,029	6,774	6,703	6,296	7,224
Other commitments	21,496	27,599	20,012	8,732	7,664
FINANCIAL RATIOS¹					
Total capital ratio, %	22.8	22.0	23.2	23.0	23.9
Tier 1 capital ratio, %	20.6	19.7	21.1	21.0	21.6
Return on equity before tax, %	5.8	2.1	5.3	5.0	9.2
Return on equity after tax, %	4.8	1.8	4.5	4.1	7.0
Income:cost ratio	2.7	1.4	2.5	2.6	4.6
Foreign exchange position, %	0.0	0.1	0.7	0.0	0.3
Loans and advances:equity (loan gearing)	16.0	16.5	16.7	16.4	16.0
Growth in loans and advances for the period, %	2.6	2.4	2.3	(0.8)	0.6
Impairment charges for the period, %	0.01	0.12	0.03	0.01	(0.04)
Return on capital employed, %	0.26	0.10	0.23	0.23	0.39

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 56 in the Annual Report for 2020.

NOTES

DKK million

Nykredit A/S	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017
21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	(0)	(0)	(0)	(0)
Net fee income etc	-	-	-	-	-
Net interest and fee income	(0)	(0)	(0)	(0)	(0)
Staff and administrative expenses	3	5	10	12	8
Profit from investments in associates	4,262	1,440	3,499	3,169	5,442
Profit before tax	4,259	1,435	3,488	3,156	5,434
Tax	(1)	(1)	(2)	(3)	(4)
Profit for the period	4,260	1,436	3,491	3,159	5,437
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
Assets					
Cash balances and receivables from credit institutions and central banks	14	11	19	50	-
Remaining assets	15	16	19	17	9
Investments in Group enterprises	87,944	81,957	76,803	73,718	72,647
Total assets	87,973	81,984	76,842	73,786	72,656
Liabilities and equity					
Payables to credit institutions and central banks	12	29	33	46	10
Remaining liabilities	10	14	9	8	5
Equity	87,951	81,942	76,800	73,732	72,641
Total liabilities and equity	87,973	81,984	76,842	73,786	72,656
FINANCIAL RATIOS¹					
Total capital ratio, %	26.2	26.4	26.4	26.4	27.0
Tier 1 capital ratio, %	26.2	26.4	26.4	26.4	27.0
Return on equity before tax, %	4.9	1.8	4.6	4.2	7.8
Return on equity after tax, %	4.9	1.8	4.6	4.2	7.8
Income:cost ratio	1,292.0	275.1	336.1	266.7	679.0
Return on capital employed, %	4.84	1.75	4.54	4.28	7.48

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 56 in the Annual Report for 2020.

Nykredit Group

22. GROUP STRUCTURE

Name and registered office

Name and registered office	Ownership interest as %, 30 June 2021	Profit for the period 2021	Equity, 30 June 2021	Profit for 2020	Equity, 31 December 2020
Nykredit A/S (Parent), Copenhagen, h)	-	4,260	87,951	5,420	85,906
Nykredit Realkredit A/S, Copenhagen, a)	100	4,338	91,694	5,652	89,678
Totalkredit A/S, Copenhagen, a)	100	1,155	33,559	2,085	32,506
Nykredit Bank A/S, Copenhagen, b)	100	1,235	27,221	1,610	25,986
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	121	1,391	192	1,271
Nykredit Leasing A/S, Gladsaxe, e)	100	54	994	82	939
Sparinvest Holdings SE, Luxembourg, h)	75	78	245	44	211
Nykredit Mægler A/S, Copenhagen, c)	100	63	132	96	169
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	22	608	31	586
Kirstinehøj 17 A/S, Copenhagen, d)	100	1	23	4	71
LR Realkredit A/S, Copenhagen, a) (merged with Nykredit Realkredit A/S as at 1 January 2021)	-	-	-	80	-
Ejendomsselskabet Kalvebod A/S, Copenhagen, h) (dissolved)	-	-	-	24	-
Kalvebod Ejendomme II A/S, Copenhagen, d) (dissolved)	-	-	-	6	-
Greve Main A/S, Copenhagen, d) (dissolved)	-	-	-	2	-

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

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

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above
 Luxembourg: Names and activities appear from the Group structure above

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark	3,759	15,221	5,240	928	-
Luxembourg	23	165	55	14	-

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

- a) 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

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