

Nykredit
Bank



H1 Interim Report 2020

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FINANCIAL HIGHLIGHTS


DKK million

Nykredit Bank Group	H1/ 2020	H1/ 2019	Q2/ 2020	Q1/ 2020	Q2/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	843	742	434	410	373	1,520
Net fee income	273	267	128	145	139	538
Wealth management income	987	719	485	502	369	1,610
Net interest from capitalisation	(14)	(15)	(8)	(6)	(7)	(28)
Net income relating to customer benefits programmes ¹	136	-	68	68	-	(9)
Trading, investment portfolio and other income	145	349	376	(230)	220	720
Income	2,371	2,062	1,483	888	1,093	4,350
Costs	1,304	1,048	662	642	528	2,375
Business profit before impairment charges	1,067	1,014	821	246	565	1,975
Impairment charges for loans and advances	309	97	65	244	36	210
Business profit	758	917	756	2	529	1,765
Legacy derivatives	(103)	(269)	318	(421)	(50)	(112)
Profit (loss) before tax	656	647	1,075	(419)	479	1,653
Tax	114	141	202	(88)	104	366
Profit (loss) for the period	542	506	873	(331)	375	1,287
Minority interest	14	-	7	7	-	(1)
SUMMARY BALANCE SHEET						
Assets	30.06.2020	30.06.2019	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Cash balances and receivables from credit institutions and central banks	17,040	24,385	17,040	17,991	24,385	33,528
Reverse repurchase lending	35,846	49,147	35,846	40,268	49,147	48,749
Loans, advances and other receivables at amortised cost	67,014	63,505	67,014	69,389	63,505	65,466
Bonds and equities etc	45,679	49,041	45,679	45,172	49,041	50,789
Remaining assets	29,340	28,555	29,340	30,394	28,555	27,996
Total assets	194,919	214,634	194,919	203,215	214,634	226,528
Liabilities and equity						
Payables to credit institutions and central banks	50,499	77,760	50,499	65,097	77,760	85,154
Repo deposits	1,693	3,216	1,693	2,555	3,216	3,331
Deposits and other payables	85,417	80,088	85,417	80,640	80,088	85,549
Bonds in issue at amortised cost	4,492	5,511	4,492	4,460	5,511	3,780
Other non-derivative financial liabilities at fair value	11,771	9,411	11,771	8,941	9,411	7,133
Remaining liabilities	13,432	14,751	13,432	14,890	14,751	14,694
Provisions	622	295	622	499	295	450
Subordinated debt	2,000	2,000	2,000	2,000	2,000	2,000
Equity	24,994	21,601	24,994	24,132	21,601	24,434
Total liabilities and equity	194,919	214,634	194,919	203,215	214,634	226,528
FINANCIAL RATIOS¹						
Profit (loss) for the period as % pa of average equity	4,3	4,7	14,1	(5,6)	7,0	5,7
Costs as % of income	55,0	50,8	44,6	72,3	48,3	54,6
Total provisions for loan impairment and guarantees	2,726	2,758	2,981	2,889	2,758	2,538
Impairment charges for the period, %	0,24	0,06	0,05	0,20	0,03	0,14
Total capital ratio, %	21,5	20,7	21,5	20,2	20,7	20,8
Tier 1 capital ratio, %	19,3	18,7	19,3	18,2	18,7	18,9
Common Equity Tier 1 capital ratio, %	19,3	18,7	19,3	18,2	18,7	18,9
Average number of staff, full-time equivalent	958	843	958	958	856	900

¹ For further details, see Alternative performance measures below.

FINANCIAL REVIEW

	Business profit	Profit	Income
	DKK 758 million	DKK 656 million	DKK 2,371 million
	Business profit for the period	Profit before tax for the period	Income

	Return on equity	Cost:income ratio	Impairment charges, %
	4.3%	55.0%	0.24%
	Profit for the period as % of average equity	Costs as % of income	Impairment charges for the period divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS FOR H1/2020

The underlying business remains robust and growing as demonstrated by an increase in lending of 2% to DKK 67,014 million (end-2019: DKK 65,466 million). The interim report shows strong underlying business growth with a rise in net interest, net fee and wealth management income relative to H1/2019. Recent years' inflow of customers continued in H1/2020 thanks to our strong product and service offers.

However, the covid-19 situation has affected Nykredit Bank's business profit, which was DKK 758 million (H1/2019: DKK 917 million). Profit before tax was DKK 656 million (H1/2019: DKK 647 million).

Results reflect the current covid-19 situation and were negatively impacted by the turmoil in financial markets, which affected trading, investment portfolio and other income. Financial markets recovered significantly in Q2, reversing some of the loss recorded in Q1. The results were also affected by increased loan impairment charges. Loan impairment charges were, however, significantly lower in Q2 than in Q1.

Whereas lending grew in H1/2020, substantial negative value adjustments in financial markets due to the covid-19 pandemic impacted the development in assets under management in the period. Assets under management fell by DKK 10.7 billion to DKK 325.0 billion at end-June 2020 (end-2019: DKK 335.8 billion).

Based on the current covid-19 situation, Nykredit Bank has launched a number of initiatives to help Danish families and businesses. We offer our customers a special overdraft facility, payment holidays on car loans, consumption loans and bank home loans as well as no-fee overdrafts. Shortly after the Danish government announced the release in October of three weeks' worth of saved-up holiday pay, our full-service customers were given the opportunity to have an interest- and fee-free credit corresponding to the amount of holiday pay due to the individual customer in October. Customers merely have to repay the credit when they receive their holiday pay. Denmark must find the safest passage through the crisis. Nykredit shares responsibility for this and will always act responsibly – not least during times of crisis.

Furthermore, we offer our business customers payroll financing as well as payment holidays on banking and lease facilities. We have also established a corona hotline, which business customers may consult by telephone or online for advice on and information about the government support initiatives.

In addition to offering our customers individually tailored solutions, we have introduced two new business banking initiatives. First, refusals are subject to the four-eyes principle. This means that a refusal must be extremely well-founded, and it will minimise the risk of mistakes. Secondly, we have set up a new complaints board with a fast-tracked complaints procedure. This is to ensure that customers get a quick decision and can move forward.

Our actions are based on a precautionary principle, and we abide by all guidelines announced. Consequently, our customer centres have been closed in April and May, and physical meetings with customers have been cancelled and replaced by online or telephone meetings. In June, we reopened our customer centres, but still recommend that customers meet us online or by phone, to which our customers have responded positively.

To our full-service personal banking customers who have consolidated all of their finances with Nykredit, we offer the MineMål benefits programme aimed at helping customers achieve their goals and dreams as homeowners. Under this programme, customers receive a cash bonus of DKK 250 each quarter and also an interest rate discount of 0.15% on the outstanding debt on homeowner loans with Nykredit Bank.

Awards

Nykredit Invest won all three main categories at the annual Morningstar Fund Awards. The investment fund Nykredit Invest was awarded best manager of equities and bonds as well as balanced funds. For the third year running, Nykredit Invest won one or more main categories at the Morningstar Fund Awards.

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

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

Income

Income amounted to DKK 2,371 million in H1/2020 (H1/2019: DKK 2,062 million).

Net interest income increased by DKK 101 million to DKK 843 million (H1/2019: DKK 742 million) and net fee income increased by DKK 6 million to a total of DKK 273 million (H1/2019: DKK 267 million).

Growth in bank lending contributed to increasing net interest income and net fee income. In addition, negative deposit rates to personal customers also had a positive effect on net interest income.

Wealth management income increased by DKK 268 million to DKK 987 million (H1/2019: DKK 719 million). The rise primarily relates to income from Sparinvest, which was included in the Group from H2/2019.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 14 million (H1/2019: an expense of DKK 15 million).

Trading, investment portfolio and other income, including value adjustment of swaps etc, dropped to DKK 145 million (H1/2019: DKK 349 million). This was mainly a result of the covid-19 pandemic and attributable to negative unrealised value adjustment of swaps prompted by credit and funding spread widening. We saw losses on investment portfolios following mortgage spread widening and equity market declines; all impacts resulting from covid-19.

Costs

Costs were DKK 1,304 million (H1/2019: DKK 1,048 million). The Group still maintains a strong focus on building organisational efficiency, while investing significant resources in compliance, the implementation of new regulatory requirements and extending the partnership with BEC. Further, the inclusion of Sparinvest impacted the cost level negatively.

The average number of full-time equivalent staff totalled 958 (843 in H1/2019). The increase can primarily be ascribed to the number of Sparinvest staff joining Nykredit.

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for loans and advances were affected by the covid-19 pandemic and were 0.24% (H1/2019: 0.06%). Impairment charges and provisions amounted to DKK 309 million (H1/2020: DKK 97 million). The favourable trends from early Q1, before the covid-19 outbreak, continued into Q2 and were reflected in low write-offs and low individual impairment provisions. Individual and model-based impairment provisions fell from DKK 50 million in Q1 to a net reversal of DKK 99 million in Q2.

In H1 DKK 351 million has been provided for expected loan losses as a consequence of covid-19. The provisions are based on management judgement. Losses incurred directly by the covid-19 pandemic remain low due to the financial strength and liquidity of our customers as well as the effect of government relief packages and expanded access to credit in the financial sector. The risk of higher losses remains

significant, if the pandemic continues to stretch on and adversely impact the economy.

Expectations for macroeconomic models

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

The main scenario assumes that the GDP and house prices will return to a "pre-covid-19 level at end-2019" in 2022 due to the effects of the relief packages. Net unemployment, however, is not expected to normalise within this time horizon.

Legacy derivatives

Legacy derivatives caused a charge of DKK 103 million (H1/2019: a charge of DKK 269 million). Legacy derivatives are derivatives Nykredit no longer offers to customers. The change was mainly driven by expanded credit spreads following the outbreak of covid-19.

The portfolio of legacy derivatives had a total market value of DKK 7.2 billion (DKK 6.6 billion at end-2019). The portfolio was written down to DKK 5.1 billion (DKK 4.5 billion at end-2019).

Tax

Tax on profit for the period was DKK 114 million (H1/2019: DKK 141 million).

Balance sheet

The balance sheet stood at DKK 194.9 billion at end-June 2020 (DKK 226.5 billion at end-2019).

Receivables from credit institutions and cash balances etc decreased to DKK 17.0 billion (DKK 33.5 billion at end-2019), and reverse repurchase lending decreased by DKK 12.9 billion to DKK 35.8 billion (DKK 48.7 billion at end-2019).

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 1.5 billion relative to end-2019 to DKK 67.0 billion at end-June 2020 (DKK 65.5 billion at end-2019).

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At 30 June 2020 these loans amounted to DKK 6.9 billion (DKK 6.8 billion at end-2019). Loan balances including secured homeowner loans totalled DKK 73.9 billion (DKK 72.3 billion at end-2019).

The bond and equity portfolios totalled DKK 45.7 billion (DKK 50.8 billion at end-2019). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 29.3 billion (DKK 28.0 billion at end-2019). At end-June 2020 DKK 22.9 billion was attributable to positive market values of derivatives (DKK 21.0 billion at end-2019). The positive market values related to the Bank's customer activities in derivatives and positions for hedging own risk. The Bank's interest rate risk is widely hedged through offsetting interest rate swaps.

Payables to credit institutions and central banks decreased to DKK 50.5 billion (DKK 85.2 billion at end-2019), while repo deposits fell by DKK 1.6 billion to DKK 1.7 billion (DKK 3.3 billion at end-2019).

Deposits and other payables (excluding repo deposits) went slightly down by DKK 0.1 billion to DKK 85.4 billion (DKK 85.5 billion at end-2019).

Bonds in issue totalled DKK 4.5 billion (DKK 3.8 billion at end-2019). Nykredit Bank receives funding from its Parent Nykredit Realkredit by way of long-term intercompany loans. Nykredit Realkredit funds such loans through the issuance of debt instruments.

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 11.8 billion (DKK 7.1 billion at end-2019).

Remaining payables and provisions amounted to DKK 14.1 billion (DKK 15.1 billion at end-2019). The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The negative market values of derivative financial instruments were DKK 11.5 billion (DKK 12.2 billion at end-2019).

RESULTS FOR Q2/2020 RELATIVE TO Q1/2020

Profit before tax was DKK 1,075 million (Q1/2020: a loss of DKK 419 million), corresponding to an increase of DKK 1,494 million. Business profit came to DKK 756 million in Q2/2020 (Q1/2020: DKK 2 million).

Income went up by DKK 595 million to DKK 1,483 million (Q1/2020: DKK 888 million) primarily driven by the recovery in financial markets in Q2 compared with Q1, which positively affected trading as well as investment portfolio income.

Costs amounted to DKK 662 million (Q1/2020: DKK 642 million) on a par with the previous three months.

Impairment charges for loans and advances declined DKK 179 million and amounted to DKK 65 million (Q1/2020: DKK 244 million). Impairment charges for loans and advances were impacted by the uncertainty about the duration and severity of the covid-19 pandemic. The negative impact, however, was lower in Q2 compared with Q1.

Value adjustment of legacy derivatives was positive at DKK 318 million in Q2/2020 (Q1/2020: a negative DKK 421 million). The large negative impact from Q1 has been somewhat reversed due to the tightened credit and funding spreads.

OUTLOOK AND GUIDANCE FOR 2020

The outlook for 2020 was in Q1/2020 significantly impacted by the covid-19 situation, which led us to suspend our guidance for business profit and profit before tax for 2020 of between DKK 1.9 billion and DKK 2.4 billion on 23 March 2020.

Nykredit Bank is now reintroducing the guidance for business profit and profit before tax for 2020. Based on our current assessment of the outlook for the economy and financial markets, the guidance for 2020 for Nykredit Bank is a business profit of between DKK 1.4 billion and DKK 1.8 billion. Profit before tax for 2020 is expected to be at the same level as the business profit, as there are no specific expectations for legacy derivatives. The full-year guidance is still more uncertain than previously due to the covid-19 pandemic.

The full-year earnings guidance is based on the following assumptions:

- Nykredit still expects a moderate level of market activity combined with continued low interest rates. Business volumes and income are expected to grow.
- Financial markets have recovered significantly since end-Q1/2020, which has had a positive effect on our investment portfolio income and derivatives.
- We expect slightly increasing costs as a result of the full-year impact of the acquisition of Sparinvest as well as investments in compliance.
- Impairment charges for loans and advances are expected to be significantly higher than in 2019 due to covid-19.

The most important uncertainty factors affecting the 2020 guidance are the impact of covid-19 on legacy derivatives as well as impairment charges for loans and advances.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

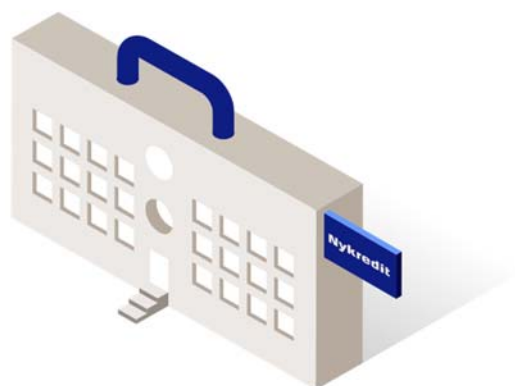
The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment and unlisted financial instruments see note 1, accounting policies, to which reference is made.

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

Furthermore, the temporary global lockdown of borders and work-places in Q1 and at the beginning of Q2 followed by a gradual reopening as well as the upward unemployment trends mean that the determination of impairment provisions for loans and advances is subject to increased uncertainty. The main reason for this is the difficulty in predicting the duration and severity of the crisis and the resulting impact on customers' finances.

EVENTS SINCE THE BALANCE SHEET DATE

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



CAPITAL

EQUITY AND OWN FUNDS

Equity

Equity carried for accounting purposes totalled DKK 24.9 billion at end-June 2020 (DKK 24.4 billion at end-2019).

	DKK million	
Nykredit Bank Group		
Capital and capital adequacy	30.06.2020	31.12.2019
Credit risk	92,879	99,211
Market risk	12,946	11,319
Operational risk	10,052	8,143
Total risk exposure amount	115,876	118,672
Share capital	10,045	10,045
Retained earnings	14,860	14,332
Equity, end of period	24,905	24,377
Prudent valuation adjustment	(30)	(30)
Intangible assets and deferred tax assets	(1,928)	(1,868)
Deduction for difference between IRB losses and impairments	(19)	(41)
Other regulatory deductions	(492)	35
Transitional adjustment of deductions	0	0
Common Equity Tier 1 capital	22,437	22,473
Additional Tier 1 capital	0	0
Other regulatory deductions	10	7
Tier 1 capital	22,447	22,479
Tier 2 capital	2,000	2,000
Tier 2 capital regulatory adjustments	503	307
Transitional adjustment of Tier 2 capital	6	4
Own funds	24,955	24,790
Common Equity Tier 1 capital ratio, %	19.3	18.9
Tier 1 capital ratio, %	19.3	18.9
Total capital ratio, %	21.5	20.8
Internal capital adequacy requirement (Pillar I and II), %	11.0	11.4

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

Capital

At end-June 2020 Nykredit Bank's own funds totalled DKK 25.0 billion (DKK 24.8 billion at end-2019). Common Equity Tier 1 (CET1) capital is the most important element in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in the future. The Bank's CET1 capital amounted to DKK 22.4 billion (DKK 22.5 billion at end-2019).

The risk exposure amount (REA) totalled DKK 115.9 billion (DKK 118.7 billion at end-2019).

At end-June 2020 the total capital ratio was 21.5%, and the CET 1 capital ratio 19.3% (20.8% and 18.9% at end-2019).

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 12.8 billion (DKK 13.5 billion at end-2019). Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 11.0% (11.4% at end-2019).

CREDIT RATINGS

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

S&P Global Ratings

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

Fitch Ratings

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

On 19 June 2020 Fitch announced a change of outlook on the Issuer Credit Rating from negative to stable. The now changed negative outlook was announced by Fitch on 31 March 2020 due to the general economic uncertainty arising from the covid-19 pandemic. The stable outlook reflects Fitch's view that Nykredit has sufficient headroom to resist downside scenarios, particularly thanks to our strong capital position.

Senior unsecured 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.

SUPERVISORY DIAMOND FOR BANKS

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

Nykredit Bank recorded lending growth of 5.5%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 11.0% (10.2% at end-2019).

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



IMPAIRMENT AND LENDING

Earnings impact

Impairment charges for loans and advances were DKK 309 million in H1/2020 (H1/2019: DKK 97 million). Of total impairment charges, impairment charges for loans and advances etc represented DKK 335 million (end-2019: DKK 246 million), while recoveries on loans and advances previously written off were DKK 26 million (end-2019: DKK 36 million).

	DKK million	
Nykredit Bank Group		
Provisions for loan impairment and guarantees	30.06.2020	31.12.2019
Impairment provisions, beginning of year	2,538	2,779
Impairment provisions and reversals	188	(241)
Impairment provisions, end of period	2,726	2,538
- of which impairment provisions for loans and advances etc	2,710	2,526
- of which impairment provisions for loans and advances to banks	16	12
Provisions for guarantees and loan commitments		
Provisions, beginning of year	137	117
Provisions, end of period	255	137
Total provisions	2,981	2,675
Earnings impact		
New impairment provisions and write-offs for the period, net	217	226
Recoveries on loans and advances previously written off	26	36
Total	191	190
Provisions for guarantees and loan commitments	118	20
Total earnings impact	309	210

Total provisions

Total provisions amounted to DKK 2,981 million at 30 June 2020 (DKK 2,675 million at end-2019).

In addition, value adjustment of interest rate swaps of DKK 3.1 billion was recorded, of which credit value adjustments amounted to DKK 2.6 billion, comprising DKK 2.1 billion relating to legacy derivatives and DKK 0.5 billion relating to other items.

Provisions for guarantees amounted to DKK 255 million (DKK 137 million at end-2019).

Relative to total loans, advances and guarantees, provisions amounted to 2.3% (1.7% at end-2019).



Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees was DKK 126.9 billion (DKK 150.2 billion at end-2019), corresponding to a decline of DKK 23.3 billion.

This figure comprised a decline in reverse repurchase lending of DKK 12.9 billion, a rise in other loans and advances of DKK 1.5 billion and a decline in guarantees of DKK 12.0 billion. Reverse repurchase lending totalled DKK 35.8 billion (DKK 48.7 billion at end-2019).

Finance and insurance remained the largest single sector exposure at DKK 41.6 billion (DKK 54.7 billion at end-2019). The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 32.8% (36.4% at end-2019) and personal customers 19.4% (22.5% at end-2019).

At 30 June 2020, loan impairment provisions for the real estate sector totalled DKK 0.6 billion (DKK 0.5 billion at end-2019), or 4.2% of total loans and advances to the sector (3.3% at end-2019).

Nykredit Bank Group

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

DKK million

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

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

ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 3 and the business areas (note 3) reflects the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, implying that the profit for the 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 interest income from bank lending and deposits. The corresponding item in the income statement (page 14) includes all interest.

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

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

"Net interest from capitalisation", comprising the risk-free interest attributable to equity and net interest from subordinated debt.

"Trading, investment portfolio and other income", comprising income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions.

"Net income relating to customer benefits programmes" comprising bonuses paid to the customers. The amount includes contributions received. The change is aimed at presenting the earnings of the individual business areas excluding the impact of the customer benefits programmes while also presenting the impact on income of the programmes in a separate item. In the financial highlights and the presentation of business areas (note 3) the change reclassifies net income from "Net interest income" to "Net income relating to customer benefits programmes". The change will not impact total income or total results. The income statement and balance sheet on pages 14-17 have not been impacted by the change.

Supplementary financial ratios etc

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

Profit (loss) for the period as % pa of average equity. 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 1 January – 30 June 2020 of Nykredit Bank A/S and the Nykredit Bank Group.

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

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

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

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

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

Copenhagen, 20 August 2020

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen
Chairman

Anders Jensen
Deputy Chairman

Tonny Thierry Andersen

David Hellemann

Allan Kristiansen*

Susanne Møller Nielsen*

* Staff-elected member

INCOME STATEMENTS

DKK million

Nykredit Bank Group

	Note	H1/2020	H1/2019	Q2/2020	Q2/2019
INCOME STATEMENT					
Interest income based on the effective interest method		1,002	983	506	499
Other interest income		(108)	(42)	(80)	(13)
Negative interest, income		(119)	(111)	(46)	(61)
Positive interest expenses		(143)	(128)	(59)	(67)
Interest expenses		122	150	57	74
Net interest income	6	795	807	382	418
Dividend on equities etc		5	5	1	3
Fee and commission income		1,435	1,085	702	548
Fee and commission expenses		277	196	149	94
Net interest and fee income		1,957	1,700	936	876
Value adjustments	6, 7	135	68	777	157
Other operating income		173	21	86	9
Staff and administrative expenses		1,258	1,036	631	522
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		19	0	9	0
Other operating expenses		28	12	22	6
Impairment charges for loans, advances and receivables etc	8	309	97	65	36
Profit from investments in associates and Group enterprises	10	3	3	2	1
Profit before tax		656	647	1,075	479
Tax		114	141	202	104
Profit for the period		542	506	873	375
Proposal for the distribution of profit					
Minority interests		14	-	7	-
Retained earnings		528	506	866	375
Profit for the period		542	506	873	375
COMPREHENSIVE INCOME					
Profit for the period		542	506	873	375
Other comprehensive income		-	-	-	-
Comprehensive income for the period		542	506	873	375

INCOME STATEMENTS

DKK million

Nykredit Bank A/S

	Note	H1/2020	H1/2019	Q2/2020	Q2/2019
INCOME STATEMENT					
Interest income based on the effective interest method		917	898	461	457
Other interest income		(108)	(42)	(80)	(13)
Negative interest, income		(118)	(111)	(44)	(62)
Positive interest expenses		(143)	(128)	(59)	(68)
Interest expenses		125	153	57	75
Net interest income	6	708	720	339	374
Dividend on equities etc		4	5	1	3
Fee and commission income		886	852	436	441
Fee and commission expenses		174	175	98	85
Net interest and fee income		1,424	1,402	678	733
Value adjustments	6, 7	136	68	774	158
Other operating income		156	5	77	3
Staff and administrative expenses		991	932	504	470
Other operating expenses		27	10	22	5
Impairment charges for loans, advances and receivables etc	9	274	84	61	31
Profit from investments in associates and Group enterprises	10	167	155	98	72
Profit before tax		592	605	1,041	460
Tax		64	99	175	85
Profit for the period		528	506	866	375
Proposal for the distribution of profit					
Statutory reserves		167	155	98	73
Retained earnings		361	351	768	302
Profit for the period		528	506	866	375
COMPREHENSIVE INCOME					
Profit for the period		528	506	866	375
Other comprehensive income		-	-	-	-
Comprehensive income for the period		528	506	866	375

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2019	H1/2020	Note	H1/2020	End-2019
ASSETS				
7,110	12,071		12,071	7,110
26,270	4,913		4,970	26,418
112,839	101,412	11	102,859	114,215
43,308	44,397	12	45,529	44,317
6,344	0		-	6,344
118	139		150	128
15	14		14	15
2,284	2,329		-	0
1,699	1,770		1,928	1,867
Land and property				
(0)	-		22	23
(0)	-		22	23
-	-		-	1
-	-		3	5
0	-		-	1
111	104		104	111
25,726	26,946		27,078	25,839
62	136		190	134
225,886	194,231		194,919	226,528

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2019	H1/2020	Note	H1/2020	End-2019
LIABILITIES AND EQUITY				
85,154	50,499	13	50,499	85,154
89,057	87,284	14	87,110	88,881
3,780	4,492	15	4,492	3,780
7,174	11,878	16	11,771	7,133
46	103		158	71
14,101	12,669		13,262	14,611
9	8		12	13
199,321	166,933		167,303	199,644
Provisions				
-	-		182	166
137	255		255	137
52	138		185	148
189	393		622	450
2,000	2,000	17	2,000	2,000
Equity				
10,045	10,045		10,045	10,045
Other reserves				
1,464	1,631		-	-
12,868	13,228		14,860	14,332
24,377	24,905		24,905	24,377
-	-		89	57
24,377	24,905		24,994	24,434
225,886	194,231		194,919	226,528
OFF-BALANCE SHEET ITEMS				
36,073	23,994		23,994	35,974
12,522	13,363		13,533	12,745
48,595	37,356		37,527	48,719

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Nykredit Bank Group's equity	Minority interests	Total equity
2020					
Equity, 1 January	10,045	14,332	24,377	57	24,434
Profit for the period	-	528	528	14	542
Total comprehensive income	-	528	528	14	542
Subsequent adjustment of purchase price allocation	-	-	-	34	34
Distributed dividend and other adjustments	-	-	-	(16)	(16)
Total changes in equity	-	528	528	32	560
Equity, 30 June	10,045	14,860	24,905	89	24,994
2019					
Equity, 1 January	8,045	13,050	21,095	-	21,095
Profit for the period	-	506	506	-	506
Total comprehensive income	-	506	506	-	506
Total changes in equity	-	506	506	-	506
Equity, 30 June	8,045	13,556	21,601	-	21,601

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total equity
2020				
Equity, 1 January	10,045	1,464	12,868	24,377
Profit for the period	-	167	361	528
Total comprehensive income	-	167	361	528
Total changes in equity	-	167	361	528
Equity, 30 June	10,045	1,631	13,229	24,905
2019				
Equity, 1 January	8,045	1,181	11,869	21,095
Profit for the period	-	155	351	506
Total comprehensive income	-	155	351	506
Total changes in equity	-	155	351	506
Equity, 30 June	8,045	1,336	12,220	21,601

¹ The share capital breaks down into 19 shares in multiples of DKK 1 million. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of the association Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 78.9% of Nykredit Realkredit A/S. The Financial Statements (in Danish) of Forenet Kredit f.m.b.a. may be obtained from the association.

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	H1/2020	H1/2019
PROFIT FOR THE PERIOD	542	506
Adjustments		
Interest income, net	(795)	(807)
Amortisation and impairment charges for intangible assets	19	-
Other non-cash changes	56	(4)
Impairment charges for loans, advances and receivables etc	335	124
Tax on profit for the period	114	141
Total	271	(40)
Change in operating capital		
Loans, advances and other receivables	11,224	(14,762)
Deposits and other payables	(1,383)	(313)
Payables to credit institutions and central banks	(34,646)	23,695
Bonds	4,714	(924)
Equities etc	(21)	(53)
Other operating capital	2,029	(3,298)
Total	(17,812)	4,305
Interest income received	965	909
Interest expenses paid	(139)	(107)
Corporation tax paid, net	(36)	(148)
Cash flows from the above operating activities	(17,022)	4,959
Cash flows from investing activities		
Property, plant and equipment	(15)	-
Intangible assets	(77)	-
Total	(92)	-
Cash flows from financing activities		
Bonds in issue	738	104
Dividend paid	(16)	-
Total	722	104
Total cash flows for the period	(16,392)	5,063
Cash and cash equivalents, beginning of period:	33,528	17,909
Foreign currency translation adjustment of cash	(95)	1,413
Total cash flows for the period	(16,392)	5,063
Cash and cash equivalents, end of period	17,041	24,385
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	12,071	6,975
Receivables from credit institutions and central banks	4,970	17,410
Total	17,041	24,385

NOTES

Nykredit Bank Group

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1. ACCOUNTING POLICIES

General

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

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

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

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

All figures in the Interim Financial Statements are rounded to the nearest million Danish kroner (DKK), unless otherwise specified. The totals stated are calculated on the basis of actual figures prior to rounding. Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

Significant accounting estimates and assessments

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

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

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

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

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
End-2019	H1/2020	H1/2020	End-2019
2. CAPITAL AND CAPITAL ADEQUACY			
24,377	24,905	Equity	
-	-	Minority interests not included	
(30)	(30)	Prudent valuation adjustment	
(1,700)	(1,770)	Intangible assets excluding deferred tax liabilities	
(41)	(19)	Provisions for expected credit losses in accordance with IRB approach	
-	(528)	Profit for H1/2020 not included	
-	-	Other additions/deductions	
(1,771)	(2,347)	Common Equity Tier 1 capital deductions	
22,605	22,558	Common Equity Tier 1 capital	
-	-	Minority interests	
-	-	Total Additional Tier 1 capital after deductions	
22,605	22,558	Tier 1 capital	
2,000	2,000	Tier 2 capital	
307	554	Tier 2 capital additions/deductions	
-	-	Minority interests	
24,913	25,112	Own funds	
107,120	101,214	Credit risk	
11,227	12,824	Market risk	
7,180	7,919	Operational risk	
125,527	121,957	Total risk exposure amount	
		Financial ratios	
18.0	18.4	Common Equity Tier 1 capital ratio, %	
18.0	18.4	Tier 1 capital ratio, %	
19.8	20.5	Total capital ratio, %	

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

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

Nykredit Bank Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary. In Q2/2020 changes were made to the business areas Business Banking and Corporates & Institutions. Comparative figures have been restated accordingly.

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

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Results								
H1/2020								
Results by business area								
Net interest income	186	329	514	278	792	45	6	843
Net fee income	74	83	157	121	277	7	(11)	273
Wealth management income	202	69	271	60	331	649	7	987
Net interest from capitalisation	(9)	(23)	(32)	(28)	(59)	(3)	49	(14)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	136	136
Trading, investment portfolio and other income	59	(16)	43	73	116	35	(5)	145
Income	512	441	954	504	1,457	732	181	2,371
Costs	398	189	586	263	850	426	28	1,304
Business profit before impairment charges	114	253	367	241	608	307	153	1,067
Impairment charges for loans and advances	(10)	286	276	(25)	252	60	(3)	309
Business profit (loss)	125	(34)	91	265	356	246	156	758
Legacy derivatives	(4)	(127)	(131)	29	(102)	(1)	-	(103)
Profit (loss) before tax	121	(161)	(40)	294	254	246	156	656
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost	-	-	-	-	-	-	35,846	35,846
Loans and advances at amortised cost	11,055	23,198	34,253	29,003	63,256	3,599	159	67,014
Assets by business area	11,055	23,198	34,253	29,003	63,256	3,599	36,005	102,859
Unallocated assets								92,059
Total assets								194,919
Liabilities and equity								
Repo deposits at amortised cost	-	-	-	-	-	-	1,693	1,693
Deposits and other payables at amortised cost	36,826	22,052	58,878	10,135	69,013	15,506	898	85,417
Liabilities by business area	36,826	22,052	58,878	10,135	69,013	15,506	2,591	87,110
Unallocated liabilities								82,815
Equity								24,994
Total liabilities and equity								194,919

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

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Results								
H1/2019								
Results by business area								
Net interest income	162	312	474	237	711	27	4	742
Net fee income	76	81	157	111	267	7	(9)	266
Wealth management income	166	74	241	51	291	422	5	719
Net interest from capitalisation	(10)	(24)	(33)	(27)	(61)	(4)	50	(15)
Trading, investment portfolio and other income	27	31	58	197	255	25	69	349
Income	422	473	896	569	1,464	477	119	2,061
Costs	362	207	569	234	803	224	21	1,048
Business profit before impairment charges	61	266	327	335	662	254	98	1,014
Impairment charges for loans and advances	7	116	123	(28)	94	(5)	8	97
Business profit	54	151	204	363	568	259	91	917
Legacy derivatives	(4)	(162)	(166)	(103)	(269)	(0)	-	(269)
Profit (loss) before tax	50	(12)	38	260	298	259	91	647

BALANCE SHEET

Assets

Reverse repurchase lending at amortised cost	-	-	-	-	-	-	49,147	49,147
Loans and advances at amortised cost	11,953	22,565	34,519	24,606	59,124	4,239	144	63,508
Assets by business area	11,953	22,565	34,519	24,606	59,124	4,239	49,291	112,655
Unallocated assets								101,979
Total assets								214,634

Liabilities and equity

Repo deposits at amortised cost	-	-	-	-	-	-	3,216	3,216
Deposits and other payables at amortised cost	33,185	19,406	52,591	8,585	61,176	16,598	2,314	80,088
Liabilities by business area	33,185	19,406	52,591	8,585	61,176	16,598	5,530	83,304
Unallocated liabilities								109,728
Equity								21,601
Total liabilities and equity								214,634

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/2020			H1/2019		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	843	(48)	795	742	65	807
Dividend on equities etc		5	5		5	5
Fee and commission income, net	273	884	1,157	267	621	888
Net interest and fee income		841	1,957		691	1,700
Wealth management income	987	(987)	-	719	(719)	-
Net interest from capitalisation	(14)	14	-	(15)	15	-
Net income relating to customer benefits programmes	136	(136)	-	-	-	-
Trading, investment portfolio and other income	145	(145)	-	349	(349)	-
Value adjustments		135	135		68	68
Other operating income		173	173		21	21
Total income	2,371			2,062		
Costs	1,304	-	1,304	1,048	-	1,048
Business profit before impairment charges	1,067			1,014		
Impairment charges for loans and advances etc	309	-	309	97	-	97
Profit from investments in associates		3	3		3	3
Business profit	758			917		
Legacy derivatives	(103)	103	-	(269)	269	-
Profit before tax	656	0	656	647	-	647

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

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

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

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

NOTES

DKK million

Nykredit Bank Group	H1/2020	H1/2019
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees	1,434	1,085
Revenue from contracts with customers (IFRS 15) by business area		
Retail	225	218
Corporates & Institutions	188	177
Total Banking	413	395
Wealth Management	994	653
Group Items	27	37
Total	1,434	1,085

The allocation of fees by 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 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 are determined based on the price movements of the underlying contracts, and therefore earnings cannot be finally calculated until at a specified, agreed date, but not later than at the end of the financial year.

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

Nykredit Bank Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2020	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(7)	(28)	22	-	-	22
Lending and deposits	999	(74)	1,072	-	(0)	1,072
Repo transactions and reverse repurchase lending	(111)	-	(111)	-	-	(111)
Bonds in issue at amortised cost	-	9	(9)	-	-	(9)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	2	53	(50)	-	-	(50)
Total	883	(20)	903	-	(0)	903
Financial portfolios at fair value and financial instruments at fair value						
Bonds	58	-	58	-	(63)	(5)
Equities etc	-	-	-	5	(2)	3
Derivative financial instruments etc	(166)	-	(166)	-	76	(90)
Total	(108)	-	(108)	5	12	(91)
Foreign currency translation adjustment					123	123
Net interest income etc and value adjustments	775	(20)	795	5	135	935
H1/2019						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	7	(24)	31	-	-	31
Lending and deposits	968	(22)	989	-	4	993
Repo transactions and reverse repurchase lending	(97)	-	(97)	-	-	(97)
Bonds in issue at amortised cost	-	7	(7)	-	-	(7)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	1	42	(42)	-	-	(42)
Total	878	23	855	-	4	858
Financial portfolios at fair value and financial instruments at fair value						
Bonds	58	-	58	-	103	162
Equities etc	-	-	-	5	33	38
Derivative financial instruments etc	(106)	-	(106)	-	(107)	(213)
Total	(48)	-	(48)	5	29	(14)
Foreign currency translation adjustment					36	36
Net interest income etc and value adjustments	830	23	807	5	68	880

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
H1/2019	H1/2020	H1/2020	H1/2019
7. VALUE ADJUSTMENT			
Assets measured at fair value through profit or loss			
4	(0)	(0)	4
104	(62)	(63)	103
33	(1)	(2)	33
36	123	123	36
(129)	72	72	(130)
22	4	4	22
68	136	135	68

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

Nykredit Bank 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 amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc ¹	Guarantees etc ¹	Total	Total
Total impairment provisions	2020	2019	2020	2019	2020	2019	2020	2019
Balance, beginning of period	2,526	2,767	12	12	137	117	2,675	2,896
New impairment provisions as a result of additions and change in credit risk	893	749	5	4	170	75	1,068	829
Releases as a result of redemptions and change in credit risk	678	703	0	0	52	60	731	763
Impairment provisions written off	61	102	-	-	-	-	61	102
Interest on impaired facilities	30	31	-	-	-	-	30	31
Total impairment provisions, end of period	2,710	2,741	16	17	255	132	2,981	2,890
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	215	46	4	4	118	15	337	66
Write-offs for the year, not previously written down for impairment	9	66	-	-	-	-	9	66
Recoveries on claims previously written off	(26)	(27)	-	-	-	-	(26)	(27)
Total	197	86	4	4	118	15	319	105
Value adjustment of claims previously written off	(11)	(8)	-	-	-	-	(11)	(8)
Earnings impact, H1	186	78	4	4	118	15	309	97

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

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

8 b. 2020: Total impairment provisions by stage	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Total, 1 January 2020	409	199	1,930	52	38	
Transfer to stage 1	104	(86)	(18)	13	(13)	(0)	0
Transfer to stage 2	(16)	197	(182)	(4)	7	(3)	(0)
Transfer to stage 3	(8)	(19)	26	(0)	(2)	2	0
Impairment provisions for new loans and advances (additions)	57	14	70	35	8	5	190
Additions as a result of change in credit risk	186	138	431	80	26	16	878
Releases as a result of change in credit risk	206	182	290	28	11	14	731
Previously written down for impairment, now written off	0	0	61	-	-	-	61
Interest on impaired facilities	-	-	30	-	-	-	30
Total impairment provisions, end of period	527	262	1,937	149	53	52	2,981
Total		2,726			255		2,981
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	16	-	-				16
Earnings impact, H1/2020	37	(29)	211	87	23	8	337

8 b. 2019: Total impairment provisions by stage	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Total, 1 January 2019	317	187	2,274	36	29	
Transfer to stage 1	141	(119)	(22)	21	(10)	(11)	(0)
Transfer to stage 2	(7)	77	(70)	(3)	9	(6)	0
Transfer to stage 3	(1)	(14)	15	(0)	(1)	2	0
Impairment provisions for new loans and advances (additions)	69	23	48	8	5	3	157
Additions as a result of change in credit risk	98	121	394	6	26	26	671
Releases as a result of change in credit risk	247	86	370	30	12	18	763
Previously written down for impairment, now written off	0	0	102	-	-	-	102
Interest on impaired facilities	-	-	31	-	-	-	31
Total impairment provisions, end of period	371	189	2,198	38	45	49	2,890
Total		2,758			132		2,890
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	17	-	-				17
Earnings impact, H1/2019	(79)	58	72	(16)	19	12	66

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

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

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

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

Nykredit Bank Group

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

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	97,853	5,070	2,647	105,569
Total impairment provisions, end of period	510	262	1,937	2,710
Value, end of period	97,342	4,808	709	102,859
Guarantees and loan commitments				
Guarantees etc	51,172	965	186	52,323
Total impairment provisions, end of period	149	53	52	255
Value, end of period	51,023	912	134	52,069

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

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	109,607	4,574	2,560	116,741
Total impairment provisions, end of period	396	199	1,930	2,526
Value, end of period	109,210	4,374	630	114,215
Guarantees and loan commitments				
Guarantees etc	59,379	1,094	241	60,714
Total impairment provisions, end of period	52	38	46	137
Value, end of period	59,327	1,056	195	60,577

Nykredit Bank A/S

9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC, PARENT**9 a. Impairment charges for loans, advances and receivables etc**

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc ¹	Guarantees etc ¹	Total	Total
Total impairment provisions	2020	2019	2020	2019	2020	2019	2020	2019
Balance, beginning of year	2,419	2,670	12	12	137	117	2,568	2,799
New impairment provisions as a result of additions and change in credit risk	829	718	5	4	170	75	1,004	797
Releases as a result of redemptions and change in credit risk	653	681	0	-	52	60	705	741
Impairment provisions written off	54	98	-	-	-	-	54	98
Interest on impaired facilities	30	31	-	-	-	-	30	31
Total impairment provisions, end of period	2,572	2,639	16	17	255	132	2,843	2,788
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	177	37	4	4	118	15	299	56
Write-offs for the year, not previously written down for impairment	7	55	-	-	-	-	7	55
Recoveries on claims previously written off	(21)	(19)	-	-	-	-	(21)	(19)
Total	163	73	4	4	118	15	285	92
Value adjustment of claims previously written off	(11)	(8)	-	-	-	-	(11)	(8)
Earnings impact, H1	152	65	4	4	118	15	274	84

Nykredit Bank A/S

9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC, PARENT (CONTINUED)**9 b. 2020: Total impairment provisions by stage**

	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2020	396	193	1,842	52	38	46	2,568
Transfer to stage 1	103	(86)	(18)	13	(13)	(0)	-
Transfer to stage 2	(15)	196	(181)	(4)	7	(3)	-
Transfer to stage 3	(8)	(16)	23	(0)	(2)	2	-
Impairment provisions for new loans and advances (additions)	55	14	40	35	8	5	157
Additions as a result of change in credit risk	185	137	403	80	26	16	848
Releases as a result of change in credit risk	202	180	271	28	11	14	705
Previously written down for impairment, now written off	-	-	54	-	-	-	54
Interest on impaired facilities	-	-	30	-	-	-	30
Total impairment provisions	514	260	1,815	149	53	52	2,843
Total impairment provisions, end of period		2,588			255		2,843
Impairment provisions, end of period, are attributable to:							
Credit institutions	16	-	-				16
Earnings impact, H1/2020	38	(29)	172	87	23	8	299

9 b. 2019: Total impairment provisions by stage

	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2019	308	182	2,192	36	29	53	2,800
Transfer to stage 1	140	(119)	(21)	21	(10)	(11)	-
Transfer to stage 2	(7)	74	(67)	(3)	9	(6)	-
Transfer to stage 3	(1)	(14)	15	(0)	(1)	2	-
Impairment provisions for new loans and advances (additions)	67	22	44	8	5	3	150
Additions as a result of change in credit risk	96	119	374	6	26	26	647
Releases as a result of change in credit risk	243	82	356	30	12	18	741
Previously written down for impairment, now written off	-	-	98	-	-	-	98
Interest on impaired facilities	-	-	31	-	-	-	31
Total impairment provisions	360	183	2,114	38	45	49	2,788
Total impairment provisions, end of period		2,656			132		2,788
Impairment provisions, end of period, are attributable to:							
Credit institutions	17	-	-				17
Earnings impact, H1/2019	(81)	59	63	(16)	19	12	56

NOTES

Nykredit Bank A/S		Nykredit Bank Group	
H1/2019	H1/2020	H1/2020	H1/2019
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
0	3	3	3
155	165	-	-
155	167	3	3

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2019	H1/2020		H1/2020	End-2019
11. LOANS, ADVANCES AND OTHER RECEIVABLE AT AMORTISED COST				
66,510	68,138	Bank loans and advances	69,724	67,992
48,749	35,846	Reverse repurchase lending	35,846	48,749
115,259	103,984	Balance, end of period	105,569	116,741
Adjustment for credit risk				
(2,419)	(2,572)	Impairment provisions	(2,710)	(2,526)
112,839	101,412	Balance after impairment, end of period	102,859	114,215
12. BONDS AT FAIR VALUE				
38,612	30,094	Covered bonds	31,208	39,612
3,393	13,208	Government bonds	13,226	3,401
1,482	1,274	Other bonds etc	1,274	1,482
43,487	44,576	Total	45,708	44,495
178	179	Self-issued bonds offset against bonds in issue	179	178
43,308	44,397	Total	45,529	44,317
The effect of fair value adjustment is recognised in the income statement.				
1,285	3,326	Of which redeemed bonds	3,326	1,290
15,518	9,526	Assets sold as part of genuine sale and repurchase transactions	9,526	15,518

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2019	H1/2020		H1/2020	End-2019
13. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
63,511	41,287	Payables to credit institutions	41,287	63,511
3,121	1,388	Payables to central banks	1,388	3,121
18,522	7,824	Repo transactions with credit institutions	7,824	18,522
85,154	50,499	Total	50,499	85,154
14. DEPOSITS AND OTHER PAYABLES				
77,324	79,924	On demand	79,749	77,148
5	-	At notice	-	5
5,087	2,731	Time deposits	2,731	5,087
3,310	2,937	Special deposits	2,937	3,310
3,331	1,693	Repo deposits	1,693	3,331
89,057	87,284	Total	87,110	88,881
15. BONDS IN ISSUE AT AMORTISED COST				
3,959	4,671	Bonds in issue	4,671	3,959
(178)	(179)	Own portfolio	(179)	(178)
3,780	4,492	Total	4,492	3,780
Issues				
595	529	EMTN issues*	529	595
3,185	3,963	ECP issues*	3,963	3,185
3,780	4,492	Total	4,492	3,780
* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.				
16. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
7,174	11,878	Negative securities portfolios	11,771	7,133
7,174	11,878	Total	11,771	7,133
17. SUBORDINATED DEBT				
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.				
Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibor.				
2,000	2,000		2,000	2,000
2,000	2,000	Total subordinated debt	2,000	2,000
2,000	2,000	Subordinated debt that may be included in own funds	2,000	2,000

18. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Nykredit Realkredit, its parent as well as Group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's Group enterprises and associates as stated in the Group structure are included as well as the Bank's Board of Directors, its Executive Board and related parties thereof.

No unusual related party transactions occurred in H1/2020 and 2019.

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

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

Moreover, Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Nykredit Bank in the form of Tier 2 capital and in 2019 contributed another DKK 2.0 billion to Nykredit Bank in the form of Tier 1.

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas etc. Transactions in financial instruments are covered by master netting agreements involving an on-going exchange of collateral in the form of cash and bonds.

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

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2020 and 2019 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

19. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

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

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

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

Unobservable inputs

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

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

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

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 74 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2020, the proportion was thus 2.8% (end-2019: 1.6%). The proportion of financial liabilities was 0.0% (end-2019: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.9 billion (end-2019: DKK 1.1 billion) belonged to this category.

Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 191 million at 30 June 2020 (0,76% of equity at 30 June 2020). The earnings impact at 31 December 2019 was estimated at DKK 108 million (0.44% of equity at 31 December 2019).

Transfers between categories

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 30 June 2020, financial assets of DKK 4.7 billion (end-2019: DKK 1.4 billion) have been transferred from Listed prices to Observable inputs and DKK 3.4 billion (end-2019: DKK 0.8 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.4 billion (end-2019: DKK 0.2 billion) were transferred from Listed prices to Observable inputs and DKK 0.3 billion (end-2019: DKK 0.1 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2020 the amount was DKK 3.3 billion (end-2019: DKK 1.3 billion).

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

Nykredit Bank Group

19. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2020

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	12,088	33,441	-	45,529
- equities measured at fair value through profit or loss	112	-	38	150
- positive fair value of derivative financial instruments	64	20,937	1,868	22,869
Total	12,264	54,378	1,906	68,548
Percentage	17.9	79.3	2.8	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	4,085	7,685	-	11,771
- negative fair value of derivative financial instruments	61	11,433	-	11,494
Total	4,146	19,118	-	23,265
Percentage	17.8	82.2	-	100.0

Assets measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	39	1,033	1,072
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(1)	528	527
Sales for the period	-	(1)	(107)	(108)
Transferred from Listed prices and Observable inputs ¹	-	1	1,965	1,966
Transferred to Listed prices and Observable inputs ²	-	-	(1,551)	(1,551)
Fair value, end of period, assets	-	38	1,868	1,907

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

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

Nykredit Bank Group

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

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	18,390	25,927	-	44,317
- equities measured at fair value through profit or loss	89	-	39	128
- positive fair value of derivative financial instruments	5	19,965	1,033	21,004
Total	18,484	45,892	1,072	65,448
Percentage	28.2	70.1	1.6	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,234	3,899	-	7,133
- negative fair value of derivative financial instruments	30	12,135	-	12,165
Total	3,264	16,034	-	19,298
Percentage	16.9	83.1	-	100.0

Assets measured on the basis of unobservable inputs

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

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

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Nykredit Bank Group

20. GROUP STRUCTURE

Name and registered office

	Ownership interest as %, 30 June 2020	Profit for the period, 2020	Equity 30 June 2020	Profit for 2019	Equity 31 December 2019
Nykredit Bank A/S (Parent), Copenhagen, a)		528	24,905	1,288	24,377
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	92	1,171	191	1,079
Nykredit Leasing A/S, Gladsaxe c)	100	31	888	102	858
Sparinvest Holdings SE, Luxembourg, d)	75	65	242	280	233

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.

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	958	2,610	656	114	-

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

- a) Banking
- b) Investment management company
- c) Leasing
- d) Holding company, no independent activities

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S and consolidated with Nykredit A/S for accounting purposes, which is consolidated with Forenet Kredit for accounting purposes.

The financial statements of Forenet Kredit (in Danish) and Nykredit A/S are available from:

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

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DKK million

Nykredit Bank Group	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	795	807	829	743	703
Net fee income etc	1,162	893	846	800	526
Net interest and fee income	1,957	1,700	1,674	1,543	1,228
Value adjustments	135	68	732	2,241	(778)
Other operating income	173	21	14	17	14
Staff and administrative expenses	1,258	1,036	976	934	953
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	19	0	0	7	8
Other operating expenses	28	12	12	11	13
Impairment charges for loans, advances and receivables etc	309	97	129	(207)	(86)
Profit (loss) from investments in associates and Group enterprises	3	3	1	-	(0)
Profit (loss) before tax	656	647	1,305	3,054	(424)
Tax	114	141	281	671	(107)
Profit (loss) for the period	542	506	1,025	2,383	(317)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Assets					
Cash balances and receivables from credit institutions and central banks	17,040	24,385	12,724	25,486	37,410
Loans, advances and other receivables at fair value	-	-	-	21,511	30,350
Loans, advances and other receivables at amortised cost	102,859	112,652	89,536	57,544	49,554
Bonds and equities etc	45,679	42,539	49,075	36,205	38,144
Remaining assets	29,340	35,057	22,755	25,041	39,558
Total assets	194,919	214,634	174,090	165,787	195,016
Liabilities and equity					
Payables to credit institutions and central banks	50,499	77,760	42,434	41,252	40,205
Deposits and other payables	87,110	83,304	84,293	69,716	69,643
Bonds in issue at amortised cost	4,492	5,511	4,779	6,366	14,990
Other non-derivative financial liabilities at fair value	11,771	9,411	6,059	10,149	21,075
Remaining liabilities	13,432	14,751	13,811	16,958	33,081
Provisions	622	295	254	219	221
Subordinated debt	2,000	2,000	2,000	2,000	-
Equity	24,994	21,601	20,460	19,127	15,801
Total liabilities and equity	194,919	214,634	174,090	165,787	195,016
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	23,994	28,470	21,692	19,627	13,689
Other commitments	13,533	9,636	7,315	6,291	6,022

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Nykredit Bank Group	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUE)					
FINANCIAL RATIOS¹					
Total capital ratio, %	21.5	20.7	22.4	20.8	20.0
Tier 1 capital ratio, %	19.3	18.7	20.0	18.7	19.6
Return on equity before tax, %	2.7	3.0	6.5	17.0	(2.7)
Return on equity after tax, %	2.2	2.4	5.1	13.3	(2.0)
Cost:income ratio	1.4	1.57	2.17	5.09	0.52
Foreign exchange position, %	0.3	0.6	0.1	0.4	0.1
Loans and advances:equity (loan gearing)	4.1	5.2	4.4	4.1	5.1
Growth in loans and advances for the period, excluding repo transactions %	2.4	4.9	4.6	4.6	6.0
Impairment charges for the period, %	0.2	0.1	0.1	(0.2)	(0.1)
Return on capital employed, %	0.3	0.2	0.6	1.4	(0.2)
Average number of staff, full-time equivalent	958	843	830	827	791

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report 2019

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DKK million

Nykredit Bank A/S	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	708	720	748	671	636
Net fee income etc	716	681	665	637	379
Net interest and fee income	1,424	1,402	1,413	1,308	1,015
Value adjustments	136	68	733	2,241	(779)
Other operating income	156	5	2	2	1
Staff and administrative expenses	991	932	870	829	841
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	-	-	8	8
Other operating expenses	27	10	10	10	10
Impairment charges for loans, advances and receivables etc	274	84	125	(209)	(91)
Profit (loss) from investments in associates and Group enterprises	167	155	127	111	86
Profit (loss) before tax	592	605	1,271	3,024	(446)
Tax	64	99	246	641	(129)
Profit (loss) for the period	528	506	1,025	2,383	(317)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2020	30.06.2019	30.06.2018	30.06.2017	30.06.2016
Assets					
Cash balances and receivables from credit institutions and central banks	16,984	24,377	12,723	25,486	37,410
Loans, advances and other receivables at fair value	-	-	-	21,511	30,350
Loans, advances and other receivables at amortised cost	101,412	111,289	88,116	56,254	48,121
Bonds and equities etc	44,536	48,111	51,942	35,618	37,633
Remaining assets	31,299	30,314	20,594	26,278	40,594
Total assets	194,231	214,090	173,375	165,147	194,108
Liabilities and equity					
Payables to credit institutions and central banks	50,499	77,760	42,164	40,982	39,665
Deposits and other payables	87,284	83,400	84,364	69,809	69,704
Bonds in issue at amortised cost	4,492	5,511	4,779	6,366	14,990
Other non-derivative financial liabilities at fair value	11,878	9,411	6,059	10,149	21,075
Remaining liabilities	12,780	14,247	13,415	16,598	32,743
Provisions	393	159	134	116	131
Subordinated debt	2,000	2,000	2,000	2,000	-
Equity	24,905	21,601	20,460	19,127	15,800
Total liabilities and equity	194,231	214,090	173,375	165,147	194,108
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	23,994	28,569	22,132	19,996	14,327
Other commitments	13,363	9,411	6,578	6,145	5,922

NOTES

Nykredit Bank A/S	H1/ 2020	H1/ 2019	H1/ 2018	H1/ 2017	H1/ 2016
21. FIVE YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS¹					
Total capital ratio, %	20.5	19.7	21.4	19.8	19.3
Tier 1 capital ratio, %	18.4	17.8	19.2	17.9	18.8
Return on equity before tax, %	2.4	2.8	6.3	16.9	(2.8)
Return on equity after tax, %	2.1	2.4	5.1	13.3	(2.0)
Cost:income ratio	1.5	1.59	2.26	5.75	0.42
Foreign exchange position, %	0.3	0.6	0.1	0.4	0.1
Loans and advances:equity (loan gearing)	4.1	5.2	4.3	4.1	5.0
Growth in loans and advances for the period, excluding repo transactions %	2.3	4.8	4.6	5.2	6.1
Impairment charges for the period, %	0.3	0.1	0.1	(0.2)	(0.1)
Return on capital employed, %	0.3	0.2	0.6	1.4	(0.2)
Average number of staff, full-time equivalent	675	668	659	666	633

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in the Annual Report 2019