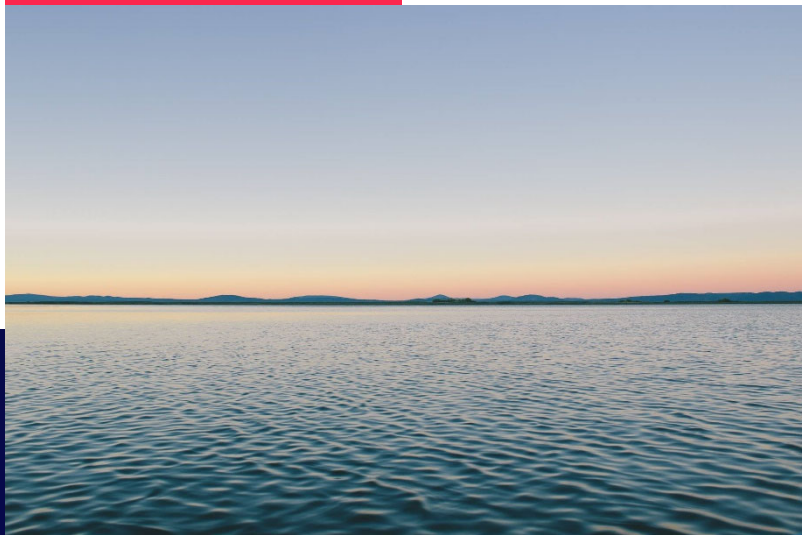


**Nykredit
Bank**

H1 Interim Report 2022



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FINANCIAL HIGHLIGHTS


DKK million

Nykredit Bank Group	H1/ 2022	H1/ 2021	Q2/ 2022	Q1/ 2022	Q2/ 2021	2021
BUSINESS PROFIT AND PROFIT FOR THE PERIOD						
Net interest income	1,001	879	516	485	445	1,774
Net fee income	315	345	153	162	192	680
Wealth management income	1,171	1,100	579	592	556	2,324
Net interest from capitalisation	(64)	(14)	(33)	(31)	(7)	(41)
Net income relating to customer benefits programmes ¹	(56)	(20)	(29)	(27)	(18)	(72)
Trading, investment portfolio and other income	433	427	174	259	197	1,246
Income	2,801	2,717	1,360	1,441	1,366	5,912
Costs	1,526	1,392	757	769	705	2,927
Business profit before impairment charges	1,275	1,325	603	672	661	2,985
Impairment charges for loans and advances	237	28	190	46	39	(120)
Business profit	1,038	1,298	413	626	621	3,105
Legacy derivatives	670	292	341	329	56	432
Profit before tax	1,708	1,590	754	954	677	3,537
Tax	369	338	162	207	145	733
Profit for the period	1,339	1,252	592	748	532	2,804
Minority interest	27	17	12	15	8	45
SUMMARY BALANCE SHEET						
Assets	30.06.2022	30.06.2021	30.06.2022	31.03.2022	30.06.2021	31.12.2021
Cash balances and receivables from credit institutions and central banks	28,836	25,684	28,836	30,498	25,684	27,134
Reverse repurchase lending	36,831	44,229	36,831	47,043	44,229	50,900
Loans, advances and other receivables at amortised cost	86,022	70,844	86,022	79,890	70,844	74,513
Bonds and equities etc	53,304	42,590	53,304	41,232	42,590	40,029
Remaining assets	15,971	24,021	15,971	19,641	24,021	22,814
Total assets	220,963	207,368	220,963	218,304	207,368	215,390
Liabilities and equity						
Payables to credit institutions and central banks	51,883	52,126	51,883	56,139	52,126	52,833
Repo deposits	5,641	6,725	5,641	8,397	6,725	7,379
Deposits and other payables	97,189	91,840	97,189	88,174	91,840	92,895
Bonds in issue at amortised cost	7,382	925	7,382	5,248	925	4,415
Other non-derivative financial liabilities at fair value	15,165	15,144	15,165	16,998	15,144	13,613
Remaining liabilities	10,914	10,692	10,914	11,121	10,692	10,711
Provisions	678	611	678	625	611	687
Subordinated debt	-	2,000	-	-	2,000	2,000
Equity	32,111	27,305	32,111	31,604	27,305	30,856
Total liabilities and equity	220,963	207,368	220,963	218,304	207,368	215,390
FINANCIAL RATIOS¹						
Profit for the period as % pa of average equity	8.4%	9.2%	7.3%	9.4%	7.8%	10.0%
Costs as % of income	54.5	51.2	55.7	53.4	51.6	49.5
Total provisions for loan impairment and guarantees	3,342	3,260	3,342	3,141	3,260	2,764
Impairment charges for the period, %	0.15	0.01	0.12	0.03	0.03	(0.08)
Total capital ratio, %	23.7	20.2	23.7	22.3	20.2	23.5
Tier 1 capital ratio, %	23.3	18.3	23.3	21.8	18.3	23.0
Common Equity Tier 1 capital ratio, %	23.3	18.3	23.3	21.8	18.3	23.0
Average number of staff, full-time equivalent	1,016	944	1,016	1,016	927	974

¹ "Net income relating to customer benefits programmes" has been specified under "Alternative performance measures" on page 12.

FINANCIAL REVIEW

	Business profit	Profit	Income
	DKK 1,038 million	DKK 1,708 million	DKK 2,801 million
	Business profit	Profit before tax for the period	Income

	Return on equity	Cost:income ratio	Impairment charges, %
	8.4%	54.5%	0.15%
	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 H1/2022

Nykredit Bank posted a profit before tax of DKK 1,708 million in H1/2022 (H1/2021: DKK 1,590 million). H1 was characterised by continued lending and customer growth.

Nykredit Bank recorded both deposit and lending growth in H1 with lending up DKK 11,509 million to DKK 86,022 million in H1/2022, primarily attributable to corporate clients, and deposits increased by DKK 4,294 million to DKK 97,189 million. In H1 assets under administration and assets under management decreased due to negative returns, partly offset by positive net sales.

As the first among the largest Danish banks, Nykredit chose to raise its deposit rates immediately after Danmarks Nationalbank's interest rate hike effective from 22 July 2022. This means that our personal customers will no longer be charged negative interest on their deposits. The deposit rates applying to business customers were also raised.

H1/2022 was marked by rising inflation, driven by, for instance, the global recovery from the covid-19 pandemic, which pushed up demand and challenged supply chains. On top of that, geopolitical tensions, partially caused by the war in Ukraine has elevated commodities, food and energy prices. The half-year was also marked by equity market turmoil, rising interest rate levels and a housing market which went from high activity and price rises to a slowdown.

Mutual benefits

Nykredit Bank's mutual benefits programme includes a customer discount, a savings discount and discount on bank home loans.

The customer discount is offered to full-service customers in proportion to their business with Nykredit. If the entire discount is not used within a given year, it may be saved for up to three years and used for example in connection with loan financing or similar.

We offer a savings discount to full-service customers who invest through one of our wealth management propositions. The savings discount is 25% of the customer's direct investment management fee.

We focus on green choices

Nykredit Bank's green car and home loans are a key element of Nykredit's ambitions for a greener Denmark. The products are offered to personal customers (green home loans, green car loans and home

energy check-ups) and aim to ensure that financing costs will not discourage them from buying an electric or hybrid car or making low-energy home improvements. We also offer green products to our agricultural customers, for example green machinery leasing. Finally we offer green construction loans to public housing clients with green energy renovation or green construction projects.

Small and medium-sized companies are increasingly becoming subject to climate-related reporting demands from general legislation, customers, suppliers and financial partners. To ease this burden for our customers, we offer access to a digital tool designed to support businesses going green, helping them document and report on their progress.

Furthermore, we offer major corporate clients advice on how to take a more systematic approach to sustainability with a view to increasing their positive impact, while at the same time achieving improved ESG ratings to obtain market recognition for their efforts.

Insurance partnership

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. Personal customers of a large number of banks, including Nykredit Bank, have access to some of the top insurance products in the market. The insurance propositions were well received by customers, and we continue developing products for business and agricultural customers in addition to optimising digital processes for the benefit of our customers.

Recognition of our products

Products and services across the Group are being recognised by our customers. Each year Morningstar, an independent research provider, distributes awards to the best investment funds across the world. For the fifth consecutive year, Nykredit Invest is among the winners of the main categories at the Morningstar Awards.

In Denmark, Nykredit Invest won five out of eight awards this year, including the three category awards as "Best manager of equities", "Best manager of bonds" as well as "Best manager of equities and bonds". In addition to the category awards, Nykredit Invest won awards in the categories "Global Equities" and "Danish Bonds". Particularly the award "Global Equities" stands out, which was won by "Bæredygtige Aktier", one of Nykredit's sustainable equities funds carrying the Nordic Swan Ecolabel.

Our green car loans were awarded Best in Test by the Danish Consumer Council in February and recommended as the cheapest loan for electric cars in the market.

Income

Total income was DKK 2,801 million in H1/2022 (H1/2021: DKK 2,717 million). Net interest income increased by DKK 122 million to DKK 1,001 million (H1/2021: DKK 879 million). Higher net interest income was chiefly attributable to interest income from deposits due to the new limits for charging negative deposit interest in H1/2022. Net fees were DKK 315 million (H1/2021: DKK 345 million).

Wealth management income stood at DKK 1,171 million (H1/2021: DKK 1,100 million), up 6.4%, despite negative returns in Asset Management due to financial market conditions.

Net interest from capitalisation, which includes interest on subordinated debt etc, totalled an expense of DKK 64 million (H1/2021: an expense of DKK 14 million).

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, came to DKK 433 million (H1/2021: DKK 427 million). H1 saw positive value adjustments of derivatives owing to rising interest rates, whilst investment portfolio income was strained from the yield spread widening of Danish mortgage bonds.

Costs

Costs were DKK 1,526 million (H1/2021: DKK 1,392 million). The rise was driven by increasing business volumes and activity which increased staff costs. The average number of full-time equivalent staff totalled 1,016 (H1/2021: 944). This trend was mainly due to increased staffing in customer-facing entities as well as in Nykredit's compliance entities.

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for loans and advances were 0.15% (H1/2021: 0.01%). Impairment charges and provisions amounted to DKK 237 million (H1/2021: DKK 28 million). Impairments were primarily impacted by provisions taken to cover the geopolitical turmoil.

Legacy derivatives

Legacy derivatives contributed income of DKK 670 million (H1/2021: DKK 292 million), primarily due to interest rate rises in H1. Legacy derivatives are derivatives Nykredit no longer offers to customers. These value adjustments are not included in business profit.

Tax

Tax calculated on profit for the period was DKK 369 million (H1/2021: DKK 338 million). Tax on profit for the period includes an adjustment of deferred tax (charge) of DKK 11 million. The adjustment is a result of the new surtax imposed in the financial sector. This means that the taxation of financial providers will increase from 22% to 26% in 2024.

Balance sheet

The balance sheet stood at DKK 221.0billion (end-2021: DKK 215.4 billion).

Receivables from credit institutions and cash balances etc increased to DKK 28.8 billion (end-2021: DKK 27.1 billion), and reverse repurchase lending decreased by DKK 14.1 billion to DKK 36.8 billion (end-2021: DKK 50.9 billion).

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 11.5 billion relative to end-2021 to DKK 86.0 billion at end-June 2022 (end-2021: DKK 74.5 billion), mainly attributable to corporate clients and Private Banking Elite clients.

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At end-June 2022, these loans amounted to DKK 7.0 billion (end-2021: DKK 6.5 billion). Loan balances including secured homeowner loans totalled DKK 93.0 billion (end-2021: DKK 81.0 billion).

Bond and equity portfolios totalled DKK 53.3 billion (end-2021: DKK 40.0 billion). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 16.0 billion (end-2021: DKK 22.8 billion). At end-June 2022, DKK 10.7 billion was attributable to positive market values of derivatives (end-2021: DKK 16.5 billion). 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 51.9 billion (end-2021: DKK 52.8 billion), while repo deposits decreased by DKK 1.7 billion to DKK 5.6 billion (end-2021: DKK 7.4 billion).

Deposits and other payables (excluding repo deposits) went up by DKK 4.3 billion to DKK 97.2 billion (end-2021: DKK 92.9 billion).

Bonds in issue totalled DKK 7.4 billion (end-2021: DKK 4.4 billion). 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 15.2 billion (end-2021: DKK 13.6 billion).

Remaining payables and provisions amounted to DKK 11.6 billion (end-2021: DKK 11.4 billion). 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 8.4 billion (end-2021: DKK 8.3 billion).

RESULTS FOR Q2/2022 RELATIVE TO Q1/2022

Profit before tax was DKK 754 million (Q1/2022: DKK 954 million). Business profit came to DKK 413 million in Q2/2022 (Q1/2022: DKK 626 million).

Income was DKK 1,360 million (Q1/2022: DKK 1,441 million), driven by increasing net interest income and lower trading, investment portfolio and other income.

Net interest income increased to DKK 516 million (Q1/2022: DKK 485 million), and net fee income decreased by DKK 9 million to a total of DKK 153 million (Q1/2022: DKK 162 million).

Costs amounted to DKK 757 million (Q1/2022: DKK 769 million).

Impairment charges for loans and advances were DKK 190 million (Q1/2022: charges of DKK 46 million). Impairments were affected by provisions taken to cover the geopolitical turmoil.

Value adjustment of legacy derivatives was positive at DKK 341 million in Q2/2022 (Q1/2022: a gain of DKK 329 million).

OUTLOOK AND GUIDANCE FOR 2022

Earlier this year our guidance for profit before tax was raised to DKK 2.8-3.3 billion from the former DKK 2.4-2.9 billion. Based on the positive business trends and interest rate rises in H1, we maintain our guidance for profit before tax.

Our overall guidance for business profit and profit before tax for 2022 reflects that:

- Nykredit Bank expects a decrease in total income relative to the extraordinarily high income in 2021. Nykredit Bank expects higher interest income and slightly rising wealth management income driven by growing balances and assets under management, but also increasing cost of capital.
- Costs are expected to rise due to payroll, compliance and IT.
- Impairment charges for loans and advances are expected at a more normalised level compared with the extraordinarily low level in 2021.

The most important uncertainty factors applying to the 2022 outlook are related to investment portfolio income, impairment charges for loans and advances as well as legacy derivatives.

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.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the H1/2022 Interim Report which materially affect the Group's financial position.

CAPITAL

EQUITY AND OWN FUNDS

Equity carried for accounting purposes totalled DKK 32.1 billion at end-June 2022 in the Nykredit Bank Group (end-2021: DKK 30.9 billion).

As subsidiary of Nykredit Realkredit A/S, Nykredit Bank is covered by the Nykredit Realkredit Group's capital policy and capital management. To ensure the Nykredit Realkredit Group's flexibility and responsiveness, capital resources are primarily concentrated in the Parent Nykredit Realkredit A/S. A central element of the Nykredit Realkredit Group's capital policy is that the subsidiaries may receive capital as required. Adequate capitalisation of Nykredit Bank within the Nykredit Realkredit Group is continuously ensured.

	DKK million	
Nykredit Bank Group		
Capital and capital adequacy	30.06.2022	31.12.2021
Credit risk	104,303	105,532
Market risk	14,371	9,809
Operational risk	10,205	9,389
Total risk exposure amount	128,879	124,730
Equity, end of period	32,111	30,856
Minority interest, not included	(81)	(112)
Prudent valuation adjustment	(44)	(49)
Intangible assets and deferred tax assets	(1,922)	(1,932)
Other regulatory adjustments	37	51
Deduction non-performing exposures	(40)	(34)
Common Equity Tier 1 capital	30,063	28,779
Other regulatory deductions	7	10
Tier 1 capital	30,070	28,789
Tier 2 capital regulatory adjustments	561	594
Transitional adjustment of Tier 2 capital	9	12
Own funds	30,639	29,395
CET1 capital ratio, %	23.3	23.0
Tier 1 capital ratio, %	23.3	23.0
Total capital ratio, %	23.7	23.5
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.2	10.9

Capital

The Nykredit Bank Group's own funds consist of CET1 capital. No AT1 capital and Tier 2 capital has been issued at this time.

At end-June 2022, Nykredit Bank Group's risk exposure amount (REA) totalled DKK 128.9 billion (end-2021: DKK 124.7 billion). With own funds at DKK 30.6 billion, this corresponds to a total capital ratio of 23.7% (end-2021: 23.5%). The CET1 capital ratio was 23.3% (end-2021: 23.0%).

REA for credit risk has declined by DKK 1.2 billion in H1/2022 in the Nykredit Bank Group, despite the volume growth and implementation of new guidelines from the European Banking Authority (EBA) on the estimation of IRB models. The decline in REA for credit risk is mainly caused by both value adjustment of derivatives contracts/swaps due to interest rate increases and lower risk weights due to low overdrafts as well as rising property prices etc. REA for market risk increased to DKK 14.4 billion in H1 due to financial market turmoil.

At end-June 2022, the Nykredit Bank Group's own funds totalled DKK 30.6 billion (end-2021: DKK 29.4 billion). Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements. The Bank's CET1 capital amounted to DKK 30.1 billion (end-2021: DKK 28.8 billion).

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit Bank 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 11.2% of the Nykredit Bank Group's risk exposure amount at end-June 2022 equal to the internal capital adequacy requirement.

CREDIT RATINGS

Nykredit Realkredit and Nykredit Bank have rating relationships with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit 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 and long-term and short-term senior preferred debt 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 is rated BBB+ by S&P.

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term Issuer Credit Ratings of A/F1 with Fitch Ratings 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

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

SUPERVISORY DIAMOND FOR BANKS

The Supervisory Diamond sets out benchmark limits for four key ratios that indicate when a bank is operating at an elevated risk. Nykredit complied with all Supervisory Diamond benchmark limits as at 30 June 2022, except for the benchmark limit for lending growth in that Nykredit recorded lending growth of 21.7% at 30 June 2022, exceeding the Danish FSA's limit of 20%. Growth in lending was mainly driven by business lending and generally comprises both new and existing customers as well as bridge financing.

Nykredit Bank A/S		
Supervisory Diamond	30.06.2022	31.12.2021
Large exposures (limit value <175%)	112.6%	109.6%
Lending growth (limit value <20%)	21.7%	4.6%
Property exposure (limit value <25%)	11.1%	11.1%
Liquidity benchmark (limit value >100%)	247.0%	256.4%

ESG ratings

ESG (Environmental, Social and Governance) ratings 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.

ESG rating agency	Nykredit rating
MSCI	AA
Sustainalytics	Low risk
CDP	A-

IMPAIRMENT AND LENDING

Impairment charges for loans and advances were DKK 237 million in H1/2022 (H1/2021: DKK 28 million). The increase was mainly due to higher provisions taken to cover the geopolitical tensions. Our customers still have strong credit quality.

Geopolitical tensions

Geopolitical tensions, including the war in Ukraine are expected to affect the credit quality of some customers due to lower economic growth, rising energy prices, current interest rate conditions, house price trends, inflation and value and supply chain disruptions.

Provisions related to geopolitical tensions are based on stress test calculations of two factors. Firstly, stress simulations have been performed for stage 1 and stage 2 personal and business customers. We expect a drop in personal customers' discretionary incomes as a consequence of increased inflation and higher energy prices. Provisions of DKK 129 million have been made to counter such risk. Secondly, business customers that are heavily reliant on energy for production and manufacturing are also likely to be affected. We have taken provisions of DKK 381 million for exposed sectors. Provisions of DKK 100 million have been taken to cover general uncertainty caused by geopolitical tensions. Total provisions taken to manage increased risk exposures due to geopolitical tensions subsequently came to DKK 610 million including provisions of DKK 12 million with respect to Nykredit Leasing A/S.

Impact of covid-19

Loan impairments related to covid-19 were reassessed in connection with the H1 Interim Report 2022. Loan impairments related to covid-19 are based on stress test calculations of two different factors. Firstly, stress simulations have been performed for stage 1 and stage 2 customers in high-attention sectors. Secondly, the property values of stage 3 customers have been stressed to simulate a reduction in collateral values. At stage 3 we have raised the probability of an adverse scenario for customers in high-attention sectors. Furthermore, the macroeconomic scenarios in our impairment model for stage 1 and stage 2 customers have been prepared to allow for the covid-19 impact.

Of the total loan impairment provisions of DKK 577 million taken in 2020 to cover the consequential losses arising from covid-19, DKK 294 million has been reversed following Nykredit's reassessment of the portfolio.

Provisions for loan impairment related to covid-19 subsequently amounted to DKK 283 million including provisions of DKK 10 million with respect to Nykredit Leasing A/S.

Expectations for macroeconomic models

Nykredit Bank's impairment models are based on forward-looking macroeconomic scenarios. The scenarios should reflect uncertainties relating to the economy as well as both improved and deteriorating outlooks. At end-June 2022, the scenarios were updated to reflect the current and expected economic environment, including the geopolitical turmoil, partially caused by the war in Ukraine, and other derived market conditions.

The base scenario should reflect the economic environment. The base scenario carries a 55% weighting. The scenario implies expected GDP growth of 3.4% and house price rises of 2.4% in 2022. The adverse scenario was included in the models with a weighting of 40%. This scenario implies expected GDP growth of 1.0% and house price declines of 2.0% in 2022. The improved scenario carries a 5% 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.

The general macroeconomic 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.

Post-model adjustments

Corrections and changes to assumptions in the impairment models are based on management judgement. At 30 June, such post-model adjustments totalled DKK 816 million. The underlying reasons, for example changes in agricultural output prices due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector, may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary. The chart outlines the post-model adjustments made.

	DKK million	
Nykredit Bank Group	30.06.2022	31.12.2021
Specific macroeconomic risks and process-related circumstances		
Agriculture	4	6
Covid-19	125	299
Geopolitical tensions	241	0
Concentration risks in loan portfolios	123	56
Total macroeconomic risks	493	361
Process-related	14	18
Model changes	98	51
Other (results of controlling, haircuts etc)	211	308
Total process-related circumstances	323	377
Total post-model adjustments	816	738

Note: As at Q2, additionally DKK 527 million was incorporated into the impairment models as in-model adjustments, where vulnerable sectors due to geopolitical tensions and covid-19 are stressed, resulting in a change of stage (Q4/2021: DKK 204 million). Of this amount, DKK 369 million was attributable to geopolitical tensions and DKK 158 million to covid-19.

Total provisions

Total provisions increased to DKK 3,342 million at 30 June 2022 (end-2021: DKK 3,096 million).

Provisions for guarantees and loan commitments amounted to DKK 348 million (end-2021: DKK 331 million).

Relative to total loans, advances and guarantees, provisions amounted to 2.1% (end-2021: 2.0%).

Earnings impact

Impairment charges for loans and advances amounted to DKK 237 million in H1/2022 (H1/2021: DKK 28 million). Of this amount, loan impairments etc represented DKK 251 million (H1/2021: DKK 57 million) and recoveries on loans and advances previously written off DKK 15 million (H1/2021: DKK 29 million).

Interest rate swaps

Value adjustment of interest rate swaps of DKK 0.9 billion was recorded, of which credit value adjustments amounted to DKK 0.8 billion, comprising DKK 0.6 billion relating to legacy derivatives and DKK 0.2 billion relating to other items.

DKK million

Nykredit Bank Group		
Provisions for loan impairment and guarantees		
	30.06.2022	31.12.2021
Impairment provisions, beginning of period	2,764	3,024
Impairment provisions and reversals	230	(260)
Impairment provisions, end of period	2,994	2,764
- of which impairment provisions for loans and advances etc	2,990	2,755
- of which impairment provisions for loans and advances to banks	4	9
Provisions for guarantees and loan commitments		
Provisions, beginning of period	331	241
Provisions, end of period	348	331
Total provisions	3,342	3,096
Earnings impact		
New impairment provisions and write-offs for the period, net	235	(162)
Recoveries on loans and advances previously written off	15	48
Total	220	(210)
Provisions for guarantees and loan commitments	16	90
Total earnings impact	237	(120)

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees was DKK 158.0 billion (end-2021: DKK 153.6 billion).

Loans, advances and guarantees included a decrease in reverse repurchase lending of DKK 14.1 billion, a rise in other loans and advances of DKK 11.4 billion and a rise in guarantees of DKK 6.9 billion. Reverse repurchase lending totalled DKK 36.8 billion (end-2021: DKK 50.9 billion).

Finance and insurance remained the largest single sector exposure at DKK 44.0 billion (end-2021: DKK 56.4 billion). The exposure widely comprised reverse repurchase lending with bonds serving as security. The increase in lending to personal customers primarily relates to guarantees.

At 30 June 2022, loan impairment provisions for the trade sector totalled DKK 0.5 billion (end-2021: DKK 0.7 billion), or 4.1% of total loans and advances to the sector (end-2021: 6.7%). Loan impairment provisions for the manufacturing, mining and quarrying sector stood at DKK 0.5 billion (end-2021: DKK 0.3 billion) or 3.3% of total loans and advances to the sector (end-2021: 2.2%).

Nykredit Bank Group

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

DKK million

	30.06.2022			31.12.2021		
	Lending, end of period	Total impairment provisions	Earnings impact	Lending, end of period	Total impairment provisions	Earnings impact
Public sector	888	36	26	1,110	10	(0)
Agriculture, hunting, forestry and fishing	4,288	185	(13)	3,877	192	13
Manufacturing, mining and quarrying	13,890	463	201	11,754	262	(123)
Energy supply	6,539	78	37	5,475	32	6
Construction	2,816	343	126	2,722	202	8
Trade	11,972	488	(166)	9,752	655	225
Transport, accommodation and food service activities	6,166	234	99	6,525	144	(29)
Information and communication	4,249	82	(6)	2,376	83	(23)
Finance and insurance	44,020	82	(8)	56,378	91	(50)
Real estate	17,130	461	(60)	16,540	524	(74)
Other	12,834	322	14	9,948	312	(42)
Total business customers	123,903	2,737	224	125,346	2,497	(89)
Personal customers	33,221	566	(7)	27,182	579	(28)
Total	158,012	3,338	242	153,638	3,086	(118)
- of which provisions for losses under guarantees		348	16		331	90
Impairment provisions for credit institutions		4	(5)		9	(2)
- of which intercompany guarantees	25,198			19,239		
Total		3,342	237		3,096	(120)

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 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, which means that the profit for the year is the same in the financial highlights and in the IFRS-based Financial Statements.

The reclassification in note 3 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 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 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 discounts etc such as mutual benefits granted to the customers. The amount includes contributions received.

"Costs" includes the following income statement items "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

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 year as % pa of average equity. Average equity is calculated on the basis of the value at the beginning of the year and at the end of all quarters of the year.

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

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

MANAGEMENT STATEMENT AND AUDIT REPORTS

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 2022 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements for Nykredit Bank A/S and the Management Commentary have been prepared in accordance with the Danish Financial Business Act.

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 Consolidated Financial Statements and the 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 2022 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 2022.

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, 17 August 2022

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen
Chair

Anders Jensen
Deputy Chair

Tonny Thierry Andersen

David Hellemann

Allan Kristiansen *

Susanne Møller Nielsen*

* Staff-elected member

INCOME STATEMENTS

DKK million

	Note	H1/2022	H1/2021	Q2/2022	Q2/2021
Nykredit Bank Group					
INCOME STATEMENT					
Interest income based on the effective interest method		944	986	500	508
Other interest income		(189)	(176)	(90)	(96)
Negative interest, income		(123)	(85)	(62)	(45)
Positive interest expenses		(321)	(134)	(159)	(56)
Interest expenses		111	118	56	51
Net interest income	6	841	740	451	372
Dividend on equities etc		5	4	1	1
Fee and commission income		1,715	1,650	848	860
Fee and commission expenses		333	286	192	157
Net interest and fee income		2,229	2,108	1,109	1,076
Value adjustments	6, 7	1,198	852	569	322
Other operating income		40	46	22	22
Staff and administrative expenses		1,490	1,367	740	697
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		19	15	10	8
Other operating expenses		16	10	7	0
Impairment charges for loans, advances and receivables etc	8	237	28	190	39
Profit from investments in associates and Group enterprises	10	4	3	2	1
Profit before tax		1,708	1,590	754	677
Tax		369	338	162	145
Profit for the period		1,339	1,252	592	532
Proposal for the distribution of profit					
Minority interests calculated		27	17	12	8
Retained earnings		1,312	1,235	580	525
Profit for the period		1,339	1,252	592	532
COMPREHENSIVE INCOME					
Profit for the period		1,339	1,252	592	532
Other comprehensive income		-	-	-	-
Comprehensive income for the period		1,339	1,252	592	532
Distribution of comprehensive income					
Nykredit Bank		1,312	1,235	580	525
Minority interests calculated		27	17	12	8
Comprehensive income for the period		1,339	1,252	592	532

INCOME STATEMENTS

DKK million

Nykredit Bank A/S

	H1/2022	H1/2021	Q2/2022	Q2/2021
INCOME STATEMENT				
Interest income based on the effective interest method	863	898	460	385
Other interest income	(189)	(176)	(90)	(16)
Negative interest, income	(122)	(84)	(61)	(45)
Positive interest expenses	(321)	(134)	(159)	(56)
Interest expenses	110	118	56	51
Net interest income	763	655	412	331
Dividend on equities etc	4	3	1	1
Fee and commission income	1,082	1,056	537	552
Fee and commission expenses	257	183	156	107
Net interest and fee income	1,591	1,531	795	777
Value adjustments	7	1,207	852	322
Other operating income	27	34	13	17
Staff and administrative expenses	1,232	1,108	609	561
Other operating expenses	16	9	7	0
Impairment charges for loans, advances and receivables etc	9	227	21	30
Profit from investments in associates and Group enterprises	10	255	230	111
Profit before tax	1,605	1,510	706	637
Tax	293	275	126	112
Profit for the period	1,312	1,235	580	525
Proposal for the distribution of profit				
Statutory reserves	255	230	123	111
Retained earnings	1,057	1,005	457	413
Profit for the period	1,312	1,235	580	525
COMPREHENSIVE INCOME				
Profit for the period	1,312	1,235	580	525
Other comprehensive income	-	-	-	-
Comprehensive income for the period	1,312	1,235	580	525

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2021	H1/2022		H1/2022	End-2021
ASSETS				
23,526	22,866	Cash balances and demand deposits with central banks	22,866	23,526
3,386	5,809	Receivables from credit institutions and central banks	5,969	3,608
123,816	121,157	Loans, advances and other receivables at amortised cost	11 122,852	125,413
38,439	52,104	Bonds at fair value	12 53,035	39,882
133	258	Equities etc	269	147
13	13	Investments in associates	13	13
2,936	2,442	Investments in Group enterprises	-	-
-	192	Assets in pooled schemes	13 192	-
1,770	1,770	Intangible assets	1,922	1,932
LAND AND BUILDINGS				
-	-	Leased properties	12	14
-	-	Total leased properties	12	14
-	-	Equipment	2	1
0	28	Current tax assets	62	14
124	129	Deferred tax assets	130	125
20,503	13,304	Other assets	13,358	20,629
67	260	Prepayments	280	87
214,714	220,331	Total assets	220,963	215,390

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
End-2021	H1/2022		H1/2022	End-2021	
LIABILITIES AND EQUITY					
52,833	51,883	Payables to credit institutions and central banks	14	51,883	52,833
100,498	103,058	Deposits and other payables	15	102,829	100,275
-	192	Deposits in pooled schemes		192	-
4,415	7,382	Bonds in issue at amortised cost	16	7,382	4,415
13,617	15,184	Other non-derivative financial liabilities at fair value	17	15,165	13,613
23	-	Current tax liabilities		23	35
10,108	10,113	Other liabilities		10,692	10,665
7	3	Deferred income		8	12
181,501	187,816	Total payables		188,174	181,847
PROVISIONS					
-	-	Provisions for deferred tax		188	209
331	348	Provisions for losses under guarantees		348	331
138	136	Other provisions		142	147
469	484	Total provisions		678	687
2,000	-	Subordinated debt	18	-	2,000
Equity					
12,045	12,045	Share capital		12,045	12,045
Other reserves					
2,333	2,587	- statutory reserves		-	-
16,365	17,398	- retained earnings		19,985	18,698
30,743	32,030	Shareholder of Nykredit Bank A/S		32,030	30,743
-	-	Minority interests		81	112
30,743	32,030	Total equity		32,111	30,856
214,714	220,331	Total liabilities and equity		220,963	215,390
OFF-BALANCE SHEET ITEMS					
28,225	35,160	Contingent liabilities		35,160	28,225
13,642	10,283	Other commitments		10,539	13,847
41,867	45,443	Total		45,699	42,073

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Nykredit Bank Group's equity	Minority interests	Total equity
2022					
Equity, 1 January	12,045	18,700	30,745	112	30,857
Profit for the period	-	1,311	1,311	27	1,338
Total comprehensive income	-	1,311	1,311	27	1,338
Premiums relating to acquisition of minority interest	-	(25)	(25)	-	(25)
Distributed dividend and other adjustments	-	-	-	(59)	(59)
Total changes in equity	-	1,286	1,286	(32)	1,254
Equity, 30 June	12,045	19,986	32,031	80	32,111
2021					
Equity, 1 January	10,045	15,942	25,987	96	26,082
Profit for the period	-	1,235	1,235	17	1,252
Total comprehensive income	-	1,235	1,235	17	1,252
Subsequent adjustment of purchase price allocation	-	-	-	-	-
Distributed dividend and other adjustments	-	-	-	(29)	(29)
Total changes in equity	-	1,235	1,235	(12)	1,223
Equity, 30 June	10,045	17,176	27,221	84	27,305

¹ The share capital breaks down into 21 shares in multiples of DKK 5 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
2022				
Equity, 1 January	12,045	2,333	16,365	30,743
Profit for the period	-	255	1,057	1,312
Total comprehensive income	-	255	1,057	1,312
Premium paid on acquisition of shares in subsidiary	-	-	(25)	(25)
Total changes in equity	-	255	1,032	1,287
Equity, 30 June	12,045	2,588	17,398	32,030
2021				
Equity, 1 January	10,045	1,807	14,135	25,987
Profit for the period	-	230	1,005	1,235
Total comprehensive income	-	230	1,005	1,235
Total changes in equity	-	230	1,005	1,235
Equity, 30 June	10,045	2,037	15,139	27,221

¹ The share capital breaks down into 21 shares in multiples of DKK 5 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	H1/2022	H1/2021
PROFIT FOR THE PERIOD	1,339	1,252
Adjustments		
Net interest income	(841)	(740)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	19	15
Profit from investments in associates	(4)	(3)
Prepayments/deferred income, net	(197)	(85)
Impairment charges for loans, advances and receivables etc	223	(7)
Tax on profit for the period	369	338
Other adjustments	27	(162)
Total	937	607
Change in operating capital		
Loans, advances and other receivables	2,337	(6,649)
Deposits and payables to credit institutions	1,605	10,627
Other operating capital	8,844	6,263
Total	13,723	10,849
Interest income received	876	789
Interest expenses paid	(18)	(111)
Corporation tax paid, net	(455)	(74)
Cash flows from the above operating activities	14,125	11,453
Cash flows from investing activities		
Dividend received from associates	4	4
Purchase and sale of bonds and equities, net	(13,278)	(2,846)
Purchase of intangible assets *	(34)	(14)
Purchase of property, plant and equipment	(1)	(1)
Sale of property, plant and equipment	-	1
Total	(13,309)	(2,857)
Cash flows from financing activities		
Redemption of subordinated debt	(2,000)	-
Bonds in issue	2,967	(4,475)
Distributed dividend	(50)	(28)
Payment of lease liabilities	(1)	(2)
Total	916	(4,505)
Total cash flows for the period	1,732	4,090
Cash and cash equivalents, beginning of period:	27,134	21,469
Foreign currency translation adjustment of cash	(30)	124
Total cash flows for the period	1,732	4,090
Cash and cash equivalents, end of period	28,836	25,684
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	22,866	21,038
Receivables from credit institutions and central banks	5,969	4,645
Total	28,836	25,684

* Purchase of intangible assets includes added value from purchase of shares from minority interests.

NOTES

Nykredit Bank Group

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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2022 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 H1/2022 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).

Compared with the information disclosed in the Annual Report for 2021 (note 1), no new accounting rules or amendments have been implemented which have had a material impact on the financial reporting. No amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the H1 Interim Report. Moreover, in H1/2022 the Group and Parent have not made amendments to the principles for presentation, recognition, measurement and classification. It should be noted, however, that Nykredit Bank's new pooled product has resulted in two new balance sheet items, "Assets in pooled schemes" and "Deposits in pooled schemes", which are presented separately. The returns on these assets are recognised in the income statement (value adjustments). Corresponding returns to customers are also recognised, and the earnings impact is therefore nil.

The accounting policies of Nykredit A/S and the Nykredit Group are generally unchanged compared with the Annual Report for 2021 (note 1).

Full accounting policies as well as a description of the Company's and the Group's material risks appear from the Annual Report for 2021 (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.

Significant assessments of the time of recognition and derecognition of financial instruments and assessment of the business models which form the basis for classification of financial assets, including whether the contractual cash flows of a financial asset represent solely payments of principal and interest.

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 2021.

While covid-19-related restrictions were gradually phased out at end-H1, the partial lockdown of borders and workplaces as well as the stronger unemployment trends mean that the determination of impairment provisions for loans and advances remains subject to increased uncertainty.

Corrections to and changes in assumptions in the impairment models are based on management judgement. At end-June, such post-model adjustments totalled DKK 816 million. The underlying reasons, for example changes due to changed economic trends and/or changed export potential as well as financial and legal conditions in the real estate sector may generally affect credit risk beyond the outcome derived on the basis of model-based impairments. Local geographical conditions, internal process risk and ongoing monitoring of the loan portfolio may also reflect conditions which macroeconomic projections cannot capture. The estimates are adjusted and evaluated on a regular basis, and it is decided on an individual basis whether to phase out or incorporate an estimate into the models, if necessary.

Loans, advances and receivables are still subject to high general uncertainty about the impacts of the covid-19 pandemic, as payment of tax and VAT deferred during the pandemic could lead to increased risk of generally lower credit quality and of more bankruptcies. Nevertheless, pandemic-related uncertainty is considered lower compared with end-2021. Consequently, in H1/2022 covid-19-induced impairments of about DKK 0.3 billion have been reversed.

As a result of geopolitical turmoil, including the war in Ukraine, rising inflation, interest rate conditions as well as value and supply chain disruptions, the assessment of the provisioning need involves certain elevated risk, as such factors are likely to impact customers' credit quality. Provisions of DKK 100 million have been taken to cover general geopolitical conditions. Total provisions taken to counter increased risk subsequently came to DKK 610 million.

Please refer to "Impairment and lending" in the Management Commentary.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
End-2021	H1/2022	H1/2022	End-2021
2. CAPITAL AND CAPITAL ADEQUACY			
30,743	32,030	Equity	
-	-	Minority interests not included	
(49)	(44)	Prudent valuation adjustment	
(1,770)	(1,770)	Intangible assets excluding deferred tax liabilities	
-	-	Other regulatory adjustments	
(34)	(40)	Deduction for non-performing exposures	
(1,853)	(1,853)	Common Equity Tier 1 regulatory deductions	
28,890	30,177	Common Equity Tier 1 capital	
-	-	Minority interests	
-	-	Total Additional Tier 1 capital after regulatory deductions	
28,890	30,177	Tier 1 capital	
641	615	Tier 2 capital regulatory adjustments	
-	-	Minority interests	
29,532	30,792	Own funds	
116,106	112,829	Credit risk	
9,597	14,273	Market risk	
7,219	7,981	Operational risk	
132,922	135,083	Total risk exposure amount	
Financial ratios			
21.7	22.3	Common Equity Tier 1 capital ratio, %	
21.7	22.3	Tier 1 capital ratio, %	
22.2	22.7	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 (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 currently 0% in Denmark which must also be met with Common Equity Tier 1 capital. The countercyclical capital buffer will be reactivated at 1.0% from 30 September 2022 and raised to 2.0% from 31 December 2022 and to 2.5% from 31 March 2023.

NOTES

DKK million

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.

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Wealth Management	Group Items	Total
Results								
H1/2022								
Results by business area								
Net interest income	228	376	604	338	943	59	(0)	1,001
Net fee income	111	85	195	141	336	9	(30)	315
Wealth management income	227	67	294	71	364	789	18	1,171
Net interest from capitalisation	(8)	(17)	(25)	(24)	(49)	(3)	(12)	(64)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	(56)	(56)
Trading, investment portfolio and other income	60	141	201	340	542	43	(151)	433
Income	618	652	1,270	866	2,136	896	(231)	2,801
Costs	486	265	751	286	1,037	465	24	1,526
Business profit (loss) before impairment charges	132	387	519	580	1,099	431	(255)	1,275
Impairment charges for loans and advances	(43)	306	263	7	270	(24)	(9)	237
Business profit (loss)	175	81	256	573	830	455	(246)	1,038
Legacy derivatives	63	334	397	273	670	0	-	670
Profit (loss) before tax	238	416	653	846	1,499	455	(246)	1,708
BALANCE SHEET								
Assets								
Reverse repurchase lending at amortised cost							36,831	36,831
Loans and advances at amortised cost	12,197	29,248	41,445	38,702	80,147	5,021	854	86,022
Assets by business area	12,197	29,248	41,445	38,702	80,147	5,021	37,684	122,852
Unallocated assets								98,111
Total assets								220,963
Liabilities and equity								
Repo deposit at amortised cost	-	-	-	-	-	-	5,641	5,641
Deposits and other payables at amortised cost	41,670	26,379	68,049	11,257	79,306	16,329	1,553	97,189
Liabilities by business area	41,670	26,379	68,049	11,257	79,306	16,329	7,194	102,829
Unallocated liabilities								86,022
Equity								32,111
Total liabilities and equity								220,963

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								
H1/2021								
Results by business area								
Net interest income	197	326	523	306	829	43	7	879
Net fee income	105	81	186	158	344	16	(15)	345
Wealth management income	230	70	300	87	387	701	12	1,100
Net interest from capitalisation	(7)	(17)	(24)	(23)	(47)	(3)	36	(14)
Net income relating to customer benefits programmes ¹	(0)	5	5	-	5	-	(25)	(20)
Trading, investment portfolio and other income	61	84	146	306	451	50	(74)	427
Income	587	549	1,136	833	1,969	807	(58)	2,717
Costs	455	209	664	280	944	421	27	1,392
Business profit before impairment charges	132	340	472	553	1,025	386	(86)	1,325
Impairment charges for loans and advances	(98)	243	145	(120)	25	11	(8)	28
Business profit (loss)	230	97	327	673	1,000	375	(77)	1,298
Legacy derivatives	(2)	176	174	118	292	0	-	292
Profit (loss) before tax	228	273	501	791	1,292	375	(77)	1,590

BALANCE SHEET

Assets

Reverse repurchase lending at amortised cost	-	-	-	-	-	-	44,229	44,229
Loans and advances at amortised cost	11,407	24,222	35,629	31,193	66,822	3,905	117	70,844
Assets by business area	11,407	24,222	35,629	31,193	66,822	3,905	44,346	115,073
Unallocated assets								92,295
Total assets								207,368

Liabilities and equity

Repo deposits at amortised cost	-	-	-	-	-	-	6,725	6,725
Deposits and other payables at amortised cost	40,014	24,890	64,904	11,585	76,489	14,283	1,067	91,840
Liabilities by business area	40,014	24,890	64,904	11,585	76,489	14,283	7,792	98,565
Unallocated liabilities								81,498
Equity								27,305
Total liabilities and equity								207,368

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

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/2022			H1/2021		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	1,001	(160)	841	879	(139)	740
Dividend on equities etc		5	5		4	4
Fee and commission income, net	315	1,068	1,383	345	1,019	1,364
Net interest and fee income		912	2,229		884	2,108
Wealth management income	1,171	(1,171)	-	1,100	(1,100)	-
Net interest from capitalisation	(64)	64	-	(14)	14	-
Net income relating to customer benefits programmes	(56)	56	-	(20)	20	-
Trading, investment portfolio and other income	433	(433)	-	427	(427)	-
Value adjustments		1,198	1,198		852	852
Other operating income		40	40		46	46
Total income	2,801			2,717		
Costs	1,526	-	1,526	1,392	-	1,392
Business profit before impairment charges	1,275			1,325		
Impairment charges for loans and advances etc	237	-	237	28	-	28
Profit from investments in associates		4	4		3	3
Business profit	1,038			1,298		
Legacy derivatives	670	(670)	-	292	(292)	-
Profit before tax	1,708	-	1,708	1,590	-	1,590

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" 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	H1/2022	H1/2021
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15) by business area		
Retail	255	237
Corporates & Institutions	217	232
Total Banking	471	468
Wealth Management	1,191	1,129
Group Items	27	28
Total	1,690	1,625
Total including income from financial guarantees	1,715	1,650

The allocation of fees to business areas shows the business areas where fees are included on initial recognition. These fees, together with other income, are subsequently reallocated to the business areas 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 guarantees.

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 Bank Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2022	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	(47)	6	(52)	-	-	(52)
Lending and deposits	989	(205)	1,194	-	2	1,196
Repo transactions and reverse repurchase lending	(127)	(38)	(89)	-	-	(89)
Bonds in issue at amortised cost	-	(3)	3	-	-	3
Subordinated debt	-	0	(0)	-	-	(0)
Other financial instruments	5	30	(25)	-	-	(25)
Total	821	(210)	1,031	-	2	1,033
Financial portfolios at fair value and financial instruments at fair value						
Bonds	(1)	-	(1)	-	(256)	(257)
Equities etc	-	-	-	5	(5)	(0)
Derivative financial instruments etc	(188)	-	(188)	-	1,340	1,152
Total	(189)	-	(189)	5	1,079	894
Foreign currency translation adjustment					117	117
Net interest income etc and value adjustments	631	(210)	841	5	1,198	2,044
Negative interest income	123	123	-			
Negative interest expenses	321	321	-			
Total	1,076	234	841			
H1/2021						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(8)	28	(36)	-	-	(36)
Lending and deposits	976	(90)	1,066	-	(0)	1,066
Repo transactions and reverse repurchase lending	(74)	(29)	(46)	-	-	(46)
Bonds in issue at amortised cost	-	4	(4)	-	-	(4)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	7	50	(43)	-	-	(43)
Total	900	(16)	917	-	(0)	917
Financial portfolios at fair value and financial instruments at fair value						
Bonds	17	-	17	-	5	21
Equities etc	-	-	-	4	42	45
Derivative financial instruments etc	(193)	-	(193)	-	729	536
Total	(176)	-	(176)	4	775	602
Foreign currency translation adjustment					77	77
Net interest income etc and value adjustments	724	(16)	740	4	852	1,596
Negative interest income	85	85	-			
Negative interest expenses	134	134	-			
Total	944	204	740			

NOTES

DKK million

Nycredit Bank A/S		Nycredit Bank Group	
H1/2021	H1/2022	H1/2022	H1/2021
7. VALUE ADJUSTMENT			
Assets measured at fair value through profit or loss			
(0)	2	2	(0)
5	(248)	(256)	5
40	(5)	(5)	42
78	118	117	77
726	1,338	1,338	726
3	2	2	3
852	1,207	1,198	852

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
	2022	2021	2022	2021	2022	2021	2022	2021
Total impairment provisions								
Balance, beginning of period	2,755	3,012	9	12	331	241	3,096	3,265
New impairment provisions as a result of additions and change in credit risk	1,099	920	0	0	187	174	1,286	1,094
Releases as a result of redemptions and change in credit risk	868	922	5	9	171	110	1,044	1,042
Impairment provisions written off	17	85	-	-	-	-	17	85
Interest on impaired facilities	22	27	-	-	-	-	22	27
Total impairment provisions, end of period	2,990	2,952	4	3	348	304	3,342	3,260
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	231	(2)	(5)	(8)	16	63	242	53
Write-offs for the period, not previously written down for impairment	8	10	-	-	-	-	8	10
Recoveries on claims previously written off	(15)	(29)	-	-	-	-	(15)	(29)
Total	224	(21)	(5)	(8)	16	63	235	33
Value adjustment of claims previously written off	2	(6)	-	-	-	-	2	(6)
Earnings impact, H1	226	(27)	(5)	(8)	16	63	237	28

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

NOTES

DKK million

Nykredit Bank Group

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

8 b. Total impairment provisions by stage 2022	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	364	809	1,591	69	169	94	3,096
Transfer to stage 1	363	(310)	(53)	65	(62)	(3)	(0)
Transfer to stage 2	(74)	134	(61)	(10)	18	(8)	(0)
Transfer to stage 3	(2)	(40)	42	(0)	(5)	5	0
Impairment provisions for new loans and advances (additions)	75	145	97	16	32	25	391
Additions as a result of change in credit risk	95	398	288	25	73	15	896
Releases as a result of change in credit risk	413	201	259	79	62	30	1,044
Previously written down for impairment, now written off	0	0	17	-	-	-	17
Interest on impaired facilities	-	-	22	-	-	-	22
Total impairment provisions, end of period	408	936	1,650	86	164	98	3,342
Total		2,994			348		3,342
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	4	-	-				4
Earnings impact, H1/2022	(242)	342	127	(38)	44	11	242

2021	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2021	440	584	2,001	70	104	67	3,265
Transfer to stage 1	266	(241)	(25)	49	(47)	(2)	0
Transfer to stage 2	(70)	297	(227)	(7)	16	(9)	0
Transfer to stage 3	(2)	(60)	62	(0)	(11)	11	(0)
Impairment provisions for new loans and advances (additions)	77	97	56	15	22	6	273
Additions as a result of change in credit risk	59	379	252	12	99	20	821
Releases as a result of change in credit risk	350	213	369	67	26	17	1,042
Previously written down for impairment, now written off	0	0	85	-	-	-	85
Interest on impaired facilities	-	-	27	-	-	-	27
Total impairment provisions, end of period	420	844	1,691	72	157	76	3,260
Total		2,955			304		3,260
Impairment provisions, end of period, are moreover attributable to:							
Credit institutions	3	-	-				3
Earnings impact, H1/2021	(214)	264	(61)	(40)	95	8	53

The principles of impairment are described in detail in the accounting policies (note 1) of the Annual Report 2021.

NOTES

DKK million

Nykredit Bank Group

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

8 c. Loans, advances and guarantees etc by stage

30 June 2022	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	103,730	20,033	2,080	125,843
Total impairment provisions, end of period	405	936	1,650	2,990
Loans and advances, carrying amount	103,325	19,097	430	122,852
Guarantees and loan commitments				
Guarantees etc	52,365	3,197	334	55,896
Total impairment provisions, end of period	86	164	98	348
Guarantees and loan commitments, carrying amount	52,280	3,032	236	55,549
End-2021				
	Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	111,845	14,366	1,957	128,168
Total impairment provisions, end of period	350	805	1,472	2,628
Loans and advances, carrying amount	111,495	13,560	485	125,540
Guarantees and loan commitments				
Guarantees etc	32,451	2,505	391	35,346
Total impairment provisions, end of period	69	169	94	331
Guarantees and loan commitments, carrying amount	32,382	2,336	297	35,015

NOTES

DKK million

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	2022	2021	2022	2021	2022	2021	2022	2021
Balance, beginning of period	2,619	2,873	9	12	331	241	2,959	3,126
New impairment provisions as a result of additions and change in credit risk	1,053	893	0	0	187	174	1,241	1,067
Releases as a result of redemptions and change in credit risk	830	901	5	9	171	110	1,006	1,020
Impairment provisions written off	16	83	-	-	-	-	16	83
Interest on impaired facilities	22	27	-	-	-	-	22	27
Total impairment provisions, end of period	2,847	2,810	4	3	348	304	3,199	3,118
Earnings impact								
Change in impairment provisions for loans and advances (stages 1-3)	223	(8)	(5)	(8)	16	63	234	47
Write-offs for the period, not previously written down for impairment	5	8	-	-	-	-	5	8
Recoveries on claims previously written off	(14)	(29)	-	-	-	-	(14)	(29)
Total	214	(29)	(5)	(8)	16	63	225	26
Value adjustment of claims previously written off	2	(6)	-	-	-	-	2	(6)
Total earnings impact, H1	216	(34)	(5)	(8)	16	63	227	21

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

NOTES

DKK million

Nykredit Bank A/S

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

9 b. Total impairment provisions by stage

2022	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2022	350	805	1,472	69	169	94	2,959
Transfer to stage 1	359	(309)	(50)	65	(62)	(3)	(0)
Transfer to stage 2	(74)	134	(60)	(10)	18	(8)	(0)
Transfer to stage 3	(2)	(39)	41	(0)	(5)	5	0
Impairment provisions for new loans and advances (additions)	72	144	94	16	32	25	383
Additions as a result of change in credit risk	92	397	255	25	73	15	858
Releases as a result of change in credit risk	408	200	228	79	62	30	1,006
Previously written down for impairment, now written off	-	-	16	-	-	-	16
Interest on impaired facilities	-	-	22	-	-	-	22
Total impairment provisions	390	932	1,530	86	164	98	3,199
Total impairment provisions, end of period		2,851			348		3,199
Impairment provisions, end of period, are attributable to:							
Credit institutions	4	-	-				4
Earnings impact, H1/2022	(244)	341	121	(38)	44	11	234
2021							
2021	Loans, advances and receivables at amortised cost			Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Total, 1 January 2021	427	582	1,877	70	104	67	3,127
Transfer to stage 1	265	(241)	(24)	49	(47)	(2)	-
Transfer to stage 2	(69)	296	(227)	(7)	16	(9)	-
Transfer to stage 3	(2)	(60)	61	(0)	(11)	11	-
Impairment provisions for new loans and advances (additions)	75	97	53	15	22	6	267
Additions as a result of change in credit risk	58	379	231	12	99	20	799
Releases as a result of change in credit risk	347	212	351	67	26	17	1,020
Previously written down for impairment, now written off	-	-	83	-	-	-	83
Interest on impaired facilities	-	-	27	-	-	-	27
Total impairment provisions	407	842	1,565	72	157	76	3,118
Total impairment provisions, end of period		2,814			304		3,118
Impairment provisions, end of period, are attributable to:							
Credit institutions	3	-	-				3
Earnings impact, H1/2021	(214)	264	(67)	(40)	95	8	47

NOTES

Nykredit Bank A/S		Nykredit Bank Group	
H1/2021	H1/2022	H1/2022	H1/2021
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
3	4	4	3
227	251	-	-
230	255	4	3

NOTES

Nykredit Bank A/S		DKK million		
		Nykredit Bank Group		
End-2021	H1/2022		H1/2022	End-2021
11. LOANS, ADVANCES AND OTHER RECEIVABLE AT AMORTISED COST				
75,535	87,173	Bank loans and advances	89,012	77,268
50,900	36,831	Reverse repurchase lending	36,831	50,900
126,435	124,004	Balance, end of period	125,843	128,168
Adjustment for credit risk				
(2,619)	(2,847)	Impairment provisions	(2,990)	(2,755)
123,816	121,157	Balance after impairment, end of period	122,852	125,413
12. BONDS AT FAIR VALUE				
34,694	49,080	Covered bonds	49,999	36,116
2,295	2,584	Government bonds	2,591	2,315
1,451	440	Other bonds etc	444	1,451
38,439	52,104	Total	53,035	39,882
-	-	Self-issued bonds offset against bonds in issue	-	-
38,439	52,104	Total	53,035	39,882
The effect of fair value adjustment is recognised in the income statement.				
1,082	1,717	Of which redeemed bonds	1,720	723
10,304	11,604	Assets sold as part of genuine sale and repurchase transactions	11,604	12,221
13. ASSETS IN POOLED SCHEMES				
-	140	Cash deposits	140	-
-	51	Investment fund units	51	-
-	192	Total	192	-

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
End-2021	H1/2022		H1/2022	End-2021
14. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
44,011	44,187	Payables to credit institutions	44,187	44,011
3,882	1,818	Payables to central banks	1,818	3,882
4,940	4,692	Repo transactions with credit institutions	4,692	4,940
-	1,186	Repo transactions with central banks	1,186	-
52,833	51,883	Total	51,883	52,833
15. DEPOSITS AND OTHER PAYABLES				
86,301	90,448	On demand	90,218	86,077
4,073	4,080	Time deposits	4,080	4,073
2,746	2,890	Special deposits*	2,890	2,746
7,379	5,641	Repo deposits	5,641	7,379
100,498	103,058	Total	102,829	100,275
* Comparative figures for special deposits have been restated for Nykredit Bank A/S				
16. BONDS IN ISSUE AT AMORTISED COST				
4,415	7,382	Bonds in issue	7,382	4,415
4,415	7,382	Total	7,382	4,415
Issues				
-	-	EMTN issues*	-	-
4,415	7,382	ECP issues*	7,382	4,415
4,415	7,382	Total	7,382	4,415
* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.				
17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
13,617	15,184	Negative securities portfolios	15,165	13,613
13,617	15,184	Total	15,165	13,613
18. SUBORDINATED DEBT				
As authorized by the Danish FSA, in H1/2022 Nykredit Bank redeemed subordinated debt of DKK 2 billion. No costs were incurred in connection with the transaction.				
Subordinated debt consists of financial liabilities in the form of subordinate loan 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 Cibar.				
2,000	-		-	2,000
2,000	-	Total subordinated debt	-	2,000
2,000	-	Subordinated debt that may be included in own funds	-	2,000

19. 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 H1/2022 and 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, 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.

In H1/2022 Nykredit Bank redeemed loans of DKK 2.0 billion in the form of Tier 2 provided by Nykredit Realkredit A/S.

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 ongoing 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.

Agreements between Forenet Kredit and Group companies

Forenet Kredit annually distributes an amount to the Group companies which use the contribution to offer the Group's customers mutual benefits in the form of discounts and green solutions.

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, Funding Valuation Adjustment (FVA) is used for the valuation of derivatives. 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 165 million at 30 June 2022 against DKK 385 million at end-2021.

20. 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 2022, the non-amortised minimum margin amounted to DKK 123 million (end-2021: 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 162 million at end-June 2022 (end-2021: DKK 160 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 414 million at 30 June 2022 (end-2021: DKK 1,396 million). Credit value adjustments came to DKK 593 million at 30 June 2022 (end-2021: DKK 1,345 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 37 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 2022, the proportion was thus 0.7% (end-2021: 2.5%). The proportion of financial liabilities was 0.0% (end-2021: 0.0%).

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.4 billion (end-2021: DKK 1.4 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 43 million at 30 June 2022 (0.13% of equity at 30 June 2022). The earnings impact at 31 December 2021 was estimated at DKK 141 million (0.46% of equity at 31 December 2021).

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 2022, financial assets of DKK 3.1 billion (end-2021: DKK 2.0 billion) have been transferred from Listed prices to Observable inputs and DKK 7.3 billion (end-2021: DKK 1.6 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0 billion (end-2021: DKK 1.5 billion) were transferred from Listed prices to Observable inputs and DKK 1.3 billion (end-2021: 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 2022 the amount was DKK 1.7 billion (end-2021: DKK 0.7 billion).

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

Nykredit Bank Group

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2022

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	16,048	36,987	-	53,035
- equities measured at fair value through profit or loss	256	-	14	269
- positive fair value of derivative financial instruments	265	7,938	414	8,617
- assets in pooled schemes	51	140	-	192
Total	16,568	44,925	428	61,922
Percentage	26.8	72.6	0.7	100.0
Financial liabilities:				
- deposits in pooled schemes	-	192	-	192
- other non-derivative financial liabilities at fair value	5,682	9,482	-	15,165
- negative fair value of derivative financial instruments	290	8,070	-	8,360
Total	5,972	17,553	-	23,525
Percentage	25.4	74.6	-	100.0
Assets measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	15	1,396	1,411
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(0)	(508)	(509)
Purchases for the period	-	-	-	-
Sales for the period	-	(1)	(65)	(66)
Transferred from Listed prices and Observable inputs ¹	-	-	35	35
Transferred to Listed prices and Observable inputs ²	-	-	(443)	(443)
Fair value, end of period, assets	-	14	415	428

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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DKK million

Nykredit Bank Group

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2021

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	7,401	32,481	-	39,882
- equities measured at fair value through profit or loss	132	-	15	147
- positive fair value of derivative financial instruments	219	14,893	1,396	16,508
Total	7,752	47,374	1,411	56,537
Percentage	13.7	83.8	2.5	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	4,628	8,985	-	13,613
- negative fair value of derivative financial instruments	204	8,122	-	8,326
Total	4,832	17,107	-	21,939
Percentage	22.0	78.0	-	100.0

Assets measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	38	2,065	2,103
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(0)	(232)	(233)
Purchases for the period	-	2	-	2
Sales for the period	-	(25)	(70)	(94)
Transferred from Listed prices and Observable inputs ¹	-	-	180	180
Transferred to Listed prices and Observable inputs ²	-	-	(547)	(547)
Fair value, end of period, assets	-	15	1,396	1,411

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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DKK million

Nykredit Bank Group	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	841	740	795	807	829
Net fee income etc	1,387	1,368	1,162	893	846
Net interest and fee income	2,229	2,108	1,957	1,700	1,674
Value adjustments	1,198	852	135	68	732
Other operating income	40	46	173	21	14
Staff and administrative expenses	1,490	1,367	1,258	1,036	976
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	19	15	19	0	0
Other operating expenses	16	10	28	12	12
Impairment charges for loans, advances and receivables etc	237	28	309	97	129
Profit from investments in associates and Group enterprises	4	3	3	3	1
Profit before tax	1,708	1,590	656	647	1,305
Tax	369	338	114	141	281
Profit for the period	1,339	1,252	542	506	1,025
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2022	30.06.2021	30.06.2020	30.06.2019	30.06.2018
Assets					
Cash balances and receivables from credit institutions and central banks	28,836	25,684	17,040	24,385	12,724
Loans, advances and other receivables at amortised cost	122,852	115,073	102,859	112,652	89,536
Bonds and equities etc	53,304	42,705	45,679	42,539	49,075
Remaining assets	15,971	23,906	29,340	35,057	22,755
Total assets	220,963	207,368	194,919	214,634	174,090
Liabilities and equity					
Payables to credit institutions and central banks	51,883	52,126	50,499	77,760	42,434
Deposits and other payables	102,829	98,565	87,110	83,304	84,293
Bonds in issue at amortised cost	7,382	925	4,492	5,511	4,779
Other non-derivative financial liabilities at fair value	15,165	15,144	11,771	9,411	6,059
Remaining liabilities	10,914	10,692	13,432	14,751	13,811
Provisions	678	611	622	295	254
Subordinated debt	-	2,000	2,000	2,000	2,000
Equity	32,111	27,305	24,994	21,601	20,460
Total liabilities and equity	220,963	207,368	194,919	214,634	174,090
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	35,160	31,287	23,994	28,470	21,692
Other commitments	10,539	10,129	13,533	9,636	7,315

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Nykredit Bank Group	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018
21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS¹					
Total capital ratio, %	23.7	20.2	21.5	20.7	22.4
Tier 1 capital ratio, %	23.3	18.3	19.3	18.7	20.0
Return on equity before tax, %	5.4	6.0	2.7	3.0	6.5
Return on equity after tax, %	4.3	4.7	2.2	2.4	5.1
Income:cost ratio	1.98	2.13	1.40	1.56	2.14
Foreign exchange position, %	0.0	0.3	0.3	0.6	0.1
Loans and advances:equity (loan gearing)	3.8	4.2	4.1	5.2	4.4
Growth in loans and advances for the period, excluding repo transactions, %	15.4	(0.4)	2.4	4.9	4.6
Impairment charges for the period, %	0.2	0.0	0.2	0.1	0.1
Return on capital employed, %	0.6	0.6	0.3	0.2	0.6
Average number of staff, full-time equivalent	1,016	944	958	843	830

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2021

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DKK million

Nykredit Bank A/S	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018
21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	763	655	708	720	748
Net fee income etc	829	877	716	681	665
Net interest and fee income	1,591	1,531	1,424	1,402	1,413
Value adjustments	1,207	852	136	68	733
Other operating income	27	34	156	5	2
Staff and administrative expenses	1,232	1,108	991	932	870
Other operating expenses	16	9	27	10	10
Impairment charges for loans, advances and receivables etc	227	21	274	84	125
Profit from investments in associates and Group enterprises	255	230	167	155	127
Profit before tax	1,605	1,510	592	605	1,271
Tax	293	275	64	99	246
Profit for the period	1,312	1,235	528	506	1,025
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2022	30.06.2021	30.06.2020	30.06.2019	30.06.2018
Assets					
Cash balances and receivables from credit institutions and central banks	28,675	25,590	16,984	24,377	12,723
Loans, advances and other receivables at amortised cost	121,157	113,519	101,412	111,289	88,116
Bonds and equities etc	52,362	41,481	44,536	48,111	51,942
Remaining assets	18,136	26,216	31,299	30,314	20,594
Total assets	220,331	206,805	194,231	214,090	173,375
Liabilities and equity					
Payables to credit institutions and central banks	51,883	52,126	50,499	77,760	42,164
Deposits and other payables	103,058	98,779	87,284	83,400	84,364
Bonds in issue at amortised cost	7,382	925	4,492	5,511	4,779
Other non-derivative financial liabilities at fair value	15,184	15,247	11,878	9,411	6,059
Remaining liabilities	10,308	10,100	12,780	14,247	13,415
Provisions	484	407	393	159	134
Subordinated debt	-	2,000	2,000	2,000	2,000
Equity	32,030	27,221	24,905	21,601	20,460
Total liabilities and equity	220,331	206,805	194,231	214,090	173,375
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	35,160	31,286	23,994	28,569	22,132
Other commitments	10,283	9,950	13,363	9,411	6,578

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Nykredit Bank A/S	H1/ 2022	H1/ 2021	H1/ 2020	H1/ 2019	H1/ 2018
21. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS¹					
Total capital ratio, %	22.7	19.3	20.5	19.7	21.4
Tier 1 capital ratio, %	22.3	17.5	18.4	17.8	19.2
Return on equity before tax, %	5.1	5.7	2.4	2.8	6.3
Return on equity after tax, %	4.2	4.6	2.1	2.4	5.1
Income:cost ratio	2.10	2.33	1.46	1.59	2.26
Foreign exchange position, %	0.0	0.3	0.3	0.6	0.1
Loans and advances:equity (loan gearing)	3.8	4.2	4.1	5.2	4.3
Growth in loans and advances for the period, excluding repo transactions, %	15.6	(0.6)	2.3	4.8	4.6
Impairment charges for the period, %	0.1	0.0	0.3	0.1	0.1
Return on capital employed, %	0.6	0.6	0.3	0.2	0.6
Average number of staff, full-time equivalent	752	677	675	668	659

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2021.

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DKK million

Nykredit Bank Group

22. GROUP STRUCTURE

Name and registered office

	Ownership interest as %, 30 June 2022	Profit for the period, 2022	Equity 30 June 2022	Profit for 2021	Equity 31 December 2021
Nykredit Bank A/S (Parent), Copenhagen, a)		1,312	32,030	2,759	30,743
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	98	1,034	265	1,536
Nykredit Leasing A/S, Gladsaxe c)	100	52	1,107	116	1,055
Sparinvest Holdings SE, Luxembourg, d)	79	227	200	79	177

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

Luxembourg: Names and activities appear from the Group structure above

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark	988	2,791	1,602	342	-
Luxembourg	28	229	106	27	-

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) Bank
- b) Investment management company
- c) Leasing business
- 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