

Nykredit
Realkredit
Group



Q1 Interim Report 2020

CONTENTS

MANAGEMENT REPORT

Financial highlights	3
Executive summary	4
Financial review	6
Performance highlights in Q1/2020	6
Results for Q1/2020 relative to Q4/2019	7
Outlook for 2020	7
Special accounting circumstances	8
Other	8
Material risks	8
Events since the balance sheet date	8
Business areas	9
Banking	10
Totalkredit Partners	12
Wealth Management	14
Group Items	16
Capital, liquidity and funding	17
Equity and own funds	17
Funding and liquidity	18
Credit ratings	20
Credit risk	21
Mortgage lending	22
Bank lending	24
Nykredit Bank	25
Totalkredit	27
Alternative performance measures	28
MANAGEMENT STATEMENT	29
Statement by the Board of Directors and the Executive Board	29
FINANCIAL STATEMENTS	30
Statements of income and comprehensive income	30
Balance sheets	31
Statement of changes in equity	33
Cash flow statement	35
Notes	36

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Realkredit Group	Q1/ 2020	Q1/ 2019	Q4/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD				
Net interest income	2,394	2,283	2,415	9,344
Net fee income	542	484	731	2,739
Wealth management income	502	350	494	1,610
Net interest from capitalisation	(105)	(89)	(90)	(352)
Net income relating to customer benefits programme ¹	(45)	(80)	(236)	(358)
Trading, investment portfolio and other income	(1,394)	679	508	1,672
Income	1,894	3,627	3,822	14,655
Costs	1,416	1,228	1,530	5,326
Business profit before impairment charges	478	2,399	2,292	9,329
Impairment charges for loans and advances	1,312	219	329	994
Business profit (loss)	(834)	2,180	1,963	8,335
Legacy derivatives	(421)	(219)	485	(112)
Badwill, impairment of goodwill and amortisation of customer relationships	-	-	564	564
Profit (loss) before tax	(1,255)	1,961	3,012	8,787
Tax	(376)	330	427	1,344
Profit (loss) for the period	(879)	1,631	2,585	7,443
Other comprehensive income, remaining items	(15)	(32)	23	22
Comprehensive income (loss) for the period	(894)	1,599	2,608	7,465
Interest on Additional Tier 1 capital charged against equity	58	58	59	233
Minority interests	7	-	(3)	(1)
SUMMARY BALANCE SHEET				
Assets	31.03.2020	31.03.2019	31.12.2019	31.12.2019
Receivables from credit institutions and central banks	41,002	37,744	59,623	59,623
Mortgage loans at fair value	1,286,026	1,217,330	1,287,370	1,287,370
Bank loans excluding reverse repurchase lending	69,389	60,723	65,466	65,466
Bonds and equities	117,662	105,368	115,690	115,690
Remaining assets	77,358	67,543	82,188	82,188
Total assets	1,591,437	1,488,708	1,610,336	1,610,336
Liabilities and equity				
Payables to credit institutions and central banks	22,705	21,653	13,914	13,914
Deposits excluding repo deposits	80,543	79,682	85,396	85,396
Bonds in issue at fair value	1,308,146	1,215,506	1,336,414	1,336,414
Subordinated debt	11,011	11,034	11,004	11,004
Remaining liabilities	85,538	82,154	79,230	79,230
Equity	83,494	78,678	84,378	84,378
Total liabilities and equity	1,591,437	1,488,708	1,610,336	1,610,336
FINANCIAL RATIOS				
Profit for the period as % pa of average business capital (ROAC) ²	(6.2)	11.2	16.8	12.4
Profit for the period as % pa of average equity ³	(4.7)	8.3	12.8	9.3
Costs as % of income	74.8	33.8	40.0	36.3
Total provisions for loan impairment and guarantees	9,024	7,925	8,033	8,033
Impairment charges for the period, %	0.10	0.01	0.02	0.07
Total capital ratio, %	24.5	21.4	23.7	23.7
Common Equity Tier 1 capital ratio, %	20.2	20.4	19.5	19.5
Internal capital adequacy requirement, %	11.0	10.0	10.9	10.9
Average number of staff, full-time equivalent	3,728	3,322	3,730	3,515

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

² "Profit (loss) for the period as % pa of average business capital (ROAC)" shows profit (loss) for the period relative to business capital. Profit (loss) corresponds to profit for accounting purposes less interest expenses for Additional Tier 1 (AT1) capital plus value adjustment of strategic equities recognised as "Other comprehensive income".

³ For the purpose of return on equity, the AT1 capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit (loss) for the period.

EXECUTIVE SUMMARY

In Q1/2020 the covid-19 pandemic left a deep mark on Denmark and the rest of the world. In recent years, Nykredit has built a healthy core business and a strong capital position, and we are therefore able to focus on helping otherwise financially healthy families and businesses through this crisis prudently and responsibly. Our interim results include a significant increase in bank lending to business customers. We have seen a strong demand from businesses for loans and other funding, and the increased bank lending demonstrates our capacity to help those customers. In this way, we contribute to securing healthy Danish businesses and workplaces, which would otherwise be lost due to covid-19. The length and severity of the economic crisis lying ahead of us are currently hard to predict but Nykredit operates from a strong foundation, and we are fully committed to delivering on our responsibility and help as many families and businesses as possible through the crisis.

This interim report is also evidence of the strong underlying business growth with an aggregate 10% rise in net interest, net fees and wealth management income relative to Q1 last year. Nykredit also recorded customer growth as well as growth in bank and mortgage lending volumes. Like the rest of the world, Denmark has been affected by the covid-19 pandemic, which had a significant negative impact on impairment charges for loans and advances, swaps and investment portfolio income, etc. Overall, these items had a negative earnings impact of DKK 3 billion for the period.

The Nykredit Realkredit Group posted a loss before tax of DKK 1,255 million for the period under review (Q1/2019: a profit of DKK 1,961 million). The results reflect the current covid-19 situation and the significant adverse impact from the turmoil in financial markets and increased loan impairment charges. The rise in loan impairment charges is attributable to the lockdown of major parts of the economy, which is expected to affect many businesses' ability to pay. The Danish government's relief packages will mitigate the situation somewhat, but Nykredit expects increased loan impairments for particularly vulnerable sectors also in the period to come. Nykredit will continue to monitor the situation closely in coming quarters, as the slightly longer-term impact on customers' financial position is still unknown. In total Nykredit has provided about DKK 1.1 billion for loan impairments in Q1/2020, based on model estimates and management judgement, to cover the consequential losses arising from covid-19. As we get more clarity about the effects of covid-19 on Nykredit's customers during the year, we foresee additional impairment provisions, if necessary, in the coming quarters but at a slightly lower level than Q1/2020.

Despite the present situation, Nykredit has recorded decent underlying business growth in the period. Recent years' inflow of customers continued in Q1, and we also recorded rising mortgage and bank lending. Bank lending in particular has increased significantly in the period, up 6% since end-2019, thanks to the many talks we have had with customers about the covid-19 situation.

The outlook for 2020 is significantly impacted by the covid-19 situation, which led us to suspend the outlook for business profit and profit before tax for 2020 of between DKK 6,250 million and DKK 6,750 million on 23 March 2020.

For 2020 Nykredit now expects a business profit and profit before tax of between DKK 2.5 billion and DKK 3.5 billion. The outlook for 2020 is even more uncertain than previously because of the covid-19 pandemic.

The revised outlook is primarily a consequence of the negative value adjustments of swaps and investment portfolio income, which have already been recorded in Q1/2020 as well as expectations of increased loan impairment charges for the full year, of which Nykredit has already charged DKK 1,312 million through profit or loss for Q1/2020. For further details, see page 7.

Together we can help more people

At Nykredit, we aim to create opportunities and provide security for our customers and help them find the right solutions. Based on the current situation, Nykredit Bank has launched a number of initiatives to help Danish families and businesses in financial difficulties as a consequence of covid-19. In the current situation, it is quite unavoidable that many families and businesses with otherwise healthy finances may be unable to make ends meet for a period of time. We take into account the circumstances of the individual customer, and together we strive to come up with the right solution.

In addition to offering our customers individually tailored solutions, we have introduced two new business banking initiatives. First, at least two colleagues are required to refuse a customer request. This means that a refusal must be extremely well-founded, and this will also minimise the risk of mistakes. Secondly, we have set up a new complaints board where customers may be heard quickly. This is to ensure that customers get a quick decision and thereby to help them move forward.

From their workplaces at home, Nykredit's people are helping customers to the widest extent possible. Our customer centres are closed, and all meetings – internal, external and with customers – are therefore conducted digitally. Despite a disrupted workflow, we prioritise close engagement with customers, while also acting from a precautionary principle and observing all guidelines from authorities to minimise the spread of covid-19.

Naturally, the current situation also affects the priorities of the Board of Directors. In light of the macroeconomic uncertainty caused by the covid-19 pandemic and the joint statement issued by the Danish government and Finance Denmark, the Board of Directors has resolved to transfer the full net profit for 2019 to retained earnings. The Board of Directors has thus decided to postpone the final resolution to pay dividend until we get more clarity about the actual financial impact of covid-19 on Danish economy. Nykredit is backed by a group of strong Danish owners headed by Forenet Kredit, and there should not be any doubt about Nykredit's strong capacity and commitment to deliver on our responsibility to society and to help as many families and businesses as possible through the period ahead.

Nykredit has also decided to extend the KundeKroner benefits programme on the current terms up to and including 2021. In the current situation, it is important that our more than 838,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our customer-ownership structure.

Lowest administration margin payments for more than six years

Nykredit offers attractive home loans. KundeKroner and ErhvervsKroner discounts have a large impact on the costs of a mortgage loan. For instance, homeowners' average administration margin payments to Totalkredit are today the lowest for more than six years. The programme also means that Totalkredit currently charges the lowest administration margin payments in the market on the most popular types of mortgage loans, such as fixed-rate mortgages and ARMs with 5-year interest reset.

Strong alliance

The alliance between Totalkredit and the partner banks is strong, and partner satisfaction is higher than ever. In Denmark's current situation and the consequent difficult financial position which several Danish homeowners may come to face due to the consequences of covid-19, Nykredit is collaborating closely with its partner banks, which serve customers directly.

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


Our contribution to the green transition


Sustainability has become an important part of our work, and we are working across the Group to support Denmark's green transition. This includes promoting a responsible and sustainable product range and reducing our own resource consumption and carbon footprint.

When advising customers, we promote sustainable solutions and products. Last year we launched a green car loan for electric and hybrid cars and issued green bonds, which have paved the way for green loans to finance energy-efficient commercial properties. Nykredit's fund "Bæredygtige Aktier", which carries the Nordic Swan Ecolabel, also underscores our commitment to sustainable investments. Nykredit will continue to introduce products aimed at facilitating the green transition.



FINANCIAL REVIEW

	Business profit for Q1/2020	Profit for Q1/2020	Income in Q1/2020
	DKK (834) million	DKK (1,255) million	DKK 1,894 million
	Business profit	Profit before tax for the period	Income

	ROAC	Return on equity	Cost:income ratio
	(6.2)%	(4.7)%	74.8%
	Profit for the period as % pa of average business capital	Profit for the period as % pa of average equity	Costs as % of income

PERFORMANCE HIGHLIGHTS IN Q1/2020

In Q1, when Denmark like the rest of the world was affected by the covid-19 pandemic, Nykredit's profit before tax was a negative DKK 1,255 million (Q1/2019: a profit of DKK 1,961 million). Business profit for Q1/2020 was a negative DKK 834 million (Q1/2019: a profit of DKK 2,180 million). The results reflect the significant adverse impact from the turmoil in financial markets and increased loan impairment charges. The underlying growth in Nykredit's business areas was, however, less impacted by covid-19, and Nykredit has recorded customer as well as lending growth in Q1.

The second half of Q1 was impacted by the covid-19 outbreak and the ensuing turmoil in financial markets, which resulted in losses on the Group's investment portfolios of bank equities and negative unrealised value adjustments of swaps. At the same time, loan impairment charges have increased significantly due to the expected adverse financial impact from the covid-19 situation on businesses especially.

Income

Income totalled DKK 1,894 million in Q1/2020 (Q1/2019: DKK 3,627 million).

Net interest income amounted to DKK 2,394 million (Q1/2019: DKK 2,283 million), equal to a rise of 5%, mainly driven by higher bank and mortgage lending.

Net fee income went up to DKK 542 million in Q1/2020 (Q1/2019: DKK 484 million), which was chiefly due to Totalkredit's higher refinancing volumes as well as increasing business activity.

Wealth management income totalled DKK 502 million in Q1/2020 (Q1/2019: DKK 350 million). The rise primarily stemmed from Sparinvest income which was included in Q1/2020, but was not relevant in Q1/2019.

Net interest expenses from capitalisation, which includes interest on subordinated debt, increased to a negative DKK 105 million (Q1/2019: a negative DKK 89 million in Q1/2019).

Net income relating to customer benefits programmes KundeKroner, ErhvervsKroner and MineMål was a negative DKK 45 million in Q1/2020 (Q1/2019: a negative DKK 80 million). The amount includes contributions received from Forenet Kredit.

Trading, investment portfolio and other income, including value adjustment of swaps etc, dropped to a negative DKK 1,394 million

(Q1/2019: income of DKK 679 million). This was mainly a result of covid-19 and attributable to negative unrealised value adjustment of swaps prompted by credit and funding spread widening and losses on investment portfolios following mortgage spread widening and equity market declines; all impacts resulting from covid-19. In Q1/2019 investment portfolio income was significantly higher due to considerable capital gains on the portfolio of, for example, Danish bank equities.

Costs

Costs totalled DKK 1,416 million in Q1/2020 (Q1/2019: DKK 1,228 million). The increase was primarily related to staff transferred from Sparinvest, LR Realkredit and Shared Valuation in 2020, etc relative to Q1/2019, as well as investments in compliance. Compared with Q4 last year, costs have dropped by 7%.

The average headcount was 3,728 in Q1/2020 (Q4/2019: 3,730 and Q1/2019: 3,322).

Impairment charges for loans and advances

Impairment charges for loans and advances totalled DKK 1,312 million in Q1/2020 (Q1/2019: DKK 219 million), of which DKK 1,150 million was driven by the covid-19 pandemic and its expected financial impact. The favourable economic trends in early Q1 before the covid-19 outbreak were reflected in low write-offs and low impairment charges for homeowners and businesses alike. Impairments related to covid-19 are comprised of three different components determined using model calculations and management judgement. Firstly, stress simulations have been performed for the following business sectors: manufacturing, accommodation and food service, retail, arts, entertainment and recreation activities, transport, construction, and sale and repair of motor vehicles. Secondly, the property values of customers at stage 3 have been stressed to simulate a reduction in collateral values, and thirdly the macroeconomic scenarios of the model have been updated to allow for the covid-19 impact, including mitigating relief packages.

Since Nykredit first implemented the reporting standard IFRS 9, our IFRS 9 models have not factored in an improved macroeconomic scenario, as Nykredit did not expect the economy to improve even further from the base case. Nykredit factors in the most likely scenario at a probability of 65% and the worsened scenario at a probability of 35%. The scenarios and the uncertainty due to covid-19 are assessed regularly against the scenarios of Danmarks Nationalbank.

The total covid-19 impact of DKK 1,150 million includes pre-emptive provisions of DKK 300 million based on management judgement to cover the risk associated with the macroeconomic scenarios as a result of covid-19 in view of the very high uncertainty about the macroeconomic outlook.

The impact of the pandemic is still highly uncertain, and as we get more clarity about the effects of covid-19 on Nykredit's customers during the year, additional provisions may be required in the coming quarters.

Other items

Legacy derivatives, which are not included in business profit, implied a negative value adjustment of DKK 421 million (Q1/2019: a negative DKK 219 million) for the period. This was primarily due to widened credit and funding spreads resulting from covid-19. Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio of a total market value of DKK 6.9 billion (end-2019: DKK 6.6 billion). The portfolio was written down to DKK 4.6 billion at end-March 2020 (end-2019: DKK 4.5 billion).

Tax

Tax calculated on profit for the period was a negative DKK 376 million (Q1/2019: DKK 330 million).

Balance sheet

Nominal mortgage lending was DKK 1,278 billion at end-March 2020 (end-2019: DKK 1,263 billion), equal to an increase of DKK 16 billion on end-2019.

The strong alliance between Totalkredit and the partner banks continues to drive growth in mortgage lending, which amounted to DKK 759 billion at nominal value at end-March 2020 (end-2019: DKK 740 billion). This represents a 3% increase since end-2019. More than 838,000 homeowners now have Totalkredit loans.

The Group's market share of total Danish mortgage lending was 42.3% at end-March 2020 (end-2019: 42.0%).

Nykredit's loan portfolio continues to develop positively, and bank lending increased by DKK 3.9 billion to DKK 69.4 billion at end-March 2020 (end-2019: DKK 65.5 billion), corresponding to a 6% increase since end-2019. Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 76.4 billion (end-2019: DKK 72.3 billion). At 31 March 2020 secured homeowner loans transferred to Totalkredit amounted to DKK 7.0 billion (end-2019: DKK 6.8 billion).

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

Deposits, excluding repo deposits, decreased by DKK 4.9 billion to DKK 80.5 billion (end-2019: DKK 85.4 billion).

Nykredit Bank's deposits exceeded lending by DKK 11.3 billion at end-March 2020 (end-2019: DKK 20.1 billion).

Equity

The Nykredit Realkredit Group's equity stood at DKK 83.5 billion at end-March 2020 (end-2019: DKK 84.4 billion).

RESULTS FOR Q1/2020 RELATIVE TO Q4/2019

Profit before tax was a negative DKK 1,255 million in Q1/2020 (Q4/2019: DKK 3,012 million).

Income came to DKK 1,894 million in Q1/2020 (Q4/2019: DKK 3,822 million). The decline was mainly due to negative value adjustments of swaps and negative investment portfolio income.

Costs decreased to DKK 1,416 million in Q1/2020 (Q4/2019: DKK 1,530 million), which should mainly be seen in the context of the increased costs in Q4/2019 from the integration of Sparinvest as well as the extraordinarily high remortgaging activity.

Impairment charges for loans and advances were DKK 1,312 million (Q4/2019: DKK 329 million). The increase in impairment charges for loans and advances in Q1 was driven by provisions related to the expected adverse financial impact on especially businesses from covid-19.

Legacy derivatives resulted in a negative value adjustment of DKK 421 million (Q4/2019: a positive value adjustment of DKK 485 million), primarily generated by an interest rate decline and credit and funding spread widening.

In connection with the acquisition of LR Realkredit A/S, goodwill of DKK 564 million was recognised as income in Q4/2019.

OUTLOOK FOR 2020

The outlook for 2020 is significantly impacted by the covid-19 situation, which led us to suspend the outlook for business profit and profit before tax for 2020 of between DKK 6,250 million and DKK 6,750 million on 23 March 2020.

For 2020 Nykredit now expects a business profit and profit before tax of between DKK 2.5 billion to DKK 3.5 billion. The full-year outlook is based on our current assessment of the outlook for the economy and financial markets. The currently low visibility due to the covid-19 pandemic makes our outlook even more uncertain than previously.

The earnings outlook is based on the following assumptions:

- In Q1/2020, covid-19 had a significant negative impact on investment portfolio income of about DKK 1.3 billion as well as on current and legacy derivatives of about DKK 0.7 billion and led to an impairment charge of DKK 1.1 billion of the total loan impairment charges of DKK 1.3 billion.
- As regards investment portfolio income and derivatives, markets have recovered somewhat since the end of Q1. Based on the current levels, Nykredit expects positive results from these items for the remaining nine months of the year.

- The outlook for loan impairments is particularly uncertain, as the impacts of covid-19 and the government relief packages remain unknown. However, Nykredit expects significantly increased impairments for the year, of which a large part has already been recognised in Q1 based on management judgement and updated macro scenarios applied for model calculations. In total Nykredit has provided about DKK 1.1 billion for covid-19 induced loan impairments in Q1/2020. As we get more clarity during the year about the effects of covid-19 on Nykredit's customers, we foresee additional impairment provisions, if necessary.
- Nykredit still expects to deliver a good underlying business performance, but as reported earlier, we anticipate lower income because of the high remortgaging activity seen in 2019, which is not expected to continue in 2020.
- We expect slightly increasing costs as a result of the full-year impact of the acquisition of LR Realkredit and Sparinvest as well as investments in compliance.

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

SPECIAL ACCOUNTING CIRCUMSTANCES

Presentation of negative interest income

Due to increased negative interest income from deposits and lending, negative interest income will now be included under interest expenses, while negative interest expenses will be included under interest income in the presentation of the income statement on page 30. Negative interest is generally attributable to repo lending and deposits. The change does not affect total net interest income, profit (loss) or the Group's financial ratios. Reference is made to note 6 in the Financial Statements.

OTHER

Dividend

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

In light of the macroeconomic uncertainty caused by the covid-19 pandemic, the Annual General Meeting, which convened in March 2020, resolved to retain the full net profit for the year and to postpone the final dividend resolution for the 2019 financial year until we get more clarity about the actual economic impact of covid-19 on the Danish economy.

Changes to the Boards of Directors

Nykredit Chairman Steffen Kragh, having served 14 years on the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S and from March 2016 as Chairman, has notified the Boards of Directors that he planned to withdraw from the Boards of Directors as from the Annual General Meeting on 26 March 2020. At the Annual General Meeting, Jørgen Høholt, former Nordea banking executive, was elected to the Board of Directors. Subsequently, the Board of Direc-

tors elected current Deputy Chairman Merete Eldrup as new Chairman of Nykredit A/S and Nykredit Realkredit A/S and Nina Smith as continuing Deputy Chairman.

Kristina Andersen Skiøld joined the Board of Directors as staff-elected member. She replaces Leif Vinther and Marlene Holm, who have both left the Board of Directors.

KundeKroner benefits programme

Nykredit has decided that the KundeKroner benefits programme for homeowners will be extended on the current terms up to and including 2021 to enhance Danish homeowners' financial security. In the current situation, it is important to us that our more than 838,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our customer-ownership structure.

Conditional agreement on sale of shares in VP Securities

On 23 April Denmark's Nationalbank together with Nykredit and three other major shareholders announced their agreement to sell their shares in VP Securities to Euronext. Nykredit holds 12.7% of the shares in VP Securities and expects a profit of around DKK 89 million from the sale. The agreement is subject to approval by the Danish FSA, and closing is expected at the beginning of Q3/2020.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

In Q1/2020 covid-19 led to significant volatility in fixed income markets and increased complexity in determining the market value of interest rate swaps in particular. Compared with more normal market conditions, valuations are characterised by increased uncertainty.

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

MATERIAL RISKS

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

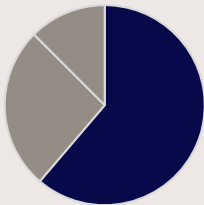
EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the Q1 Interim Report 2020 which materially affect the Group's financial position.

BUSINESS AREAS

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

Banking



Comprises Retail and Corporates & Institutions.

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

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

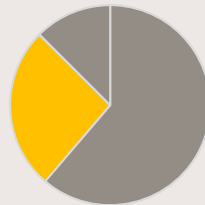
Business profit:
DKK (646) million

Income: DKK 1,879 million

Impairment charges for loans and advances: DKK 1,150 million

Total loans and advances:
DKK 698.3 billion

Totalkredit Partners



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

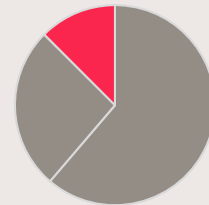
Business profit:
DKK 526 million

Income: DKK 805 million

Impairment charges for loans and advances: DKK 103 million

Total loans and advances:
DKK 635.6 billion

Wealth Management



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

Business profit:
DKK 116 million

Income: DKK 384 million

Total loans and advances:
DKK 13.4 billion

Assets under management:
DKK 305.7 billion

Assets under administration:
DKK 777.4 billion

Percentages show the business divisions' share of income in Q1/2020 excluding Group Items.

To this should be added Group Items, which comprises other income and costs not allocated to business areas as well as core income from securities and investment portfolio income.

Please refer to note 3 in the Financial Statements for complete segment financial statements with comparative figures.

BANKING

DKK million

Results –	Q1/	Q1/	Q4/	
Banking	2020	2019	2019	2019
Net interest income	1,637	1,575	1,595	6,330
Net fee income	425	386	537	2,070
Wealth management income	169	144	170	614
Net interest from capitalisation	(92)	(79)	(82)	(336)
Trading, investment portfolio and other income	(259)	58	319	526
Income	1,879	2,084	2,540	9,204
Costs	956	895	1,094	3,843
Business profit before impairment charges	923	1,189	1,445	5,361
Impairment charges for mortgage lending	970	135	235	842
Impairment charges for bank lending	180	36	31	205
Business profit (loss)	(227)	1,018	1,179	4,314
Legacy derivatives	(420)	(219)	484	(113)
Profit (loss) before tax	(646)	799	1,663	4,201

Q1 in summary

2020 has started where 2019 left off at a high activity level. We have welcomed many new full-service personal as well as business customers, and also many new private banking clients, who are attracted to our award-winning concept. In order to strengthen customer experience

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

Digital value propositions are a top priority in tandem with Nykredit's focus on a nation-wide physical presence. We are working to expand the digital value propositions in concert with other partners such as innovative fintech companies making it easier to be a customer with Nykredit.

Against this backdrop, we launched Young Money in Q1/2020. Young Money is a concept aimed at children and teenagers with the intention of making savings and payments fun for young people and life with pocket money easier for their parents. Young Money is for children and teenagers aged 7-17 and includes a personal account, payment card and mobile app.

In Q1 we continued to create new financial solutions and value propositions promoting sustainability for Nykredit as well as our customers. We are dedicated to promoting sustainable solutions and having a sustainable product range, which now includes green construction loans targeted at corporate and institutional clients.

Nykredit's acquisition of LR Realkredit was finally approved at end-2019, and we started integrating LR Realkredit's customers and staff into our Corporates & Institutions division in Q1.

How we handle the current covid-19 crisis

At the end of the quarter, Denmark like other countries was affected by covid-19. The situation is serious, and it is only natural that families and businesses are worried about being unable to make ends meet for a period of time. We are fully aware of our responsibility, and we are working at full capacity to help our customers. In this spirit, we

have also launched a number of initiatives to help Danish families and businesses.

We offer our personal customers affected by a critical income losses related to covid-19 a special overdraft facility, payment holidays on car loans, consumption loans and bank home loans as well as no-fee overdrafts.

We offer our business customers payroll finance as well as payment holidays on banking and lease facilities. We want to help and accommodate our customers as best we can and have therefore established a corona hotline, which business customers may consult by telephone or online for advice on and information about the government aid initiatives. In addition, we have introduced two new initiatives. First, at least two colleagues are required to refuse a customer request. And secondly, customers who disagree with a refusal and wish to file a complaint may take the matter before a new complaints board for a quick decision. The complaints board will convene four times a week to consider customers' complaints and provide them with fast and efficient decisions.

Our actions are based on a precautionary principle and we abide by all guidelines announced. Consequently, our customer centres are closed, and physical meetings with customers have been cancelled and replaced by online or telephone meetings.

Results for Q1/2020 relative to Q1/2019

Banking recorded a business profit of a negative DKK 227 million (Q1/2019: a profit of DKK 1,018 million).

Total income amounted to DKK 1,879 million, equal to a decrease of DKK 205 million (Q1/2019: DKK 2,084 million). The underlying business is performing satisfactorily. Increasing bank and mortgage lending had a positive impact on net interest income. In addition, the high remortgaging activity had a positive impact on net fee income. Income from trading, investment portfolio and other income decreased to a negative DKK 259 million (Q1/2019: income of DKK 58 million), driven by negative value adjustments of swaps and the impact of covid-19 on financial markets.

Costs rose by DKK 61 million to DKK 956 million (Q1/2019: DKK 895 million) owing to a considerable increase in resources allocated to compliance as well as increased expenses in connection with remortgaging activity.

DKK million

Selected balance sheet items	31.03.2020	31.12.2019	31.03.2019
Banking			
Retail Personal Banking			
Loans and advances	185,480	186,113	182,903
- of which mortgage lending, nominal value	168,022	168,397	165,565
- of which secured homeowner loans	7,704	7,727	7,451
- of which bank lending	9,754	9,989	9,886
Deposits	34,737	35,379	30,788
Retail Business Banking			
Loans and advances	253,464	252,575	252,345
- of which mortgage lending, nominal value	229,048	228,637	230,038
- of which bank lending	24,416	23,938	22,306
Deposits	20,962	21,059	18,121
Corporates & Institutions			
Loans and advances	259,391	255,405	219,486
- of which mortgage lending, nominal value	229,413	229,611	196,971
- of which bank lending	29,978	25,794	22,515
Deposits	6,149	9,495	10,162

Impairment charges for loans and advances were DKK 1,150 million (Q1/2019: DKK 171 million). The increase in impairment charges for loans and advances in Q1 was driven by provisions related to the expected adverse financial impact on especially businesses from covid-19.

Legacy derivatives saw a negative value adjustment of DKK 420 million (Q1/2019: a negative DKK 219 million).

Results for Q1/2020 relative to Q4/2019

Banking recorded a business profit of a negative DKK 227 million in Q1/2020 (Q4/2019: DKK 1,179 million).

Income totalled DKK 1,879 million (Q4/2019: DKK 2,540 million). The decrease was mainly driven by decreasing trading, investment portfolio and other income due to negative value adjustment of swaps currently offered.

Impairment charges for loans and advances were DKK 1,150 million (Q4/2019: DKK 266 million) owing to provisions for loan impairment charges due to covid-19.

Legacy derivatives implied a negative value adjustment of DKK 420 million (Q4/2019: DKK 484 million) prompted by negative value adjustments of swaps due to the covid-19 situation.

Activities

Banking has recorded strong lending growth, especially in bank lending, since end-2019. Loan volumes totalled DKK 698.3 billion at 31 March 2020 (end-2019: DKK 694.1 billion), of which DKK 626.5 billion was mortgage loans at nominal value (end-2019: DKK 626.6 billion).

Bank lending in Retail Personal Banking came to DKK 9.8 billion (end-2019: DKK 10.0 billion). Bank deposits in Retail Personal Banking decreased by DKK 0.6 billion from end-2019 to DKK 34.7 billion.

Bank lending in Retail Business Banking increased by DKK 0.5 billion to DKK 24.4 billion (end-2019: DKK 23.9 billion).

Bank lending in Corporates & Institutions increased by 16% in Q1 and stood at DKK 30.0 billion (end-2019: DKK 25.8 billion).

Arrears

At the December due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.59% against 0.79% at the same date in 2018.



DKK million

Results –	Q1/	Q1/	Q4/	
Totalkredit Partners	2020	2019	2019	2019
Net interest income	716	675	782	2,879
Net fee income	121	100	192	657
Net interest from capitalisation	(53)	(40)	(44)	(182)
Trading, investment portfolio and other income	21	17	5	24
Income	805	752	935	3,378
Costs	175	153	206	651
Business profit before impairment charges	629	599	730	2,726
Impairment charges for mortgage lending	103	24	46	(69)
Business profit	526	575	683	2,796

Q1 in summary

Totalkredit Partners focuses on further strengthening the alliance with Nykredit's partner banks as well as offering customers the best loan propositions, which resulted in

- Totalkredit once again being recommended by the Danish Consumer Council in February as the Danish mortgage lender offering the most affordable mortgage
- high lending and customer growth
- a joint IT platform, supporting our continued ability to offer customers the best home financing options.

KundeKroner discounts have a large impact on the costs of a mortgage loan. This means that right now Totalkredit generally charges the lowest administration margin payments in the market on the most popular types of mortgage loans. One of the benefits of Totalkredit primarily being owned by an association of customers, Forenet Kredit, is that when Nykredit is doing well, Forenet Kredit is able to give an annual contribution to Totalkredit, which in turn can pass on the money to customers in the form of KundeKroner discounts.

The alliance between Totalkredit and the partner banks is strong and has been instrumental in driving the 2% growth in lending recorded since end-2019. We have welcomed a large number of new customers, and now more than 838,000 homeowners have Totalkredit loans.

The Totalkredit alliance is developing a new joint IT platform aimed to secure its market position in coming years as the best provider of advisory services and home financing options. Part of the platform has already been implemented by our IT partners. Advisers and customers can now get a better overview of customers' aggregate facilities, including Totalkredit mortgage loans.

A very successful implementation of the new shared property valuation unit serving the Totalkredit alliance was completed in the last half of 2019, and the unit performed well amid the very high remortgaging activity as from Q2/2019. The unit will ensure uniform property valuations, fast response times and focus on customer experience.

Totalkredit business mortgages are offered to the segments Office and Retail, Residential Rental as well as Industry and Trades. A total of 38 banks, representing the majority of partner banks having business customers with mortgage needs, offer business mortgages.

How we handle the current covid-19 crisis

All essential functions of Totalkredit Partners are running in order for Totalkredit to continue to help customers and our partner banks. Ways of working have obviously been adjusted in order to minimise the spread of covid-19. Customers are still able to raise mortgage loans, but communication with the bank will be through email, telephone or online.

Moreover, the Nykredit Group has decided to extend the KundeKroner benefits programme on the current terms up to and including 2021 to enhance customers' financial security. With the current critical situation in Denmark, it is important to us that our more than 838,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our customer-ownership structure.

Results for Q1/2020 relative to Q1/2019

Totalkredit Partners delivered a business profit of DKK 526 million (Q1/2019: DKK 575 million).

Income, which amounted to DKK 805 million (Q1/2019: DKK 752 million), was satisfactory.

Net interest income increased to DKK 716 million (Q1/2019: DKK 675 million) and was positively affected by rising mortgage lending, but margins are under pressure as more and more customers opt for fixed-rate repayment loans.

Net fee income increased by DKK 21 million to DKK 121 million relative to the same period last year (Q1/2019: DKK 100 million), mainly driven by higher remortgaging activity.

Costs rose to DKK 175 million (Q1/2019: DKK 153 million), primarily due to higher expenses in connection with the establishment of the new shared property valuation unit as well as rising expenses for compliance.

Impairment charges for loans and advances were DKK 103 million (Q1/2019: DKK 24 million). The increase was due to provisions for loan impairments as a consequence of covid-19.

DKK million

Selected balance sheet items

Totalkredit Partners	31.03.2020	31.12.2019	31.03.2019
Personal Banking			
Loans and advances	628,833	614,336	571,469
- of which mortgage lending, nominal value	619,871	604,881	560,664
- of which secured homeowner loans	8,962	9,455	10,805
Business Banking			
Loans and advances	6,772	6,319	4,322
- of which mortgage lending, nominal value	6,772	6,319	4,322

Results for Q1/2020 relative to Q4/2019

Totalkredit Partners delivered a business profit of DKK 526 million in Q1/2020 (Q4/2019: DKK 683 million).

Income was down by DKK 130 million to DKK 805 million (Q4/2019: DKK 935 million), mainly due to reduced net interest income and net fee income resulting from lower remortgaging activity compared with the high activity level in Q4/2019.

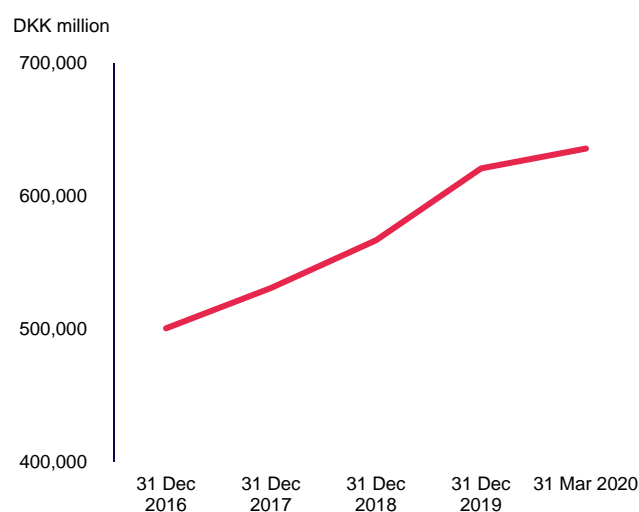
Impairment charges for loans and advances were DKK 103 million (Q4/2019: DKK 46 million) owing to provisions for loan impairment as a consequence of covid-19.

Activities

Totalkredit Partners recorded high lending growth, and nominal lending to personal customers came to DKK 628.8 billion at end-March 2020 (end-2019: DKK 614.3 billion), equal to an increase of 2%. The business loan portfolio increased by DKK 0.5 billion to nominally DKK 6.8 billion (end-2019: DKK 6.3 billion).

Arrears

At the December due date, Totalkredit Partners customers' 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.22% against 0.22% at the same date in 2018.

Lending, Totalkredit Partners

WEALTH MANAGEMENT

DKK million

Results –	Q1/	Q1/	Q4/	
Wealth Management	2020	2019	2019	2019
Net interest income	41	33	35	129
Net fee income	10	5	8	36
Wealth management income	330	203	320	984
Net interest from capitalisation	(2)	(2)	(2)	(9)
Trading, investment portfolio and other income	5	6	5	23
Income	384	244	366	1,163
Costs	217	118	250	666
Business profit before impairment charges	167	126	116	497
Impairment charges for mortgage lending	(4)	0	6	11
Impairment charges for bank lending	55	19	6	0
Business profit	116	107	103	486
Legacy derivatives	(1)	0	1	0
Profit before tax	115	107	104	486

Q1 in summary

Wealth Management got off to a good start in 2020 before the covid-19 outbreak. We continued our commitment to enhance the customer experience by, for example,

- collaborating with Sparinvest's partner banks on offering relevant investment products to wealth clients all over Denmark
- offering a wide range of investment products, including a Nordic Swan Ecolabelled fund and other sustainable investment options
- expanding our business area within administration of credit and lending strategies in Nykredit Portefølje Administration
- upgrading the value proposition to the Private Banking Elite segment to ensure its relevance and holistic approach to wealth clients.

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

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

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

25% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1/2020. Over the past three years, 61% has generated above-benchmark returns.

How we handle the current covid-19 crisis

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

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

Results for Q1/2020 relative to Q1/2019

Wealth Management's business profit remained high at DKK 116 million in 2019 (Q1/2019: DKK 107 million).

Income amounted to DKK 384 million and rose compared with the previous year (Q1/2019: DKK 244 million) mainly due to recognition of Sparinvest as from September last year.

Impairment charges for loans and advances were DKK 51 million (Q1/2019: DKK 19 million). The rise was mainly due to impairment charges for single exposures.

Results for Q1/2020 relative to Q4/2019

Wealth Management's business profit totalled DKK 116 million in Q1, equal to a rise of DKK 13 million (Q4/2019: DKK 103 million).

Income amounted to DKK 384 million in Q1/2020 (Q4/2019: DKK 366 million). The increase was chiefly due to growth in the Private Banking Elite segment.

Impairment charges for loans and advances were DKK 51 million (Q4/2019: DKK 12 million). The rise was mainly due to impairment charges for single exposures.

DKK million

Selected balance sheet items

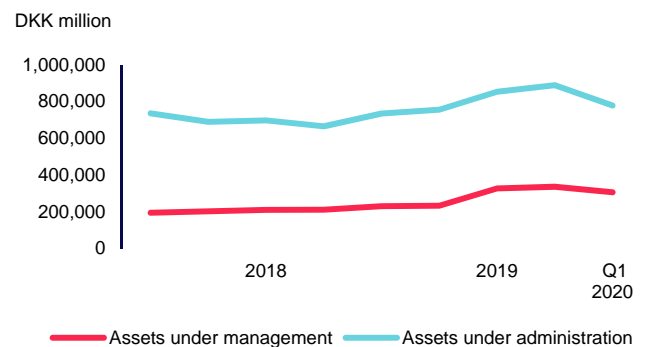
Wealth Management	31.03.2020	31.12.2019	31.03.2019
Assets under management	305,735	335,771	230,297
- of which Nykredit Group investment funds	142,158	162,997	74,837
Assets under administration	777,429	888,569	734,513
Lending/deposits			
Loans and advances	13,430	13,301	12,932
- of which mortgage lending, nominal value	9,075	8,539	8,104
- of which secured homeowner loans	1,117	1,134	1,138
- of which bank lending	3,238	3,629	3,690
Deposits	16,551	16,121	13,457

Activities

Due to the covid-19 pandemic, substantial negative value adjustments in the financial markets have impacted the development in assets under management in Q1.

Total assets under management fell by DKK 30.0 billion to DKK 305.7 billion at end-March 2020 (end-2019: DKK 335.8 billion). The decrease comprised positive net sales of DKK 1.3 billion, driven by demand from international clients, Private Banking Elite clients as well as the Group's savings products, and negative returns of DKK 30.0 billion.

Total assets under administration decreased by DKK 111.1 billion compared with end-2019 to DKK 777.4 billion at end-March 2020 (end-2019: DKK 888.6 billion). The decrease comprised a net addition of DKK 18.3 billion, driven by demand from institutional clients as well as the Group's savings products, and negative returns of DKK 129.5 billion.

Assets under management and assets under administration by Wealth Management

GROUP ITEMS

	DKK million			
Results – Group Items	Q1/ 2020	Q1/ 2019	Q4/ 2019	2019
Net interest income	1	0	4	6
Net fee income	(14)	(6)	(7)	(24)
Wealth management income	3	3	4	12
Net interest from capitalisation	43	33	39	175
Net income relating to customer benefits programmes ¹	(45)	(80)	(236)	(358)
Trading, investment portfolio and other income	(1,161)	598	178	1,099
Income	(1,173)	548	(19)	911
Costs	68	63	(19)	167
Business profit (loss) before impairment charges	(1,241)	485	2	745
Impairment charges for bank lending	9	6	5	5
Business profit (loss)	(1,250)	480	(3)	740
Badwill, impairment of goodwill and amortisation of customer relationships	-	-	564	564
Profit (loss) before tax	(1,250)	480	562	1,304

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

A few income statement and balance sheet items, including badwill, are not allocated to the business areas but are included in Group Items.

Group Items also includes Nykredit's total return on the securities portfolio. The activities of the companies Nykredit Ejendomme A/S (wound up) and Ejendomsselskabet Kalvebod A/S also form part of Group Items.

Results for Q1/2020 relative to Q1/2019

The business profit of Group Items fell by DKK 1,730 million relative to Q1/2019 to a negative DKK 1,250 million (Q1/2019: DKK 480 million).

This trend was primarily driven by falling investment portfolio income due to significant price declines on the portfolio of, for example, Danish bank equities as well as negative earnings on the remaining trading book caused by the impact of the corona virus on the markets.

CAPITAL, LIQUIDITY AND FUNDING

EQUITY AND OWN FUNDS

The Nykredit Realkredit Group's equity stood at DKK 83.5 billion at end-March 2020 (end-2019: DKK 84.4 billion). In the Annual Report for 2019 the Boards of Directors proposed dividend for 2019 of DKK 3,660 million to the Company's shareholder. This was in accordance with Nykredit's dividend policy. In light of the macroeconomic uncertainty caused by the covid-19 pandemic, the Annual General Meeting, which convened in March 2020, resolved to transfer the full net profit for the year to retained earnings and to postpone the final resolution to pay dividend for the 2019 financial year until we get more clarity about the actual economic impact of covid-19 on Danish economy.

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

	DKK million	
Nykredit Realkredit Group		
Equity (including AT1 capital)	31.03.2020	31.12.2019
Equity, beginning of period	84,378	78,847
Profit (loss) for the period	(879)	7,443
Other adjustments	(5)	(1,912)
Equity, end of period	83,494	84,378

	DKK million	
Nykredit Realkredit Group		
Capital and capital adequacy	31.03.2020	31.12.2019
Credit risk	317,032	324,627
Market risk	35,800	29,336
Operational risk	26,828	25,499
Total risk exposure amount	379,661	379,462
Equity (including AT1 capital)	83,494	84,378
AT1 capital etc	(3,816)	(3,777)
Proposed dividend	-	(3,660)
CET1 capital regulatory adjustments	(2,636)	(2,596)
Common Equity Tier 1 capital	77,041	74,344
Additional Tier 1 capital	3,744	3,741
Additional Tier 1 capital deductions	(60)	(48)
Tier 1 capital	80,725	78,036
Tier 2 capital	10,816	10,823
Tier 2 capital regulatory adjustments	1,807	1,224
Own funds	93,349	90,083
Common Equity Tier 1 capital ratio, %	20.2	19.5
Tier 1 capital ratio, %	21.2	20.5
Total capital ratio, %	24.5	23.7

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

At end-March 2020 Nykredit's risk exposure amount (REA) totalled DKK 379.7 billion (end-2019: DKK 379.5 billion). With own funds at DKK 93.3 billion, this corresponded to a total capital ratio of 24.5% (end-2019: 23.7%). The CET1 capital ratio was 20.2% (end-2019: 19.5%).

Despite the unchanged REA in Q1, we expect REA increases of up to 10-20% in the next 12-24 months. The increases are driven by a) market risk as regards the most recent volatility in financial markets, b) credit risk both as regards covid-19-related increases and expected

growth in lending as well as c) implementation of new regulatory requirements applying to IRB models. The estimated scenario-based REA increase is subject to high uncertainty, and the same applies to the timing of the increase.

Own funds include CET1 capital, AT1 capital and Tier 2 capital. Nykredit's Tier 1 capital, which consists mainly of Common Equity Tier 1 (CET1) capital, stood at DKK 78.8 billion at end-March (end-2019: DKK 76.4 billion). CET1 capital amounted to DKK 76.7 billion (end-2019: DKK 74.1 billion). Additional Tier 1 capital was DKK 2.1 billion after regulatory adjustments (end-2019: DKK 2.4 billion), whereas Tier 2 capital amounted to DKK 6.5 billion including regulatory adjustments (end-2019: DKK 7.2 billion). The decision by the Annual General Meeting to transfer the net profit for 2019 to retained earnings has positively impacted the CET1 capital by DKK 3,610 million, and the Tier 1 capital ratio has equally improved.

Capital targets 2020

Nykredit's capital policy is laid down annually by the Board of Directors and is to support the Group's strategy and objectives.

In accordance with the business model, Nykredit aims to have stable earnings, a strong capital structure and competitive credit ratings. Based on a long-term capital management framework, the Group aims to be able to maintain its business activities independently of fluctuations in economic trends. This implies having adequate access to capital to withstand a severe economic downturn and losses, and maintain active lending also during and after a crisis.

The Board of Directors has set the CET1 capital requirement at 15.5-16.5% of REA, whereas the total capital need is calculated at 20-21%. Furthermore, Nykredit has already reserved CET1 capital to meet the upcoming Basel requirements and may also obtain new CET1 capital from Forenet Kredit and through investment commitments from a number of Danish pension companies. Based on the capital resources inherent in the ownership structure, Nykredit is expected to have a capital requirement corresponding to that of a listed SIFI when the new Basel requirements have been implemented.

Status on capital target

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

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks. This accounted for 11.0% of the risk exposure amount at end-March 2020 equal to the internal capital adequacy requirement.

Dividend policy

Despite the dividend resolution for the 2019 financial year, Nykredit's ambition remains to provide our owner with a competitive return in the form of dividend in the region of 50% of profit for the year, allowing for the current capital policy. The purpose is to ensure that Forenet Kredit strengthens its capital position and can continue to make contributions to the Group to be used for KundeKroner discounts for example. Due to the Q1/2020 results, no amount is reserved for dividend for Q1/2020.

FUNDING AND LIQUIDITY

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

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

Bank lending is mainly funded by deposits. At end-Q1/2020 Nykredit Bank's deposits equalled 116% of lending (end-2019: 131%).

Liquidity

Nykredit's liquid assets are mainly placed in Danish and other European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity.

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

Nykredit holds substantial liquidity reserves and meets the requirements of the Danish FSA by a comfortable margin. This is illustrated in the table below, which shows that the LCR of the various companies is significantly above the regulatory requirement of 100%.

	(%)	
Nykredit Realkredit Group		
LCR determination	31.03.2020	31.12.2019
Nykredit Realkredit Group	385	955
Nykredit Realkredit Group, LCR requirement in EUR	481	483
Nykredit Realkredit and Totalkredit	2,624	3,482
Nykredit Realkredit and Totalkredit, incl min LCR requirement	158	155
Nykredit Bank	166	153

LCR is calculated excluding LR Realkredit. Since 2016, as a Danish mortgage provider, Nykredit has been exempt from including a part of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has instead set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of 2.5% of total mortgage lending.

Benchmark bond series

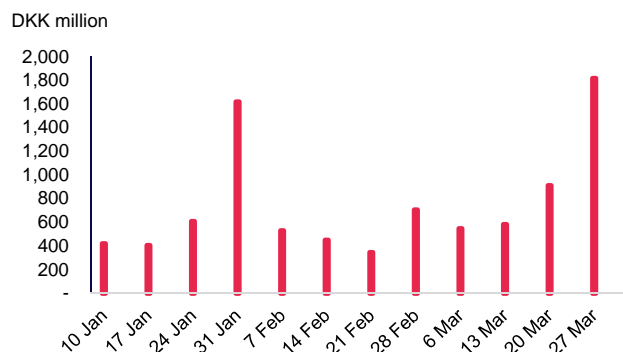
Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes and deep liquidity in the Group's key bond series.

With the introduction of the LCR, banks prefer bonds with outstanding amounts of more than EUR 500 million and high ratings. As much as

93% of the outstanding amounts in Nykredit's active bond series is today classified in the top LCR category, while 3% is in the second-best category.

The covid-19 pandemic increased bond price volatility in March. Nevertheless, Nykredit has not had difficulty selling bonds to fund lending.

Average daily issuance volume, on a weekly basis



Nykredit's fixed-rate callable covered bonds maturing in 2047 will close for new issuance on 31 August 2020 as scheduled. The closing takes place as part of the usual 3-year maturity class cycle of fixed-rate bonds. As at 1 September 2020, new 30-year lending will be based on issuance in the new fixed-rate callable covered bonds maturing in 2053.

Green bonds

Nykredit's green mortgage loans are offered to finance energy-efficient buildings with energy label A or B or equivalent certification. The product is offered to major corporate clients. About DKK 6.9 billion-worth of green bonds had been issued at end-Q1/2020.

Nykredit's Green Bond Framework, which was established in compliance with IMCA's Green Bond Principles (GBP), describes the principles of green loans and determines which buildings are eligible for financing with green mortgage bonds.

Refinancing and issuance schedule for 2020

Nykredit Realkredit will continue to issue mortgage covered bonds on tap and at refinancing auctions. Nykredit holds refinancing auctions four times a year. That way, auction volumes are deconcentrated, and the refinancing risk is reduced.

Nykredit expects to refinance bonds worth up to DKK 41 billion at the auction in May 2020, and DKK 38 billion and DKK 37 billion at the auctions in August and November 2020.

The annual maturity one year ahead totals DKK 242 billion, of which ordinary principal payments, prepayments etc totalled DKK 90 billion. Thus, refinancing volumes are expected to make up DKK 152 billion.

DKK billion	
Nykredit Realkredit Group	1 April 2020
Refinancing¹	- 31 March 2021
Total maturity before set-off of self-issued bonds	242.1
- ordinary principal payments and scheduled ² prepayments (paid up)	62.2
- ordinary principal payments and scheduled ² prepayments (unpaid)	25.1
- pre-issued bonds and interest rate risk ²	3.1
Total refinancing volume	151.7
- pre-auctioned amount sold under forward contracts	14.4
Refinancing volume remaining for	
1 April 2020 – 31 March 2021	137.3
- of which SDOs and ROs	137.3
- of which other issues	0.0

¹ For the April, July and October 2020 and January 2021 payment dates.

² Scheduled as at 31 March 2020.

Because of the low interest rate levels, borrowers increasingly request loans funded by bonds with maturities from 5 to 30 years. This has reduced refinancing volumes to about DKK 160 billion pa. The refinancing volumes are expected to be maintained at this level going forward.

DKK million		
Nykredit Realkredit Group		
Bonds in issue	31.03.2020	31.12.2019
Covered bonds (RO), see note 15 a	150,978	152,406
Covered bonds (SDO), see note 15 b	1,224,612	1,262,714
Senior secured debt, see note 15 c	8,934	934
Senior unsecured debt in Nykredit Bank A/S	790	1,369
Senior non-preferred (SNP), see note 16	37,835	30,306
Tier 2 capital, see note 18	11,011	11,004
Additional Tier 1 capital, see note 2 (Nykredit Realkredit A/S)	3,733	3,735
ECP-issues of Nykredit Bank A/S	3,852	3,185

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

In Q1/2020 Nykredit issued bail-inable senior debt of DKK 7.5 billion.

In light of the debt buffer requirement, Nykredit expects to issue additional debt in 2020. The funding schedule for the rest of 2020 is expected to amount to between DKK 10-15 billion mainly concentrated in senior debt.

Supervisory Diamond

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

The Supervisory Diamond model for banks uses five key benchmarks to measure if a bank is operating at an elevated risk. Nykredit complies with all Supervisory Diamond benchmark limits as at 31 March 2020.

DKK million		
Nykredit Bank A/S		
Supervisory Diamond	31.03.2020	31.12.2019
Large exposures (limit value <175%)	124.4%	109.9%
Lending growth (limit value <20%)	14.3%	8.1%
Property exposure (limit value <25%)	11.3%	10.2%
Funding ratio (limit value <1.0)	0.63	0.57
Liquidity benchmark (limit value >100%)	147.8%	194.9%

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit		Limit value
		Realkredit Group 31 March 2020	Realkredit A/S 31 March 2020	
Lending growth in segment				
Personal customers ¹	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial.	8.1%	(17.8)%	15.0%
Commercial residential properties		4.2%	3.6%	15.0%
Agricultural properties		0.0%	0.0%	15.0%
Other commercial		2.3%	1.5%	15.0%
Borrower's interest rate risk	The proportion of lending where the LTV ratio exceeds 75% of the statutory LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio.			
Private residential and residential rental		11.4%	18.0%	25.0%
Interest-only period	The proportion of IO loans for owner-occupied and holiday homes with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending.			
Personal Banking		7.5%	5.6%	10.0%
Loans with short-term funding	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.			
Refinancing (annually)		10.7%	12.0%	25.0%
Refinancing (quarterly)		1.9%	3.4%	13.0%
Large exposures	The sum of the 20 largest exposures must be less than equity.			
Loans and advances:equity		37.1%	37.1%	100.0%

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

CREDIT RATINGS

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

S&P Global Ratings

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

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

SDOs and ROs issued by Nykredit Realkredit and Totalkredit through rated capital centres are all rated AAA by S&P, which is the highest possible rating. The rating outlook is stable.

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

Fitch Ratings

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

On 31 March 2020 Fitch announced a change of outlook on the Issuer Credit Rating from stable to negative. Fitch's change of outlook is motivated by the general economic uncertainty due to the covid-19 pandemic.

Senior unsecured non-preferred debt is rated A by Fitch.

Listing of ratings

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

CREDIT RISK

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

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

As a consequence of the covid-19 crisis, Nykredit has decided to offer our customers temporary financial support, for example deferral of mortgage payments or other payment holidays which might improve their liquidity.

The expected economic impacts of covid-19 are not easily determined, however. The depth and duration of the current market situation, including unemployment trends, are hard to predict. Until now customers' payments have not been significantly impacted by the situation but some customer groups do require special attention already now. The first reliable signs will likely not show until the June mortgage payment date.

The covid-19 situation has impacted loan impairments for Q1 especially for business lending, as many businesses have been severely affected by the lockdown of major parts of the economy. The Danish government's relief packages will mitigate the situation somewhat, but Nykredit expects increased loan impairments for particularly vulnerable sectors also in the period to come. Nykredit will continue to monitor the situation closely in coming quarters, as the slightly longer-term impact on customers' financial position is still unknown.

In total Nykredit has provided DKK 1,150 million for loan impairments in Q1/2020, based on model estimates and management judgement, to cover the consequential losses arising from covid-19. As we get more clarity during the year about the effects of covid-19 on Nykredit's customers, we foresee additional impairment provisions, if necessary.

The loan portfolio has developed positively in Q1 and individual impairment provisions remain low. Arrears ratios have been declining for some portfolios and are stable for others. Write-offs have been low.

Credit models

Nykredit uses credit models to determine the capital requirement for credit risk. Nykredit also uses internal ratings-based (IRB) models in the determination of credit risk for the greater part of the loan portfolio. The determination of credit risk is based on three key parameters: Probability of Default (PD), expected Loss Given Default (LGD) and expected Exposure at Default (EAD). The three key parameters are estimated on the basis of Nykredit's customer default and loss history.

The PD is customer-specific, while the other parameters are product-specific. One PD is therefore assigned to each customer, while each of the customer's products has a separate LGD and EAD.

Nykredit Realkredit Group

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

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019	Q1/2020	FY/2019
Mortgage lending, nominal value						
Nykredit Realkredit	497,678	500,522	4,716	3,845	961	695
Totalkredit	758,832	740,289	1,522	1,469	98	82
LR Realkredit	21,636	21,877	63	51	11	-
Total	1,278,147	1,262,689	6,301	5,365	1,070	777
Loans and advances etc						
Nykredit Bank	69,389	65,466	2,723	2,526	227	190
Total	69,389	65,466	2,723	2,526	227	190
Receivables from credit institutions	29,715	52,413	33	28	5	7
Reverse repurchase lending	40,268	48,749	-	-	-	-
Guarantees	6,792	6,616	147	137	10	20
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.95	0.77	0.19	0.14
Totalkredit	-	-	0.20	0.20	0.01	0.01
Total	-	-	0.49	0.43	0.08	0.06
Nykredit Bank	-	-	3.92	3.72	0.33	0.28
Total	-	-	3.92	3.72	0.33	0.28

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

MORTGAGE LENDING

At end-March 2020, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,278 billion, corresponding to an increase of DKK 15.5 billion (end-2019: DKK 1,263 billion).

The security underlying mortgage lending is substantial. Furthermore, mortgage loans granted via Totalkredit are covered by set-off agreements. The loss risk relating to personal loans is mitigated through an agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments to the partner banks having arranged the loan.

Since 2014 a minor part of the right of set-off has been replaced by a loss guarantee provided by the partner banks.

The average LTV ratio was 61.8% at end-March 2020 (end-2019: 61.8%).

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.49% of total mortgage lending (end-2019: 0.43%). At end-March 2020, total impairment provisions amounted to DKK 6,301 million (end-2019: DKK 5,365 million).

The earnings impact on total impairments in Q1 from covid-19 and the changed economic climate was a charge of DKK 1,069 million.

Mortgage lending

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value) ²						Total	LTV average, %
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	514,485	191,017	99,312	5,972	1,643	1,492	813,922	66.0
Private rental ¹	112,019	36,744	11,967	805	373	407	162,315	60.8
Industry and trades	19,256	3,315	154	18	13	30	22,786	45.8
Office and retail	89,960	22,286	2,163	324	207	377	115,317	52.0
Agricultural property	59,593	20,191	6,564	657	271	494	87,770	61.5
Public housing	-	-	-	-	-	-	70,160	-
Other	10,938	2,086	649	28	19	34	13,755	50.2
Total Q1/2020	806,252	275,639	120,809	7,805	2,527	2,834	1,286,026	61.8
Total, 2019	799,585	277,911	125,465	7,963	2,708	2,845	1,287,370	61.8

¹ Including cooperative housing

² Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including co-financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing, which forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Nykredit Realkredit Group

Mortgage lending by property type¹

	31.03.2020		31.12.2019	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Owner-occupied dwellings	2,517	158	2,433	277
Private rental	596	132	467	181
Industry and trades	80	(8)	87	27
Office and retail	730	212	578	191
Agricultural property	1,543	288	1,250	3
Public housing	106	9	101	38
Cooperative housing	400	56	345	29
Other	130	21	109	22
Non-distributed	200	200	-	-
Total	6,301	1,069	5,365	768

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

Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears dropped to 0.30% of total mortgage payments due 75 days past the December due date (December 2018: 0.38%).

Bond debt outstanding affected by arrears as a percentage of total bond debt outstanding also increased to 2.96% (December 2018: DKK 2.80 billion).

Properties acquired by foreclosure

In Q1/2020, the Group acquired 8 properties and sold 14. The property portfolio counted 14 properties at 31 March 2020 (end-2019: 20).

Nykredit Realkredit Group

Arrears ratio – 75 days past due

Payment date	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2019			
- December	0.30	0.24	2.96
- September	0.35	0.25	3.11
- June	0.36	0.28	3.47
- March	0.37	0.28	3.36
2018			
- December	0.38	0.23	2.80
- September	0.39	0.23	2.70

BANK LENDING

Bank lending at amortised cost amounted to DKK 69.4 billion at end-March 2020 (end-2019: DKK 65.5 billion).

Reverse repurchase lending totalled DKK 40.3 billion at end-March 2020 (end-2019: DKK 48.7 billion). Guarantees provided amounted to DKK 6.8 billion (end-2019: DKK 6.6 billion).

The earnings impact of covid-19 on total impairment provisions was a charge of DKK 213 million.

Total provisions for bank loan impairment etc

Provisions for bank loan impairment (exclusive of credit institutions and guarantees) totalled DKK 2,723 million at end-March 2020 (end-2019: DKK 2,526 million).

Guarantees

Guarantees provided were DKK 6,792 million at end-March 2020 (end-2019: DKK 6,616 million), which represented a rise of 3%. At end-March 2020, provisions for guarantees amounted to DKK 161 million (end-2019: DKK 137 million).

Nykredit Realkredit Group

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

DKK million

	31.03.2020			31.12.2019		
	Lending, year-end	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	844	1	(0)	765	1	(1)
Agriculture, hunting, forestry and fishing	3,446	197	37	4,197	164	27
Manufacturing, mining and quarrying	10,321	322	43	8,921	285	3
Energy supply	2,914	22	(2)	2,857	30	6
Construction	3,519	201	8	3,723	198	37
Trade	8,798	320	(17)	7,831	335	63
Transport, accommodation and food service activities	6,304	106	19	5,780	99	22
Information and communication	3,019	95	(8)	3,434	102	48
Finance and insurance	47,081	127	12	54,702	122	2
Real estate	14,593	519	55	14,266	472	20
Other	9,361	396	157	9,941	266	5
Total business customers	109,356	2,305	304	115,651	2,072	233
Personal customers	27,090	564	(67)	33,773	589	(22)
Total	137,290	2,870	237	150,188	2,663	210
- of which provisions for losses under guarantees		147	10		137	20
Impairment provisions for credit institutions		19	7		12	0
- of which intercompany guarantees and total	20,841	2,889	244	29,358	2,675	210

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

DKK million

Nykredit Bank Group	Q1/ 2020	Q1/ 2019	Q4/ 2019	2019
Business profit and profit for the period				
Net interest income	410	369	402	1,520
Net fee income	145	128	133	538
Wealth management income	502	350	494	1,610
Net interest from capitalisation	(6)	(7)	(6)	(28)
Net income relating to customer benefits programmes	68	-	(9)	(9)
Trading, investment portfolio and other income	(230)	129	325	720
Income	888	969	1,340	4,350
Costs	642	520	776	2,375
Business profit before impairment charges	246	448	564	1,975
Impairment charges for loans and advances	244	61	42	210
Business profit	2	387	522	1,765
Legacy derivatives	(421)	(219)	485	(112)
Profit (loss) before tax for the period	(419)	168	1,006	1,653
Tax	(88)	37	227	366
Profit (loss) for the period	(331)	131	780	1,287
Minority interests	7	-	(1)	(1)
Summary balance sheet	31.03.2020	31.03.2019	31.12.2019	31.12.2019
Reverse repurchase lending	40,268	36,548	48,749	48,749
Loans, advances and other receivables at amortised cost	69,389	60,723	65,466	65,466
Payables to credit institutions and central banks	65,097	49,098	85,154	85,154
Repo deposits	2,555	10,475	3,331	3,331
Deposits and other payables	80,640	79,856	85,549	85,549
Equity	24,132	21,226	24,434	24,434
SELECTED FINANCIAL RATIOS				
Profit for the period as % pa of average equity	(5.6)	2.5	13.0	5.7
Costs as % of income	72.3	53.7	57.9	54.6
Average number of staff, full-time equivalent	958	830	1,007	900

Nykredit Bank has launched a number of initiatives to help Danish families and businesses in the current challenging situation prevailing in Denmark and other countries because of the covid-19 pandemic. We are fully aware of our responsibility, and we are working at full capacity to help our customers. We offer our customers a special credit facility, payment holidays on car loans, consumption loans and bank home loans as well as no-fee overdrafts. Furthermore, we offer our business customers payroll finance as well as payment holidays on banking and lease facilities. We have also established a corona hotline, which business customers may consult by telephone or online for advice on and information about the government aid initiatives.

Our actions are based on a precautionary principle and we abide by all guidelines announced. Consequently, our customer centres are closed, and physical meetings with customers have been cancelled and replaced by online or telephone meetings.

Q1 in summary

The underlying business remains robust and growing, as demonstrated by an increase in lending of 6% to DKK 69,389 million (end-2019: DKK 65,466 million). However, the covid-19 situation significantly affected Nykredit Bank's business profit, which was DKK 2 million (Q1/2019: DKK 387 million), and profit for the period before tax was a negative DKK 419 million (Q1/2019: DKK 168 million).

Particularly the last part of the period was adversely affected by the current situation in financial markets caused by covid-19, which resulted in low investment portfolio income and negative value adjustments of swaps. The period was also marked by steeply rising loan impairments due to the expected negative financial impact of covid-19.

Income amounted to DKK 888 million (Q1/2019: DKK 969 million). Rising bank lending contributed to increasing net interest income and net fee income. Trading, investment portfolio and other income was adversely impacted by value adjustments of swaps driven by general interest rate trends but also by strong movements in funding and credit spreads.

Costs were DKK 642 million (Q1/2019: DKK 520 million). The Group still maintains a strong focus on building organisational efficiency, while investing significant resources in compliance, the implementation of new regulatory requirements and extending the partnership with BEC as well as new staff from Sparinvest.

Impairment charges for loans and advances amounted to DKK 244 million (Q1/2019: DKK 61 million) as a result of the current covid-19 pandemic having accelerated impairments due to an expected deterioration in the credit quality of particularly SMEs.

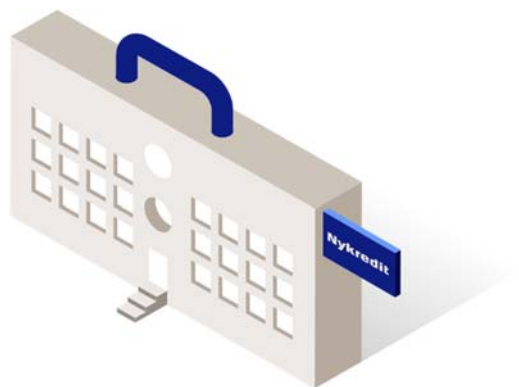
Legacy derivatives caused a charge of DKK 421 million (Q1/2019: a charge of DKK 219 million). Legacy derivatives are derivatives Nykredit no longer offers to customers. The earnings decrease was mainly driven by the factors described above.

Bank lending at amortised cost amounted to DKK 69.4 billion (end-2019: DKK 65.5 billion).

The bond and equity portfolio stood at DKK 45.2 billion (end-2019: DKK 50.8 billion). The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management.

Deposits and other payables came to DKK 80.6 billion (end-2019: DKK 85.5 billion). This trend was primarily due to a decrease in demand and fixed-term deposits.

Deposits exceeded lending at amortised cost by DKK 11.3 billion (end-2019: DKK 20.1 billion).



DKK million

Totalkredit	Q1/ 2020	Q1/ 2019	Q4/ 2019	2019
BUSINESS PROFIT AND PROFIT FOR THE PERIOD				
Net interest income	854	797	926	3,411
Net fee income	145	109	222	756
Net interest from capitalisation	(49)	(23)	(37)	(129)
Net income relating to customer benefits programmes	(101)	(55)	(20)	(98)
Trading, investment portfolio and other income	(116)	22	(43)	(93)
Income	734	849	1,048	3,848
Costs	211	180	236	791
Business profit before impairment charges	523	669	812	3,057
Impairment charges for loans and advances	88	46	65	79
Profit before tax for the period	435	623	747	2,978
Tax	46	84	98	405
Profit for the period	389	539	649	2,573
Interest on Additional Tier 1 capital not recognised in profit or loss	47	47	47	189
SUMMARY BALANCE SHEET				
	31.03.2020	31.03.2019	31.12.2019	31.12.2019
Mortgage loans at fair value	760,318	705,082	753,110	753,110
Bonds at fair value	64,427	65,471	94,580	94,580
Payables to credit institutions and central banks	808,001	736,644	843,900	843,900
Bonds in issue at fair value	5,606	7,139	6,087	6,087
Equity	30,955	28,720	30,612	30,612
SELECTED FINANCIAL RATIOS				
Profit for the period as % pa of average equity ¹	5.1	8.1	9.2	9.4
Costs as % of income	28.7	21.2	22.5	20.5
Average number of staff, full-time equivalent	226	149	249	201

¹ For the purpose of return on equity, the AT1 capital raised in 2016 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the year.

Totalkredit saw continued satisfactory customer growth in Q1/2020, and despite the current lockdown all operations are being maintained. Thus, customers are still able to raise mortgage loans via the Totalkredit partner banks throughout Denmark.

Moreover, the Nykredit Group has decided to extend the KundeKroner benefits programme on the current terms up to and including 2021 to enhance customers' financial security. With the current critical situation in Denmark, it is important to us that our more than 838,000 homeowners with Totalkredit loans feel assured that they can rely on the KundeKroner discount programme as a unique strength of our customer-ownership structure.

Q1 in summary

Similar to the rest of the Group, Totalkredit's profit before tax for Q1/2020 was impacted by covid-19 and amounted to DKK 435 million (Q1/2019: DKK 623 million). Profit for the period as % pa of average equity came to 5.1% (Q1/2019: 8.1%).

Income came to DKK 734 million (Q1/2019: DKK 849 million), mainly due to increasing interest income driven by lending growth as well as increased fee income resulting from remortgaging. Trading, investment portfolio and other income was adversely affected by value adjustments of the portfolio of self-issued bonds.

Costs were DKK 211 million (Q1/2019: DKK 180 million) due to increasing payroll costs for the shared property valuation unit implemented in 2019. Costs as a percentage of income thus totalled 28.7% in Q1/2020.

Impairment charges for loans and advances were DKK 88 million (Q1/2019: DKK 46 million). The increase was due to provisions for loan impairments for certain customer groups due to the impact of covid-19.

Mortgage loans at fair value increased to DKK 760.3 billion compared with end-2019 (end-2019: DKK 753.1 billion). At nominal value, the loan portfolio totalled DKK 758.8 billion at 31 March 2020 (end-2019: DKK 740.3 billion).



ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 4 and the business areas (pages 9-16 and note 3) reflect the internal management reporting.

In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, implying that the profit for the period is the same in the financial highlights and in the IFRS-based Financial Statements. The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising net administration margin income from mortgage lending as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 30) includes all interest.

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

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

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest. "Trading, investment portfolio and other income", which includes income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

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

Supplementary financial ratios etc

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

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

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

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

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

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 31 March 2020 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 March 2020 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 31 March 2020.

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

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

Copenhagen, 7 May 2020

Executive Board

Michael Rasmussen
Group Chief Executive

Tonny Thierry Andersen
Group Managing Director

David Hellemann
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Merete Eldrup
Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Jørgen Høholt

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Inge Sand*

Kristina Andersen Skiøld*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit A/S				Nykredit Realkredit Group	
Q1/2019	Q1/2020		Note	Q1/2020	Q1/2019
INCOME STATEMENTS					
4,756	4,337	Interest income		5,928	6,153
-	-	Interest income based on the effective interest method		498	484
3,782	3,352	Interest expenses		3,579	3,960
974	985	Net interest income	6	2,847	2,676
47	21	Dividend on equities etc.	6	24	50
162	187	Fee and commission income	5	1,010	684
82	15	Fee and commission expenses		934	866
1,102	1,178	Net interest and fee income		2,947	2,543
584	(1,023)	Value adjustments	6, 7	(1,822)	540
307	312	Other operating income		346	323
641	713	Staff and administrative expenses		1,305	1,126
67	64	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		75	70
26	30	Other operating expenses		35	32
111	967	Impairment charges for loans, advances and receivables etc	8, 9	1,312	219
688	86	Profit from investments in associates and Group enterprises	10	2	1
1,836	(1,221)	Profit (loss) before tax		(1,255)	1,961
205	(335)	Tax		(376)	330
1,631	(886)	Profit (loss) for the period		(879)	1,631
Distribution of profit for the period					
1,573	(944)	Shareholder of Nykredit Realkredit A/S		(944)	1,573
-	-	Minority interests		7	-
57	58	Holders of Additional Tier 1 capital notes		58	57
1,631	(886)	Profit (loss) for the period		(879)	1,631
COMPREHENSIVE INCOME					
1,631	(886)	Profit (loss) for the period		(879)	1,631
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
(41)	(19)	Actuarial gains/losses on defined benefit plans		(19)	(41)
9	4	Tax on actuarial gains/losses on defined benefit plans		4	9
(32)	(15)	Total items that cannot be reclassified to profit or loss		(15)	(32)
(32)	(15)	Other comprehensive income		(15)	(32)
1,599	(901)	Comprehensive income for the period		(894)	1,599
Distribution of comprehensive income					
1,542	(959)	Shareholder of Nykredit Realkredit A/S		(959)	1,542
-	-	Minority interests		7	-
57	58	Holders of Additional Tier 1 capital notes		58	57
1,599	(901)	Comprehensive income for the period		(894)	1,599

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	31.03.2020	Note	31.03.2020	31.12.2019
ASSETS				
49	50		11,287	7,210
64,330	46,440		29,715	52,413
1,355,452	1,311,727	11	1,286,365	1,287,610
270	266	12	110,029	114,590
31,042	34,169	13	111,585	108,555
6,487	5,277		6,078	7,135
29	29		42	43
59,123	59,097		-	-
307	311		2,249	2,181
Land and buildings				
14	16		76	75
661	621		622	662
675	637	Total	698	736
145	143		153	156
135	339		433	252
-	64		266	115
22	30		39	32
5,870	5,714		31,654	28,742
400	525		844	567
1,524,337	1,464,819	Total assets	1,591,437	1,610,336

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2019	31.03.2020		Note	31.03.2020	31.12.2019
LIABILITIES AND EQUITY					
2,562	2,930	Payables to credit institutions and central banks		22,705	13,914
11,950	9,200	Deposits and other payables	14	92,299	100,677
1,374,671	1,312,128	Bonds in issue at fair value	15	1,308,146	1,336,414
30,029	37,493	Bonds in issue at amortised cost	16	41,953	33,810
-	410	Other non-derivative financial liabilities at fair value	17	6,928	4,523
-	-	- Current tax liabilities		61	78
9,125	7,857	Other liabilities		23,944	24,388
-	-	Deferred income		14	14
1,428,337	1,370,018	Total payables		1,496,050	1,513,818
Provisions					
57	54	Provisions for pensions and similar obligations		55	62
215	-	Provisions for deferred tax		179	389
34	33	Repayable reserves in pre-1972 series		33	34
-	-	Provisions for losses under guarantees		147	137
357	282	Other provisions		468	515
663	370	Total provisions		883	1,136
11,016	11,012	Subordinated debt	18	11,011	11,004
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
-	-	- revaluation reserves		5	5
Other reserves					
22,217	22,191	- statutory reserves		-	-
48,871	48,871	- series reserves		48,871	48,871
-	-	- non-distributable reserve funds		4,849	4,849
4,613	7,341	- retained earnings		24,677	21,975
3,660	-	- proposed dividend		-	3,660
80,543	79,585	Shareholder of Nykredit Realkredit A/S		79,585	80,543
-	-	Minority interests		93	57
3,778	3,835	Holders of Additional Tier 1 capital		3,816	3,777
84,321	83,420	Total equity		83,494	84,378
1,524,337	1,464,819	Total liabilities and equity		1,591,437	1,610,336
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities		6,792	6,616
11,594	12,775	Other commitments		29,541	28,206
11,594	12,775	Total		36,333	34,822

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Series reserves	Non-distributable reserve funds ²	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2020										
Equity, 1 January	1,182	5	48,871	4,849	21,975	3,660	80,543	57	3,777	84,378
Profit (loss) for the period	-	-	-	-	(944)	-	(944)	7	58	(879)
Total other comprehensive income	-	-	-	-	(15)	-	(15)	-	-	(15)
Total comprehensive income	-	-	-	-	(959)	-	(959)	7	58	(894)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	-	1	-	(1)	-
Subsequent adjustment of purchase price allocation	-	-	-	-	-	-	-	29	-	29
Reversed dividend	-	-	-	-	3,660	(3,660)	-	-	-	-
Change in own portfolio	-	-	-	-	-	-	-	-	(18)	(18)
Other adjustments	-	-	-	-	-	-	-	(1)	-	(1)
Equity, 31 March	1,182	5	48,871	4,849	24,677	-	79,585	93	3,816	83,494
2019										
Equity, 1 January	1,182	5	36,575	1,646	33,898	2,800	76,106	-	3,772	79,878
Profit (loss) for the period	-	-	-	-	1,573	-	1,573	-	58	1,631
Total other comprehensive income	-	-	-	-	(32)	-	(32)	-	-	(32)
Total comprehensive income	-	-	-	-	1,541	-	1,541	-	58	1,599
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	-	1	-	(1)	-
Distributed dividend and adjustments	-	-	-	-	-	(2,800)	(2,800)	-	-	(2,800)
Change in own portfolio	-	-	-	-	-	-	-	-	1	1
Equity, 31 March	1,182	5	36,575	1,646	35,440	-	74,848	-	3,830	78,678

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

² Non-distributable reserve funds of Totalkredit A/S and LR Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Non-distributable reserve fund ²	Series reserves	Retained earnings	Proposed dividend	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2020								
Equity, 1 January	1,182	22,217	48,871	4,613	3,660	80,543	3,778	84,321
Profit (loss) for the period	-	86	-	(1,030)	-	(944)	58	(886)
Total other comprehensive income	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income	-	86	-	(1,045)	-	(959)	58	(901)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	1	-	1	(1)	-
Reversed dividend	-	-	-	3,660	(3,660)	-	-	-
Dividend from Group enterprises	-	(112)	-	112	-	-	-	-
Equity, 31 March	1,182	22,191	48,871	7,341	-	79,585	3,835	83,420
2019								
Equity, 1 January	1,182	18,526	36,575	17,023	2,800	76,106	3,777	79,883
Profit (loss) for the period	-	688	-	886	-	1,573	58	1,631
Total other comprehensive income	-	-	-	(32)	-	(32)	-	(32)
Total comprehensive income	-	688	-	854	-	1,541	58	1,599
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	1	-	1	(1)	-
Distributed dividend	-	(48)	-	48	(2,800)	(2,800)	-	(2,800)
Dividend from Group enterprises	-	(65)	-	65	-	-	-	-
Equity, 31 March	1,182	19,101	36,575	17,990	-	74,848	3,833	78,681

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

² Includes a non-distributable reserve fund in Totalkredit A/S and LR Realkredit A/S.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	Q1/2020	Q1/2019
Profit for the period	(879)	1,631
Adjustments		
Net interest income	(2,847)	(2,676)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	76	70
Profit from investments in associates	(2)	(1)
Impairment charges for loans, advances and receivables etc	1,312	219
Prepayments/deferred income, net	(276)	(217)
Tax calculated on profit for the period	(376)	330
Other adjustments	1,169	(576)
Total	(1,824)	(1,221)
Change in operating capital		
Loans, advances and other receivables	4,493	(23,220)
Deposits and payables to credit institutions	413	13,128
Bonds in issue	(20,124)	23,749
Other operating capital	(41)	2,213
Total	(17,084)	14,649
Interest income received	6,458	6,710
Interest expenses paid	(4,563)	(4,501)
Corporation tax paid, net	(211)	(573)
Cash flows from operating activities	(15,399)	16,285
Cash flows from investing activities		
Dividend received from associates	2	-
Purchase and sale of bonds and equities, net	(2,970)	(5,448)
Purchase of intangible assets	(19)	(20)
Purchase of property, plant and equipment	(11)	(7)
Payment of lease liabilities	(39)	-
Total	(3,037)	(5,476)
Cash flows from financing activities		
Distributed dividend	-	(2,800)
Purchase and sale of self-issued subordinated debt instruments	11	-
Total	11	(2,800)
Total cash flows for the period	(18,425)	8,010
Cash and cash equivalents, beginning of period	59,623	29,691
Foreign currency translation adjustment of cash	(195)	43
Total cash flows for the period	(18,425)	8,010
Cash and cash equivalents, end of period	41,002	37,744
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	11,287	7,292
Receivables from credit institutions and central banks	29,715	30,452
Total	41,002	37,744

NOTES

Nykredit Realkredit Group

1. Accounting policies	37
2. Capital and capital adequacy	38
3. Business areas	39
4. Reconciliation of internal and regulatory income statement	41
5. Fee and commission income	42
6. Net interest income etc and value adjustments	43
7. Value adjustments	45
8. Impairment charges for loans, advances and receivables etc (Group)	46
9. Impairment charges for loans, advances and receivables etc (Parent)	49
10. Profit from investments in associates and Group enterprises	52
11. Loans, advances and other receivables at fair value	53
12. Loans, advances and other receivables at amortised cost	54
13. Bonds at fair value	54
14. Deposits and other payables	55
15. Bonds in issue at fair value	55
16. Bonds in issue at amortised cost	56
17. Other non-derivative financial liabilities at fair value	56
18. Subordinated debt	57
19. Related party transactions and balances	58
20. Fair value disclosures	59
21. Acquisition of Group enterprise and intangible assets	63
22. Five-year financial highlights	64
23. Group structure	66

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements for Q1/2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the Annual Report.

The Parent Interim Financial Statements for Q1/2020 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

The accounting policies of Nykredit Realkredit A/S and the Nykredit Realkredit Group are unchanged compared with the Annual Report for 2019 (note 1) and compared with the information disclosed in the Annual Report for 2019, no additional new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on Financial Reports of the Danish FSA which influence the Q1 Interim Report 2020.

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

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

Significant accounting estimates and assessments

The preparation of the Financial Statements involves the use of qualified accounting estimates and assessments. These estimates and assessments are made by Nykredit's Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

Accounting estimates are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which to some extent involves significant uncertainty and unpredictability.

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

For Q1/2020 the impact from covid-19 has led to significant volatility in fixed income markets and increased complexity in determining the market value of interest rate swaps in particular. Compared with more normal market conditions, valuations are characterised by increased uncertainty.

Furthermore, the temporary global lockdown of borders and workplaces as well as the stronger unemployment trends mean that the determination of impairment provisions for loans and advances is subject to increased uncertainty. The main reason for this is the difficulty in currently predicting the duration and severity of the crisis and the resulting impact on customers' financial position.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	31.03.2020		31.03.2020	31.12.2019
2. CAPITAL AND CAPITAL ADEQUACY				
84,321	83,420	Equity for accounting purposes	83,494	84,378
-	-	Minority interests not included	(93)	(57)
(3,778)	(3,835)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,816)	(3,777)
80,543	79,585	Equity excluding Additional Tier 1 capital and minority interests	79,585	80,543
(3,660)	-	Proposed dividend	-	(3,660)
(41)	(47)	Prudent valuation adjustment	(89)	(78)
-	-	Minority interests	54	35
(240)	(243)	Intangible assets excluding deferred tax liabilities	(2,145)	(2,114)
-	-	Provisions for expected credit losses in accordance with IRB approach	(18)	(40)
(343)	(345)	Other additions/deductions	(345)	(343)
(4,283)	(635)	Common Equity Tier 1 capital deductions	(2,543)	(6,199)
76,259	78,950	Common Equity Tier 1 capital	77,041	74,344
3,735	3,733	Additional Tier 1 capital	3,744	3,741
-	-	Additional Tier 1 capital deductions	(60)	(48)
3,735	3,733	Total Additional Tier 1 capital after deductions	3,684	3,692
79,994	82,683	Tier 1 capital	80,725	78,036
10,831	10,810	Tier 2 capital	10,816	10,823
446	1,074	Tier 2 capital additions/deductions	1,807	1,224
91,272	94,568	Own funds	93,349	90,083
450,960	441,339	Credit risk	317,032	324,627
13,389	17,783	Market risk	35,800	29,336
12,175	12,435	Operational risk	26,828	25,499
476,523	471,556	Total risk exposure amount	379,661	379,462
Financial ratios				
16.0	16.7	Common Equity Tier 1 capital ratio, %	20.2	19.5
16.7	17.5	Tier 1 capital ratio, %	21.2	20.5
19.1	20.0	Total capital ratio, %	24.5	23.7

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

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

Nykredit Realkredit Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Banking includes: Retail, which serves personal customers and SMEs (small and medium-sized enterprises). It also includes Corporates & Institutions, comprising activities with corporate and institutional clients, securities trading and derivatives trading.

Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary.

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

	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
Results									
Q1/2020									
Results by business area									
Net interest income	470	711	1,181	455	1,637	716	41	1	2,394
Net fee income	155	147	301	124	425	121	10	(14)	542
Wealth management income	99	37	136	33	169	-	330	3	502
Net interest from capitalisation	(19)	(37)	(57)	(36)	(92)	(53)	(2)	43	(105)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(45)	(45)
Trading, investment portfolio and other income	5	(94)	(89)	(170)	(259)	21	5	(1,161)	(1,394)
Income	710	763	1,473	406	1,879	805	384	(1,173)	1,894
Costs	509	280	790	167	956	175	217	68	1,416
Business profit (loss) before impairment charges	201	483	684	239	923	629	167	(1,241)	478
Impairment charges for loans and advances	45	944	989	160	1,149	103	51	9	1,312
Business profit (loss)	155	(461)	(306)	79	(227)	526	116	(1,250)	(834)
Legacy derivatives	(4)	(221)	(226)	(194)	(420)	-	(1)	-	(421)
Profit before tax	151	(682)	(531)	(115)	(646)	526	115	(1,250)	(1,255)
BALANCE SHEET, 31 MARCH 2020									
Assets									
Mortgage loans etc at fair value	175,254	230,460	405,714	230,828	636,542	639,523	9,961	-	1,286,026
Reverse repurchase lending								40,268	40,268
Loans and advances at amortised cost	11,360	24,547	35,907	30,139	66,046	-	3,549	167	69,761
Assets by business area	186,615	255,007	441,621	260,966	702,588	639,523	13,510	40,435	1,396,055
Unallocated assets									195,382
Total assets									1,591,437
Liabilities and equity									
Repo deposits								11,755	11,755
Bank deposits and other payables at amortised cost	34,695	20,936	55,632	6,141	61,773	-	16,531	2,240	80,543
Liabilities by business area	34,695	20,936	55,632	6,141	61,773	-	16,531	13,995	92,299
Unallocated liabilities									1,415,644
Equity									83,494
Total liabilities and equity									1,591,437

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

Nykredit Realkredit Group

3. BUSINESS AREAS (CONTINUED)

Results Q1/2019	Personal Banking	Business Banking	Total Retail	Corporates & Institutions	Banking	Totalcredit Partners	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	467	717	1,184	391	1,575	675	33	0	2,283
Net fee income	115	149	264	121	386	100	5	(6)	484
Wealth management income	83	35	117	27	144	-	203	3	350
Net interest from capitalisation	(16)	(37)	(52)	(27)	(79)	(40)	(2)	33	(89)
Net income relating to customer benefits programmes ¹	-	-	-	-	-	-	-	(80)	(80)
Trading, investment portfolio and other income	1	(12)	(11)	69	58	17	6	598	679
Income	651	852	1,502	581	2,084	752	244	548	3,627
Costs	478	272	751	144	894	153	118	63	1,228
Business profit before impairment charges	172	579	752	438	1,189	599	126	485	2,399
Impairment charges for loans and advances	42	197	239	(68)	171	24	19	6	219
Business profit	130	383	513	506	1,018	575	107	480	2,180
Legacy derivatives	0	(170)	(170)	(50)	(219)	-	(0)	-	(219)
Profit before tax	130	213	343	456	799	575	107	480	1,961

BALANCE SHEET, 31 MARCH 2019

Assets

Mortgage loans etc at fair value	176,792	236,087	412,880	202,708	615,588	592,563	9,179	-	1,217,330
Reverse repurchase lending								36,548	36,548
Loans and advances at amortised cost	11,810	22,427	34,237	22,637	56,874	-	4,034	143	61,050
Assets by business area	188,603	258,514	447,117	225,345	672,462	592,563	13,214	36,690	1,314,928
Unallocated assets									173,780
Total assets									1,488,708

Liabilities and equity

Repo deposits								20,675	20,675
Bank deposits and other payables at amortised cost	30,769	18,110	48,880	10,156	59,036	-	13,449	7,197	79,682
Liabilities by business area	30,769	18,110	48,880	10,156	59,036	-	13,449	27,873	100,358
Unallocated liabilities									1,309,673
Equity									78,678
Total liabilities and equity									1,488,708

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

Nykredit Realkredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1/2020			Q1/2019		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	2,394	453	2,847	2,283	393	2,676
Dividend on equities etc		24	24		50	50
Fee and commission income, net	542	(467)	75	484	(666)	(182)
Net interest and fee income		10	2,947		(223)	2,543
Wealth management income	502	(502)	-	350	(350)	-
Net interest from capitalisation	(105)	105	-	(89)	89	-
Net income relating to customer benefits programmes	(45)	45	-	(80)	80	-
Trading, investment portfolio and other income	(1,394)	1,394	-	679	(679)	-
Value adjustments		(1,822)	(1,822)		540	540
Other operating income		346	346		323	323
Income	1,894			3,627		
Costs	1,416	(1)	1,415	1,228	(0)	1,228
Business profit before impairment charges	478			2,399		
Impairment charges for loans and advances etc	1,312	(0)	1,312	219	(0)	219
Profit from investments in associates and Group enterprises		2	2		1	1
Business profit (loss)	(834)			2,180		
Legacy derivatives	(421)	421	-	(219)	219	-
Profit (loss) before tax	(1,255)	0	(1,255)	1,961	(0)	1,961

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

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

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

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

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

Nykredit Realkredit Group	Q1/2020	Q1/2019
5. FEE AND COMMISSION INCOME		
Revenue from contracts with customers (IFRS 15)		
Fees:	1,010	684
Revenue from contracts with customers (IFRS 15) by business area		
Retail	177	224
Corporates & Institutions	104	77
Totalkredit Partners	222	121
Wealth Management	493	246
Group Items	14	15
Total	1,010	684

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

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

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

Revenue comprised by IFRS 15 mainly relates to:

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

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

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

Nykredit Realkredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

Q1/2020	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(5)	15	(19)	-	-	(19)
Lending and deposits	498	(30)	528	-	0	529
Repo transactions and reverse repurchase lending	(72)	(27)	(44)	-	-	(44)
Subordinated debt	-	89	(89)	-	-	(89)
Other financial instruments	41	29	12	-	-	12
Total	463	75	387	-	0	387
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	5,364	2,995	2,369	-	(4)	2,365
- of which administration margin income	2,305	-	2,305	-	-	-
Bonds	105	-	105	-	(755)	(650)
Equities etc	-	-	-	24	(966)	(942)
Derivative financial instruments	(14)	-	(14)	-	(262)	(277)
Total	5,455	2,995	2,460	24	(1,987)	497
Foreign currency translation adjustment					165	165
Net interest income etc and value adjustments	5,918	3,071	2,847	24	(1,822)	1,049
Negative interest income	251	251	-			
Negative interest expenses	256	256	-			
Total	6,426	3,579	2,847			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	351					
Q1/2019						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	4	17	(13)	-	-	(13)
Lending and deposits	479	1	478	-	1	479
Repo transactions and reverse repurchase lending	(45)	(26)	(19)	-	-	(19)
Subordinated debt	-	88	(88)	-	-	(88)
Other financial instruments	23	20	3	-	-	3
Total	461	100	361	-	1	362
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue ¹	5,814	3,566	2,248	-	(8)	2,239
- of which administration margin income	2,226	(59)	2,285	-	-	2,285
Bonds	106	-	106	-	547	652
Equities etc	-	-	-	50	475	524
Derivative financial instruments	(38)	-	(38)	-	(509)	(547)
Total	5,881	3,566	2,315	50	504	2,869
Foreign currency translation adjustment					35	35
Net interest income etc and value adjustments	6,342	3,666	2,676	50	540	3,266
Negative interest income	140	140	-			
Negative interest expenses	155	155	-			
Total	6,636	3,960	2,676			
KundeKroner and ErhvervsKroner discounts are offset against interest income and for the period amounted to	320					

¹ Recognised at fair value under the fair value option.

NOTES

DKK million

Nykredit Realkredit Group	Q1/2020	Q1/2019	2019
6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS (CONTINUED)			
Nykredit Realkredit Group			
Interest income			
Interest income	5,918	6,342	25,266
Negative interest income	(251)	(140)	(767)
Negative interest expenses	256	155	912
Total	6,426	6,636	26,945
Interest expenses			
Interest expenses	3,071	3,666	14,229
Negative interest expenses	(256)	(155)	(912)
Negative interest income	251	140	767
Total	3,579	3,960	15,908
Net interest income	2,847	2,676	11,037
Nykredit Realkredit A/S			
Interest income			
Interest income	4,001	4,605	18,380
Negative interest income	(124)	(57)	(342)
Negative interest expenses	212	94	591
Total	4,337	4,756	19,314
Interest expenses			
Interest expenses	3,016	3,630	14,714
Negative interest expenses	(212)	(94)	(591)
Negative interest income	124	57	342
Total	3,352	3,782	15,648
Net interest income	985	974	3,666

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

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1/2019	Q1/2020	Q1/2020	Q1/2019
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
3,313	(4,033)	Mortgage loans	(15,163) 12,212
8,910	(10,876)	Totalkredit mortgage loan funding	0 0
(3)	(8)	Other loans, advances and receivables at fair value	0 1
448	(328)	Bonds	(755) 547
453	(944)	Equities etc	(966) 475
(2)	6	Foreign exchange	165 35
(304)	255	Foreign exchange, interest rate, and other contracts as well as derivative financial instruments	(264) (513)
-	-	Other assets	1 5
Liabilities measured at fair value through profit or loss			
(3,321)	4,028	Bonds in issue	15,159 (12,220)
(8,910)	10,876	Other liabilities	(0) -
584	(1,023)	Total	(1,822) 540

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

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

	Loans and advances at fair value	Loans and advances at fair value	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions	Credit institutions	Guarantees etc ¹	Guarantees etc ¹	Total	Total
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total impairment provisions										
Beginning of period	5,365	5,025	2,526	2,767	28	21	137	117	8,056	7,930
New impairment provisions as a result of additions and change in credit risk	2,252	1,025	736	520	13	6	62	84	3,062	1,636
Releases as a result of redemptions and change in credit risk	1,173	844	500	532	8	0	51	47	1,732	1,423
Impairment provisions written off	131	114	52	59	-	-	-	-	183	173
Other adjustments and interest from impaired facilities	-	-	14	11	-	-	-	-	14	11
Transferred to "Impairment provisions for properties acquired by foreclosure"	13	29	-	-	-	-	-	-	13	29
Total impairment provisions	6,300	5,063	2,723	2,708	33	27	147	154	9,204	7,953
Earnings impact										
Change in impairment provisions for loans and advances (stages 1-3)	1,079	181	235	(11)	5	6	10	37	1,330	213
Write-offs for the period, not previously written down for impairment	66	90	7	40	-	-	-	-	72	129
Recoveries on claims previously written off	(23)	(30)	(16)	(9)	-	-	-	-	(38)	(39)
Total	1,122	241	226	19	5	6	10	37	1,364	304
Value adjustment of assets in temporary possession	(7)	(37)	-	-	-	-	-	-	(7)	(37)
Value adjustment of claims previously written off	-	(1)	-	(2)	-	-	-	-	-	(3)
Losses offset, in accordance with partnership agreement ²	(44)	(44)	-	-	-	-	-	-	(44)	(44)
Earnings impact	1,070	159	226	18	5	6	10	37	1,312	219

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

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

Nykredit Realkredit Group

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

8 b 2020: Total impairment provisions by stage	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Total, beginning of period	1,589	1,235	2,542	425	199	1,930	52	38	
Transfer to stage 1	113	(103)	(10)	43	(43)	(0)	10	(10)	-	-
Transfer to stage 2	(82)	262	(180)	(21)	85	(65)	(4)	6	(2)	-
Transfer to stage 3	(3)	(86)	89	(2)	(9)	11	(0)	(2)	2	-
Impairment provisions for new loans and advances (additions)	162	164	132	57	20	109	9	9	5	667
Additions as a result of change in credit risk	469	551	775	173	84	306	5	18	15	2,395
Releases as a result of change in credit risk	384	447	342	207	86	215	34	11	7	1,732
Previously written down for impairment, now written off	-	-	144	-	-	52	-	-	-	196
Other adjustments and interest from impaired facilities	-	-	-	-	-	14	-	-	-	14
Total impairment provisions, end of period	1,864	1,576	2,861	468	250	2,038	39	49	59	9,204
Total, end of period	6,301			2,756			147			9,204
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				33	-	-				33
Earnings impact for Q1/2020	247	268	564	23	17	200	(19)	17	13	1,330

8 b. 2019: Total impairment provisions by stage	Loans and advances at fair value			Loans and advances at amortised cost			Guarantees etc			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	Impairment provisions as at 1 January 2019	953	1,626	2,447	326	187	2,274	36	29	
Transfer to stage 1	156	(156)	-	97	(96)	(1)	8	(8)	-	-
Transfer to stage 2	(14)	120	(106)	(6)	48	(42)	(4)	15	(11)	-
Transfer to stage 3	(1)	(84)	85	(0)	(11)	12	(0)	(1)	1	-
Impairment provisions for new loans and advances (additions)	67	116	99	23	17	77	4	5	18	425
Additions as a result of change in credit risk	75	410	258	48	107	255	3	38	17	1,211
Releases as a result of change in credit risk	335	258	251	233	54	245	19	14	14	1,423
Previously written down for impairment, now written off	-	-	143	-	-	59	-	-	-	202
Other adjustments and interest from impaired facilities	-	-	-	-	-	11	-	-	-	11
Total impairment provisions, end of period	902	1,773	2,388	255	198	2,282	28	63	63	7,953
Total, end of period	5,063			2,735			154			7,953
Impairment provisions, end of period, are moreover attributable to:										
Credit institutions				27	-	-				27
Earnings impact for Q1/2019	(193)	268	106	(162)	70	86	(12)	29	20	213

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

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

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

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

Nykredit Realkredit Group

8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (GROUP) (CONTINUED)**8 c: Loans, advances and guarantees etc by stage, at 31 March 2020**

	Stage 1	Stage 2	Stage 3	Total
Loans and advances at fair value, gross				
Loans and advances at fair value, gross	1,245,722	36,384	10,560	1,292,666
Total impairment provisions, end of period	1,864	1,576	2,861	6,301
Value, end of period	1,243,859	34,809	7,698	1,286,365
Loans and advances at amortised cost excluding credit institutions, gross				
Loans and advances at amortised cost excluding credit institutions, gross	105,071	4,917	2,765	112,752
Total impairment provisions, end of period	435	250	2,038	2,723
Value, end of period	104,637	4,667	726	110,029
Guarantees etc				
Guarantees etc	28,149	1,084	212	29,446
Total impairment provisions, end of period	39	49	59	147
Value, end of period	28,110	1,036	153	29,299

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

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

Nykredit Realkredit A/S

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

	Loans and advances at fair value	Loans and advances at fair value	Credit institutions	Credit institutions	Total	Total
	2020	2019	2020	2019	2020	2019
Total impairment provisions						
Balance, 1 January 2020	3,845	3,493	6	5	3,851	3,498
New impairment provisions as a result of additions and change in credit risk	1,657	605	6	-	1,663	605
Releases as a result of redemptions and change in credit risk	708	508	-	-	708	508
Impairment provisions written off	67	46	-	-	67	46
Transferred to "Impairment provisions for properties acquired by foreclosure"	11	28	-	-	11	28
Total impairment provisions	4,716	3,516	12	5	4,728	3,521
Earnings impact						
Change in impairment provisions for loans and advances (stages 1-3)	949	97	6	-	955	97
Write-offs for the year, not previously written down for impairment	33	79	-	-	33	79
Recoveries on claims previously written off	(14)	(19)	-	-	(14)	(19)
Total	969	156	6	-	975	156
Value adjustment of assets in temporary possession	(8)	(39)	-	-	(8)	(39)
Value adjustment of claims previously written off	-	(7)	-	-	-	(7)
Earnings impact	961	111	6	-	967	111

Nykredit Realkredit A/S

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

	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Total, 1 January 2020	933	658	2,261	3,851
Transfer to stage 1	58	(48)	(10)	-
Transfer to stage 2	(27)	165	(137)	-
Transfer to stage 3	(1)	(41)	42	-
Impairment provisions for new loans and advances (additions)	127	110	119	356
Additions as a result of change in credit risk	399	288	620	1,307
Releases as a result of change in credit risk	237	181	289	708
Previously written down for impairment, now written off	-	-	78	78
Total impairment provisions, end of period	1,252	950	2,527	4,728
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	12	-	-	12
Earnings impact for Q1/2020	289	216	450	955

9 b. 2019: Total impairment provisions by stage

	Loans and advances			Total
	Stage 1	Stage 2	Stage 3	
Impairment provisions as at 1 January 2019	589	673	2,236	3,498
Transfer to stage 1	75	(75)	-	-
Transfer to stage 2	(8)	83	(75)	-
Transfer to stage 3	(1)	(47)	48	-
Impairment provisions for new loans and advances (additions)	46	76	82	204
Additions as a result of change in credit risk	62	156	182	401
Releases as a result of change in credit risk	189	117	201	508
Previously written down for impairment, now written off	-	-	74	74
Total impairment provisions, end of period	574	749	2,198	3,521
Impairment provisions, end of period, are moreover attributable to:				
Credit institutions	5	-	-	5
Earnings impact for Q1/2019	(81)	115	63	97

Nykredit Realkredit A/S

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

9 c.: Loans and advances etc by stage, at 31 March 2020	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	478,488	22,069	8,138	508,694
Total impairment provisions, end of period	1,240	950	2,527	4,716
Loans and advances, carrying amount	477,249	21,119	5,611	503,978

9 c.: Loans and advances etc by stage, at end-2019	Stage 1	Stage 2	Stage 3	Total
Loans and advances etc at fair value, gross				
Loans and advances etc at fair value, gross	486,008	20,667	9,041	515,717
Total impairment provisions, end of period	927	658	2,261	3,845
Loans and advances, carrying amount	485,081	20,010	6,781	511,872

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1/2019	Q1/2020	Q1/2020	Q1/2019
9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (PARENT) (CONTINUED)			
9 d. Impairment provisions for properties acquired by foreclosure			
73	36	41	88
28	11	13	29
25	9	12	28
(63)	(17)	(20)	(65)
(0)	(3)	(5)	(6)
62	36	42	73
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession"			
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
0	0	2	1
688	85	-	-
688	86	2	1

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	31.03.2020		31.03.2020	31.12.2019
11. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
511,722	503,768	Mortgage loans	1,286,026	1,287,370
149	210	Arrears and outlays	340	240
956	948	Loans to Totalkredit serving as collateral in capital centres	-	-
842,624	806,801	Totalkredit mortgage loan funding	-	0
1,355,452	1,311,727	Total	1,286,365	1,287,610
11. a Mortgage loans				
499,304	500,522	Balance, beginning of period, nominal value	1,262,689	1,171,449
-	-	Additions from LR Realkredit A/S	-	21,877
113,438	23,495	New loans	85,571	404,162
156	65	Indexation	65	156
(393)	(1,686)	Foreign currency translation adjustment	(1,686)	(393)
(14,369)	(4,268)	Ordinary principal payments	(8,702)	(28,412)
(97,615)	(20,451)	Prepayments and extraordinary principal payments	(59,790)	(306,151)
500,522	497,678	Balance, end of period, nominal value	1,278,147	1,262,689
(5)	(24)	Loans transferred relating to properties in temporary possession	(25)	(7)
500,517	497,654	Total	1,278,122	1,262,681
14,935	10,769	Adjustment for interest rate risk etc	14,083	29,889
Adjustment for credit risk				
(3,730)	(4,656)	Impairment	(6,179)	(5,200)
511,722	503,768	Balance, end of period, fair value	1,286,026	1,287,370
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
47,784	48,015	Supplementary guarantees totalling	99,988	97,887
466	699	Interim loan guarantees totalling	24,295	23,903
4,677	3,529	Mortgage registration guarantees etc totalling	35,959	58,209
11 b. Arrears and outlays				
212	226	Arrears before impairment provisions	386	350
53	44	Outlays before impairment provisions	75	55
(116)	(61)	Individual impairment provisions for arrears and outlays	(121)	(165)
149	210	Total	340	240
11 c. Totalkredit mortgage loan funding				
699,285	828,905	Balance, beginning of period, nominal value	-	-
364,583	70,099	New loans	-	-
(11,208)	(3,189)	Ordinary principal payments	-	-
(223,756)	(91,475)	Prepayments and extraordinary principal payments	-	-
828,905	804,340	Balance, end of period, nominal value	-	-
13,719	2,461	Adjustment for interest rate risk	-	-
842,624	806,801	Balance, end of period, fair value	-	-

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	31.03.2020	31.03.2020	31.12.2019
12. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	72,112	67,992
10	10	-	-
-	-	10	10
-	-	40,268	48,749
260	256	362	366
270	266	112,752	117,116
Adjustment for credit risk			
-	-	(2,723)	(2,526)
270	266	110,029	114,590
13. BONDS AT FAIR VALUE			
31,792	33,306	58,881	93,305
8,523	15,554	23,923	16,437
-	-	182	178
310	8,379	8,379	310
23,801	25,965	96,033	95,718
4,479	4,293	10,170	8,564
2,762	3,911	5,382	4,273
71,668	91,407	202,949	218,786
(31,782)	(33,296)	(58,871)	(93,295)
(10)	(10)	(10)	(10)
(8,523)	(15,554)	(23,923)	(16,437)
-	-	(182)	(178)
-	(8,001)	(8,001)	-
(310)	(378)	(378)	(310)
31,042	34,169	111,585	108,555
Of bonds at fair value before set-off of self-issued bonds:			
-	-	1,069	1,290
4,876	4,305	10,485	7,918
<p>As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of</p> <p>The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few days.</p> <p>Collateral security was provided on an arm's length basis.</p>			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	31.03.2020	31.03.2020	31.12.2019
14. DEPOSITS AND OTHER PAYABLES			
-	-	75,218	76,994
-	-	-	5
-	-	2,278	5,087
-	-	3,047	3,310
11,950	9,200	11,755	15,281
11,950	9,200	92,299	100,677
15. BONDS IN ISSUE AT FAIR VALUE			
131,593	129,591	159,553	162,763
1,282,248	1,230,248	1,230,248	1,282,248
1,135	9,139	9,139	1,135
1,414,977	1,368,979	1,398,941	1,446,146
(40,305)	(56,851)	(90,794)	(109,732)
1,374,671	1,312,128	1,308,146	1,336,414
15. a ROs			
122,473	121,997	150,978	152,406
9,120	7,594	8,575	10,357
131,593	129,591	159,553	162,763
(8,523)	(15,554)	(23,923)	(16,437)
123,070	114,038	135,630	146,326
42	149	731	320
5,729	7,314	7,977	7,447
15. b. SDOs			
1,262,714	1,224,612	1,224,612	1,262,714
19,534	5,636	5,636	19,534
1,282,248	1,230,248	1,230,248	1,282,248
(31,782)	(33,296)	(58,871)	(93,295)
1,250,467	1,196,952	1,171,378	1,188,954
6,836	5,186	5,186	6,836
121,423	61,961	61,961	121,423

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2019	31.03.2020		31.03.2020	31.12.2019
15. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)				
15 c. Senior secured debt				
934	8,934	Senior secured debt at nominal value	8,934	934
201	205	Fair value adjustment	205	201
1,135	9,139	Senior secured debt at fair value	9,139	1,135
-	(8,001)	Self-issued senior secured debt	(8,001)	-
1,135	1,138	Total	1,138	1,135
-	-	Senior secured debt maturing at next creditor payment date	-	-
16. BONDS IN ISSUE AT AMORTISED COST				
-	-	Corporate bonds	4,643	3,959
11	10	SDOs	10	11
30,306	37,835	Senior unsecured debt	37,835	30,306
33	36	Other securities	36	33
30,350	37,880	Total	42,523	34,308
-	-	Self-issued corporate bonds	(182)	(178)
(321)	(388)	Self-issued SDOs	(388)	(321)
30,029	37,493	Total	41,953	33,810
17. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
-	410	Negative securities portfolios	6,928	4,523
-	410	Total	6,928	4,523

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2019	31.03.2020	31.03.2020	31.12.2019
18. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down			
4,555	4,545	4,545	4,555
Nominally EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years			
6,087	6,093	6,093	6,087
Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months			
373	373	373	373
11,016	11,012	11,012	11,016
Total subordinate loan capital			
-	-	(1)	(12)
Portfolio of self-issued bonds			
11,016	11,012	11,011	11,004
Total subordinated debt			
10,831	10,810	10,816	10,823
Subordinated debt that may be included in own funds			

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1/2020.

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

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

Significant related party transactions prevailing/entered into as at 31 March 2020 include:

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

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

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit

Realkredit A/S, not later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans totalled DKK 0.9 billion at 31 March 2020. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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

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

Nykredit Realkredit A/S has granted loans of DKK 2.0 billion to Totalkredit A/S in the form of subordinated debt and DKK 4.0 billion in the form of Additional Tier 1 capital. Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas etc.

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

20. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

Net value adjustment due to CVA, DVA and FVA amounted to DKK 1,210 million at 31 March 2020 (end-2019: DKK 527 million).

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 31 March 2020, the non-amortised minimum margin amounted to DKK 132 million (end-2019: DKK 135 million). With regard to liquidity and credit risk, these amounts have been included above in the net adjustment of FVA and CVA; DKK 176 million at end-March 2020 (end-2019: DKK 182 million). Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

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

Following value adjustment, the fair value came to DKK 1,785 million at 31 March 2020 (end-2019: DKK 1,033 million). Credit value adjustments came to DKK 2,303 million at 31 March 2020 (end-2019: DKK 2,301 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 93 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 31 March 2020, the proportion was thus 0.3% (end-2019: 0.3%). The proportion of financial liabilities was 0.0% (end-2019: 0.0%).

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

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 497 million at 31 March 2020 (0.6% of equity at 31 March 2020), (end-2019: DKK 412 million, equal to 0.49% of equity).

Transfers between categories

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

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

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

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. As at 31 March 2020, financial assets of DKK 8.0 billion (end-2019: DKK 1.4 billion) have been transferred from Listed prices to Observable inputs and DKK 17.1 billion (end-2019: DKK 0.8 billion) from Observable inputs to Listed prices. Financial liabilities of DKK 0.2 billion (end-2019: DKK 0.2 billion) were transferred from Listed prices to Observable inputs and DKK 0.1 billion (end-2019: DKK 0.1 billion) from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 31 March 2020, the amount was DKK 0.3 billion (end-2019: DKK 0.6 billion).

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

20. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 March 2020

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
- bonds at fair value	42,805	68,779	-	111,585	
- equities measured at fair value through profit or loss	2,965	-	3,112	6,078	
- positive fair value of derivative financial instruments	356	21,182	1,785	23,322	
- mortgage loans, arrears and outlays ¹	-	1,286,365	-	1,286,365	
- owner-occupied properties	-	-	74	74	
Total	46,126	1,376,326	4,972	1,427,424	
Percentage	3.2	96.4	0.3	100.0	
Financial liabilities:					
- other non-derivative financial liabilities at fair value	4,312	2,615	-	6,928	
- negative fair value of derivative financial instruments	358	13,425	-	13,784	
- bonds in issue at fair value ¹	1,300,165	7,981	-	1,308,146	
Total	1,304,836	24,022	-	1,328,857	
Percentage	98.2	1.8	-	100.0	
Assets measured on the basis of unobservable inputs					
	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	74	2	3,014	1,033	4,124
Value adjustment recognised through profit or loss	(0)	-	55	(65)	(9)
Purchases for the period	-	-	-	-	-
Sales for the period	-	-	58	1,879	1,937
Transferred from Listed prices and Observable inputs ²	-	-	-	-	-
Transferred to Listed prices and Observable inputs ³	-	-	-	-	-
Reclassification to "Other assets"	-	-	-	-	-
Fair value, end of period, assets	74	0	3,112	1,785	4,972

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

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

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	30,488	78,065	2	108,555
- equities measured at fair value through profit or loss	4,121	-	3,014	7,135
- positive fair value of derivative financial instruments	45	20,422	1,033	21,500
- mortgage loans, arrears and outlays ¹	-	1,287,610	-	1,287,610
- owner-occupied properties	-	-	75	75
Total	34,655	1,386,096	4,124	1,424,874
Percentage	2.4	97.3	0.3	100.0

Financial liabilities:

- other non-derivative financial liabilities at fair value	2,052	2,472	-	4,523
- negative fair value of derivative financial instruments	42	13,016	-	13,057
- bonds in issue at fair value ¹	1,323,953	12,461	-	1,336,414
Total	1,326,047	27,948	-	1,353,995
Percentage	97.9	2.1	-	100.0

Assets measured on the basis of unobservable inputs

	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	86	65	2,956	1,495	4,602
Value adjustment recognised through profit or loss	(3)	1	248	(119)	127
Purchases for the period	3	-	200	-	203
Sales for the period	(3)	(64)	(391)	(162)	(619)
Transferred from Listed prices and Observable inputs ²	-	-	-	388	388
Transferred to Listed prices and Observable inputs ³	-	-	-	(569)	(569)
Reclassification to "Other assets"	(7)	-	-	-	(7)
Fair value, end of period, assets	74	2	3,014	1,033	4,124

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

21. ACQUISITION OF GROUP ENTERPRISE AND INTANGIBLE ASSETS

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

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

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

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

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

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

NOTES

DKK million

Nykredit Realkredit Group	Q1/ 2020	Q1/ 2019	Q1/ 2018	Q1/ 2017	Q1/ 2016
22. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	2,847	2,676	2,682	2,905	2,827
Net fee income etc	99	(133)	(97)	(51)	(50)
Net interest and fee income	2,947	2,543	2,585	2,855	2,777
Value adjustments	(1,822)	540	443	1,242	(774)
Other operating income	346	323	217	44	40
Staff and administrative expenses	1,305	1,126	1,127	1,092	1,112
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	75	70	26	46	48
Other operating expenses	35	32	37	40	40
Impairment charges for loans, advances and receivables etc	1,312	219	(8)	(21)	(51)
Profit from investments in associates and Group enterprises	2	1	1	4	(0)
Profit (loss) before tax	(1,255)	1,961	2,064	2,988	895
Tax	(376)	330	384	627	178
Profit (loss) for the period	(879)	1,631	1,680	2,361	717
Value adjustment and reclassification of strategic equities against equity	-	-	-	(2)	(16)
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Assets					
Cash balances and receivables from credit institutions and central banks	41,002	37,744	37,589	40,240	28,798
Mortgage loans at fair value	1,286,026	1,217,330	1,168,690	1,133,497	1,122,218
Bank loans excluding reverse repurchase lending	69,389	60,723	57,128	56,256	48,972
Bonds and equities etc	117,662	105,368	88,272	103,043	116,892
Remaining assets	77,358	67,543	66,413	57,181	83,278
Total assets	1,591,437	1,488,708	1,418,092	1,390,216	1,400,158
Liabilities and equity					
Payables to credit institutions and central banks	22,705	21,653	24,630	17,885	44,015
Deposits and other payables	92,299	100,358	87,475	67,733	59,583
Bonds in issue at fair value	1,308,146	1,215,506	1,169,922	1,146,919	1,135,251
Subordinated debt	11,011	11,034	10,944	11,010	11,240
Remaining liabilities	73,782	61,478	49,165	73,372	83,931
Equity	83,494	78,678	75,956	73,297	66,137
Total liabilities and equity	1,591,437	1,488,708	1,418,092	1,390,216	1,400,158
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,792	6,210	6,376	7,185	6,391
Other commitments	29,541	17,773	8,381	5,901	6,969
FINANCIAL RATIOS¹					
Total capital ratio, %	24.5	24.5	24.4	23.9	24.0
Tier 1 capital ratio, %	21.2	21.4	21.2	20.6	20.6
Return on equity before tax, %	(1.5)	2.5	2.7	4.3	1.4
Return on equity after tax, %	(1.0)	2.1	2.2	3.4	1.2
Income:cost ratio	0.5	2.4	2.7	3.6	1.8
Foreign exchange position, %	0.4	0.3	0.4	0.2	0.6
Loans and advances:equity (loan gearing)	16.7	16.7	16.6	16.6	18.2
Growth in loans and advances for the period, %	1.5	0.9	(1.7)	0.1	(0.6)
Impairment charges for the period, %	0.09	0.02	0.00	0.00	0.00
Return on capital employed, %	(0.06)	0.11	0.12	0.17	0.05

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

NOTES

DKK million

Nykredit Realkredit A/S	Q1/ 2020	Q1/ 2019	Q1/ 2018	Q1/ 2017	Q1/ 2016
22. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	985	974	994	1,111	1,223
Net fee income etc	193	127	133	181	213
Net interest and fee income	1,178	1,102	1,128	1,293	1,437
Value adjustments	(1,023)	584	114	241	(185)
Other operating income	312	307	222	229	234
Staff and administrative expenses	713	641	692	681	730
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	64	67	23	39	38
Other operating expenses	30	26	31	33	34
Impairment charges for loans, advances and receivables etc	967	111	(143)	30	(78)
Profit from investments in associates	86	688	1,011	1,573	83
Profit (loss) before tax	(1,221)	1,836	1,871	2,552	844
Tax	(335)	205	176	193	143
Profit (loss) for the period	(886)	1,631	1,696	2,359	701
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2020	31.03.2019	31.03.2018	31.03.2017	31.03.2016
Assets					
Cash balances and receivables from credit institutions and central banks	46,490	41,417	39,747	36,647	16,246
Mortgage loans at fair value	503,768	512,378	515,302	526,637	543,181
Totalkredit mortgage loan funding	806,801	735,433	693,382	642,793	612,189
Bonds and equities etc	39,445	45,439	37,036	47,399	59,610
Remaining assets	68,315	59,908	58,060	63,373	59,537
Total assets	1,464,819	1,394,574	1,343,527	1,316,849	1,290,764
Liabilities and equity					
Payables to credit institutions and central banks	2,930	6,022	5,020	15,691	22,870
Deposits and other payables	9,200	10,200	8,000	-	-
Bonds in issue	1,312,128	1,256,366	1,216,557	1,183,579	1,172,452
Subordinated debt	11,012	11,034	10,947	11,011	11,162
Remaining liabilities	46,130	32,271	27,032	33,270	18,143
Equity	83,420	78,681	75,971	73,297	66,137
Total liabilities and equity	1,464,819	1,394,574	1,343,527	1,316,849	1,290,764
OFF-BALANCE SHEET ITEMS					
Other commitments	12,775	8,556	1,504	1,410	1,257
FINANCIAL RATIOS¹					
Total capital ratio, %	20.0	20.3	20.3	20.8	20.6
Tier 1 capital ratio, %	17.5	17.8	17.7	18.0	17.7
Return on equity before tax, %	(1.5)	2.3	2.4	3.4	1.3
Return on equity after tax, %	(1.1)	2.0	2.2	3.2	1.0
Income:cost ratio	0.3	3.2	4.1	4.3	2.7
Foreign exchange position, %	0.4	0.1	0.4	0.2	0.7
Loans and advances:equity (loan gearing)	6.0	6.5	6.8	7.2	8.2
Growth in loans and advances for the period, %	(0.6)	(0.0)	(0.8)	0.1	(1.5)
Impairment charges for the period, %	0.2	0.0	(0.03)	0.01	(0.01)
Return on capital employed, %	(0.06)	0.12	0.13	0.18	0.05

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

Nykredit Realkredit Group

23. GROUP STRUCTURE

Name and registered office

Name and registered office	Ownership interest as %, 31 March 2020	Profit (loss) for the period, 2020	Equity 31 March 2020	Profit for 2019	Equity 31 December 2019
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	(886)	83,420	7,443	84,321
Totalkredit A/S, Copenhagen, a)	100	389	30,955	2,573	30,612
Nykredit Bank A/S, Copenhagen, b)	100	(331)	24,046	1,287	24,377
Nykredit Portefølje Administration A/S, Copenhagen, f)	100	46	1,124	191	1,079
Nykredit Leasing A/S, Gladsaxe, e)	100	5	863	102	858
Sparinvest Holdings SE, Luxembourg, g)	76	30	263	280	233
Nykredit Mægler A/S, Copenhagen, c)	100	15	87	69	138
LR Realkredit A/S, Copenhagen, a)	100	7	3,306	175	3,299
Ejendomsselskabet Kalvebod A/S, Copenhagen, g)	100	12	710	28	698
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	12	567	25	556
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	0	108	3	138

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

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

Geographical distribution of activities

	Number of staff	Revenue ²	Profit (loss) before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,728	7,274	(1,255)	(376)	-

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

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

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

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