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Nykredit Bank A/S – a subsidiary of Nykredit Realkredit A/S consolidated in the Nykredit Group financial statements

Interim Report for the period 1 January – 31 March 2018

- Business profit for Q1/2018 was DKK 465m against DKK 867m for Q1/2017, equivalent to a return on equity pa of 7.7%.
- Compared with end-2017, loans and advances (excluding reverse repurchase lending) increased by DKK 1.3bn, or 2.4%, while deposits (excluding repo deposits) dropped by DKK 6.1bn, or 7.9%.
- Income amounted to DKK 1,100m, which was 14.2% lower than in Q1/2017, mainly due to lower investment portfolio income and interest rate swaps etc.
- Compared with Q1/2017, costs grew by 5.8% to DKK 497m.
- Impairment charges for loans and advances were DKK 138m, equalling 0.1% of loans and advances against negative 0.1% in Q1/2017.
- Legacy derivatives were a gain of DKK 24m compared with a large gain of DKK 337m in Q1/2017.
- Profit after tax was DKK 382m against DKK 940m for Q1/2017.

LIQUIDITY

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 129% against 148% at end-2017. Deposits exceeded lending (excluding repo lending and deposits) by DKK 13.3bn against DKK 20.7bn at end-2017.

CAPITAL

- Equity stood at DKK 19.8bn, down DKK 0.1bn on end-2017. The change reflects profit for the period of DKK 0.4bn and a negative adjustment of equity at the beginning of the year of DKK 0.5bn as a result of the IFRS 9 impact.
- The Common Equity Tier 1 (CET1) capital ratio was 19.8% against 20.1% at end-2017. The total capital ratio was 22.1% against 22.3% at end-2017, and the internal capital adequacy requirement came to 10.6% compared with 10.6% at end-2017.

ABOUT NYKREDIT BANK GROUP

- The Q1 Interim Report 2018 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at nykredit.com.

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FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	Q1/ 2018	Q1/ 2017	Q4/ 2017	2017
BUSINESS PROFIT AND PROFIT FOR THE PERIOD				
Net interest income	367	363	368	1,493
Net fee income	142	120	153	540
Wealth management income	313	342	355	1,402
Net interest from capitalisation	(7)	(9)	(8)	(32)
Trading, investment portfolio and other income	286	466	114	986
Income	1,100	1,283	983	4,388
Costs	497	470	536	1,973
Business profit before impairment charges	603	813	447	2,415
Impairment charges for loans and advances	138	(55)	166	(102)
Business profit	465	867	281	2,516
Legacy derivatives	24	337	29	1,517
Profit before tax	489	1,204	310	4,033
Tax	107	264	71	901
Profit for the period	382	940	239	3,133
SUMMARY BALANCE SHEET				
	31.03.2018	31.03.2017	31.12.2017	31.12.2017
Assets				
Cash balances and receivables from credit institutions and central banks	19,057	36,324	19,991	19,991
Reverse repurchase lending	36,726	23,449	27,566	27,566
Loans, advances and other receivables at amortised cost	57,128	56,256	55,783	55,783
Bonds and equities	43,455	35,276	47,450	47,450
Remaining assets	22,684	26,945	22,796	22,796
Total assets	179,050	178,251	173,585	173,585
Liabilities and equity				
Payables to credit institutions and central banks	49,482	48,345	40,218	40,218
Repo deposits	9,468	6,021	8,214	8,214
Deposits and other payables	70,443	68,035	76,501	76,501
Bonds in issue at amortised cost	5,407	9,278	6,473	6,473
Other non-derivative financial liabilities at fair value	7,741	6,868	5,762	5,762
Remaining payables	14,352	19,785	14,298	14,298
Provisions	340	235	241	241
Subordinated debt	2,000	2,000	2,000	2,000
Equity	19,818	17,684	19,877	19,877
Total liabilities and equity	179,050	178,251	173,585	173,585
OFF-BALANCE SHEET ITEMS				
Contingent liabilities	22,228	15,164	25,080	25,080
Other commitments	6,857	4,469	6,835	6,835
FINANCIAL RATIOS				
Profit for the period as % pa of average equity	7.7	21.8	4.8	16.8
Costs as % of income	45.2	36.6	54.5	45.0
Total provisions for loan impairment and guarantees	2,783	2,473	2,347	2,347
Impairment charges for the period, %	0.1	(0.1)	(0.1)	(0.1)
Total capital ratio, %	22.1	18.4	22.3	22.3
Tier 1 capital ratio, %	19.8	16.3	20.1	20.1
Common Equity Tier 1 capital ratio, %	19.8	16.3	20.1	20.1
Average number of staff, full-time equivalent	823	830	819	819

Q1/2018 – OVERVIEW

FINANCIAL PERFORMANCE IN Q1/2018

Nykredit Bank is an important part of the Nykredit Group and underpins the mortgage business in many ways. For example, many mortgage customers are offered funding through Nykredit Bank. Also, Nykredit Bank offers market making in the Group's covered bonds and thus contributes to ensuring deep liquidity.

Business profit and profit before tax

Profit for Q1/2018 was in line with expectations, as income was slightly above the expected level but lower than in Q1/2017, while impairment charges for loans and advances increased. Nykredit's customer concepts continued to generate growth in the number of full-service BoligBank customers.

Income dropped compared with Q1/2017, which should be seen in light of significant income from swaps and investment portfolio income in Q1/2017.

The cost:income ratio was 45.2% in Q1/2018 against 36.6% in Q1/2017. This change should be seen in the context of reduced income combined with a small rise in costs.

Impairment charges amounted to DKK 138m. As a percentage of loans and advances, impairment charges remained low at 0.1%. On 1 January Nykredit Bank implemented IFRS 9. Reference is made to note 1.

Business profit declined by a total of DKK 402m from DKK 867m in Q1/2017 to DKK 465m in Q1/2018.

Legacy derivatives, which are excluded from business profit, were a gain of DKK 24m against a gain of DKK 337m in Q1/2017 when credit spreads and interest rate levels gave rise to a substantial increase in income.

The Nykredit Bank Group's profit before tax consequently went down from DKK 1,204m in Q1/2017 to DKK 489m in Q1/2018.

After calculated tax of DKK 107m, profit totalled DKK 382m against DKK 940m in Q1/2017. This represented a return on equity of 7.7% in 2018 compared with 21.8% last year.

Income

Income went down by DKK 183m, or 14%, on Q1/2017 to DKK 1,100m.

Net interest income which in the Management Commentary, relates to deposit and lending activities as well as fees, rose by DKK 4m and DKK 22m, respectively, to a total of DKK 509m compared with Q1/2017. The upturn was primarily driven by Retail.

Wealth management income decreased by DKK 29m to DKK 313m compared with Q1/2017. The income stems from activities carried out by the Group's entities in Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S.

Net interest expenses from capitalisation, which includes interest on subordinated debt, totalled DKK 7m, equal to a DKK 2m decline on Q1/2017.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 182m to DKK 284m.

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 1.3bn on end-2017 to DKK 57.1bn at end-Q1/2018. Compared with 31 March 2017 loans and advances grew by DKK 0.9bn from DKK 56.3bn.

Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 61.9bn from DKK 60.0bn at end-2017. Compared with Q1/2017 this was an increase of DKK 4.0bn from DKK 57.9bn. Secured homeowner loans transferred to Totalkredit totalled DKK 4.8bn at 31 March 2018 and DKK 1.6bn at 31 March 2017.

Deposits excluding repo deposits fell by DKK 6.1bn from DKK 76.5bn at end-2017 to DKK 70.4bn. This resulted from a reduction in demand and fixed-term deposits, particularly due to one large client. Excluding repo transactions, deposits exceeded lending by DKK 13.3bn.

Costs

Costs totalled DKK 497m, up DKK 27m from DKK 470m. Payroll costs rose by DKK 24m, or 11%, to DKK 219m, while other capacity costs increased by DKK 7m. This increase in costs should be seen in the light of the recognition of previous provisions as income in Q1/2017 combined with increased provisions for holiday pay and performance-related pay in Q1/2018.

The average number of full-time equivalent staff totalled 823 compared with 830 in Q1/2017, equal to a decline of 0.8%.

Impairment charges for loans and advances and provisions for guarantees

Impairment charges and provisions came to DKK 138m against a gain of DKK 55m in Q1/2017. Retail and Wholesale Clients accounted for an increase of DKK 88m and DKK 105m, respectively, while Wealth Management and Group Items were unchanged.

Impairment charges for the period were 0.1% of loans and advances against negative 0.1% in 2017.

Legacy derivatives

This item includes credit value adjustment of swaps involving an increased risk of loss. These value adjustments are not included in the business profit and comprise all net income from a number of derivatives which we no longer offer to our customers.

The value adjustments generated a gain of DKK 24m against a gain of DKK 337m in Q1/2017. This was driven by several factors in 2017, such as changes in interest rates and credit spreads as well as a positive effect from maturity reduction.

The portfolio of legacy derivatives had a total market value of DKK 5.8bn against DKK 5.9bn at end-2017. The portfolio was written down to DKK 3.3bn at end-March 2018 against DKK 3.4bn at end-2017.

Tax

The calculated tax charge was DKK 107m, corresponding to 21.9% of profit before tax, compared with 21.9% in Q1/2017.

Results

Profit after tax was DKK 382m in Q1/2018 compared with DKK 940m in Q1/2017.

RESULTS FOR Q1/2018 RELATIVE TO Q4/2017

Profit before tax rose by DKK 179m from DKK 310m in Q4/2017 to DKK 489m in Q1/2018.

Income exceeded the Q4/2017 level by DKK 117m, primarily as a result of higher trading and investment portfolio income. Costs were DKK 39m below the Q4/2017 level partly due to lower IT costs, while impairment charges for loans and advances reduced by DKK 28m.

Business profit was DKK 465m in Q1/2018 against DKK 281m in Q4/2017. Profit after tax for the period grew by DKK 143m to DKK 382m.

OUTLOOK FOR 2018

In the Annual Report 2017, Management expected a business profit of DKK 1.5bn-2.0bn and profit before tax for 2018 in the same region.

Based on the performance in Q1/2018, Management maintains its full-year guidance.

The most significant uncertainty factors in respect of our outlook for 2018 relate to movements in interest rate markets and uncertainty about loan impairment.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the Q1 Interim Report 2018 which affect the Nykredit Bank Group's financial position.

SPECIAL ACCOUNTING CIRCUMSTANCES

Nykredit Bank implemented IFRS 9 with effect from 1 January 2018. Reference is made to the accounting policies, note 1.

CREDIT RATINGS

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

S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have a long-term rating of A and a short-term rating of A-1 with S&P. The rating outlook is stable.

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have a long-term rating of A and a short-term rating of F1 with Fitch ratings. The rating outlook is stable.

Listing of ratings

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

Nykredit Bank Group		
Summary balance sheet		
DKK million	31.03.2018	31.12.2017
Assets		
Receivables from credit institutions	19,057	19,991
Reverse repurchase lending	36,726	27,566
Loans and advances at amortised cost	57,128	55,783
Retail	32,111	32,097
- Personal Banking	11,800	11,973
- Business Banking	20,311	20,124
Wholesale Clients	20,343	19,672
Wealth Management	3,446	3,344
Other loans and advances	1,228	670
Bonds and equities	43,455	47,454
Remaining assets	22,684	22,791
Liabilities and equity		
Payables to credit institutions and central banks	49,482	40,218
Repo deposits	9,468	8,214
Deposits and other payables	70,443	76,502
Retail	45,217	46,646
- Personal Banking	27,719	27,214
- Business Banking	17,498	19,432
Wholesale Clients	9,422	14,164
Wealth Management	12,663	13,464
Other deposits	3,141	2,228
Bonds in issue	5,407	6,473
Other non-derivative financial liabilities at fair value	7,741	5,762
Remaining payables and provisions	14,692	14,539
Subordinated debt	2,000	2,000
Equity	19,818	19,877
Balance sheet total	179,050	173,585

Nykredit Bank Group		
Equity		
DKK million	31.03.2018	31.12.2017
Equity, beginning of period	19,877	16,744
IFRS 9 impact	(441)	
Profit for the period	382	3,133
Total equity	19,818	19,877

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 179.0bn compared with DKK 173.6bn at end-2017.

Receivables from credit institutions and cash balances were reduced by DKK 0.9bn to DKK 19.1bn, while reverse repurchase lending increased by DKK 9.2bn to DKK 36.7bn.

Bank lending at amortised cost was DKK 57.1bn, up DKK 1.3bn on end-2017 and DKK 0.9bn on 31 March 2017. Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 61.9bn from DKK 60.0bn at end-2017. Compared with Q1/2017 this was an increase of DKK 4.0bn from DKK 57.9bn. Secured homeowner loans transferred to Totalkredit totalled DKK 4.8bn at 31 March 2018 and DKK 1.6bn at 31 March 2017.

For Wholesale Clients, loans and advances, excluding reverse repurchase lending, increased by DKK 0.7bn, while Wealth Management showed an increase of DKK 0.1bn. Group Items rose by DKK 0.6bn, while Retail went down by DKK 0.2bn.

The bond and equity portfolio stood at DKK 43.5bn, which was a decrease on the beginning-of-year portfolio. 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.

Remaining assets were DKK 22.7bn compared with DKK 22.8bn at end-2017. At end-March 2018, DKK 17.9bn was attributable to positive market values of derivatives compared with DKK 18.4bn at end-2017. The positive market values related to the Bank's customer activities in derivatives and own positions held for hedge accounting purposes.

The interest rate risk is widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in relation to "Other liabilities", which included negative market values of DKK 11.5bn.

Moreover, "Other assets" includes interest and commission receivable.

Payables to credit institutions and central banks were up by DKK 9.3bn to DKK 49.5bn.

Deposits and other payables totalled DKK 70.4bn, which represented a decrease of DKK 6.1bn on end-2017. This resulted from a reduction in demand and fixed-term deposits, particularly due to one large customer. Relative to Q1/2017 deposits rose by DKK 2.3bn. Retail deposits decreased by DKK 1.4bn, particularly driven by falling deposits from business customers, while Wealth Management accounted for a decline of DKK 0.8bn. Wholesale Clients fell by DKK 4.7bn, while Group Items and other deposits rose by DKK 0.9bn.

Nykredit Bank Group		
Capital and capital adequacy		
DKK million	31.03.2018 ¹	31.12.2017
Share capital	8,045	8,045
Retained earnings ¹	11,773	11,832
Equity, end of period¹	19,818	19,877
Profit for the period not included	(382)	-
Prudent valuation adjustment	(30)	(30)
Intangible assets and deferred tax assets	(16)	(17)
Deduction for difference between IRB losses and impairments	-	(43)
Other deductions	-	(4)
Transitional adjustment of deductions	-	9
Common Equity Tier 1 capital	19,390	19,791
Additional Tier 1 capital	-	-
Other deductions	-	-
Tier 1 capital	19,390	19,791
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	300	125
Transitional adjustment of Tier 2 capital	-	(4)
Own funds¹	21,690	21,912
Credit risk	80,341	80,663
Market risk	9,661	11,235
Operational risk	7,765	6,112
Total risk exposure amount (REA)	97,767	98,011
Total capital ratio, %	22.1	22.3
Tier 1 capital ratio, %	19.8	20.1
Common Equity Tier 1 capital ratio, %	19.8	20.1

¹ Own funds have been determined excluding results for Q1/2018.

Nykredit Bank Group		
Required own funds and internal capital adequacy requirement		
DKK million	31.03.2018	31.12.2017
Credit risk	6,427	6,453
Market risk	773	899
Operational risk	621	489
Total Pillar I	7,821	7,841
Slightly weaker economic climate (stress tests, etc)	813	1,076
Other risks	1,699	1,488
Total Pillar II	2,512	2,564
Total required own funds	10,333	10,405
Internal capital adequacy requirement (Pillar I and Pillar II),%	10.6	10.6

As at 31 March 2018, the Bank's deposits exceeded lending at amortised cost by DKK 13.3bn (excluding reverse repurchase lending and repo deposits). At end-2017, deposits exceeded lending by DKK 20.7bn.

Bonds in issue totalled DKK 5.4bn against DKK 6.5bn at end-2017. The Bank's issues under the ECP and EMTN programmes are continuously adapted to the Bank's liquidity needs.

Other non-derivative financial liabilities at fair value, which include negative securities portfolios, came to DKK 7.7bn against DKK 14.0bn at end-2017.

Remaining payables and provisions amounted to DKK 14.7bn compared with DKK 14.5bn at end-2017. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. Negative market values of derivative financial instruments were unchanged at DKK 11.5bn at end-2017.

Equity and capital adequacy

Equity carried for accounting purposes totalled DKK 19.8bn at end-March 2018. In 2018 equity changed with profit for the period less beginning-of-year equity adjustments as a result of the IFRS 9 impact. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

At end-March 2018, Nykredit Bank's total own funds came to DKK 21.7bn determined excluding results for end-March. Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in future. The Bank's CET1 capital was DKK 19.4bn at end-March 2018 compared with DKK 19.8bn at end-2017.

The risk exposure amount (REA) totalled DKK 97.8bn at end-March 2018 against DKK 98.0bn at end-2017.

At end-March 2018, the total capital ratio was 22.1%, and the Tier 1 capital ratio was 19.8%.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 10.3bn at end-March 2018. Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.6% against 10.6% at end-2017.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves personal customers and SMEs (small and medium-sized enterprises) and also comprises the subsidiary Nykredit Leasing A/S.
- Wholesale Clients, which comprises the business units Corporate & Institutional Banking and Nykredit Markets. Corporate & Institutional Banking also comprises a portfolio of large non-continuing exposures.
- Wealth Management, which comprises Private Banking Elite (clients with investable assets in excess of DKK 7m) and Nykredit Asset Management as well as the subsidiary Nykredit Portefølje Administration A/S.
- Group Items, which comprises the Treasury area, other income and costs not allocated to the business areas as well as income from securities.

Nykredit Bank Group Results by business area DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017
	Business profit and profit for the period									
Net interest income	250	244	104	109	13	10	(2)	(1)	367	363
Net fee income	87	73	59	49	3	2	(7)	(3)	142	120
Wealth management income	122	145	14	8	172	184	5	4	313	342
Net interest from capitalisation	(16)	(16)	(13)	(12)	(1)	(1)	23	21	(7)	(9)
Trading, investment portfolio and other income	122	174	164	237	9	8	(8)	47	286	466
Income	565	620	328	391	195	202	11	69	1,100	1,283
Costs	268	261	118	100	107	106	5	3	497	470
Business profit before impairment charges	298	359	211	291	89	97	6	66	603	813
Impairment charges for loans and advances	85	(3)	56	(49)	(3)	(3)	(0)	-	138	(55)
Business profit	213	362	154	340	91	100	6	66	465	867
Legacy derivatives	9	161	16	175	-	0	-	-	24	337
Profit before tax	222	523	170	515	91	100	6	66	489	1,204
Costs as % of income	47.3	42.1	35.8	25.7	54.6	52.3	46.2	3.8	45.2	36.6

RETAIL

Retail consists of the business units Retail Personal Banking and Retail Business Banking and provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and the wealth clients of Private Banking. Retail also includes the subsidiary Nykredit Leasing A/S.

Nykredit serves its customers through 42 local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. 18 of these centres serve business customers, of which five customer centres serve our largest retail business customers. Finally, ten centres have specialist wealth management teams that serve our Private Banking clients. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

Retail customers are offered banking, mortgage lending, insurance, pension, investment and debt management products.

Strategy

Nykredit has built a regional structure with few, but effective regional units and focus on full-service customers. Therefore, we are constantly working to improve and customise our product propositions, strengthen our advisory services and optimise business processes as part of our Winning the Double strategy.

We aim to offer our customers an enduring relationship based on trust. Thus, we want to obtain higher satisfaction among full-service homeowner and business customers and grow the number and proportion of full-service customers.

Q1/2018 – summary

Retail

In Q1/2018 Retail continued the implementation of a new service concept aimed at strengthening our customer advisory services by giving priority to new as well as existing full-service customers.

The number of new Private Banking clients and full-service BoligBank customers grew satisfactorily during Q1. Similarly the increase in business customers within the prioritised customer segments was satisfactory.

In Q1 Retail Personal Banking lowered the interest rate on selected housing loans to strengthen Nykredit's market position and competitiveness.

Retail Business Banking launched a new self-service solution in Q1 for all types of business customers in Nykredit, which in addition to improving the customers' digital experience contributes to faster assessment and onboarding of new customers.

Retail has also intensified efforts to ensure that Nykredit complies with the tightened regulatory requirements concerning treatment of personal data, including improvement of systems and controls to prevent the risk of money laundering.

Business profit

Retail recorded a business profit of DKK 213m compared with DKK 362m in Q1/2017 and a profit before tax of DKK 222m against a profit before tax of DKK 523m in Q1/2017.

Results for the period

Income declined to DKK 565m in Q1/2018 from DKK 620m in Q1/2017, primarily due to a drop of DKK 79m in business banking, driven by falling positive value adjustments, including interest rate swaps.

Net interest income increased slightly while market competition generates pressure on interest margins. Deposit margins are also squeezed by the current negative level of deposit rates.

Costs increased by DKK 7m to DKK 268m. Costs as a percentage of income totalled 47.3% against 42.1% in Q1/2017.

Impairment charges for loans and advances totalled DKK 85m against a net reversal of DKK 3m in Q1/2017. Business customers contributed a charge of DKK 30m against a net reversal of DKK 29m in Q1/2017. Personal customers saw increased impairment charges of DKK 54m against DKK 27m in Q1/2017.

Impairment charges were 0.2% of loans and advances.

Legacy derivatives saw a negative change of DKK 152m, from a gain of DKK 161m in Q1/2017 to a gain of DKK 9m. In both years, the value adjustment resulted from business customers, including small housing cooperatives.

Lending and deposits

Retail lending activities (excluding reverse repurchase lending) were unchanged at DKK 32.1bn on end-2017. Deposits came to DKK 45.2bn against DKK 46.6bn at end-2017.

Subsidiaries

Nykredit Leasing A/S

The company handles the leasing activities of the Nykredit Group.

Income statement

Nykredit Leasing recorded a profit before tax of DKK 33m compared with DKK 28m in Q1/2017.

WHOLESALE CLIENTS

Wholesale Clients comprises activities with Nykredit's corporate and institutional clients, the public housing segment and large housing co-operatives. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading. Wholesale Clients consists of the business units Corporate & Institutional Banking and Nykredit Markets.

Strategy

Nykredit's business strategy in this area is to provide value to clients through broad financial advisory services and deep client insight.

Based on our specialist skills in Corporate & Institutional Banking and Nykredit Markets, which is the Group's trading operation and one of the leading Danish market participants within bond issuance and bond trading, we strive to ensure an improved and more unified experience whenever we are in contact with our clients.

Q1/2018 – summary

Corporate & Institutional Banking

In Q1 Corporate & Institutional Banking generally experienced fierce competition on prices and terms. Strategic financial advisory services and capital market transactions continue to attract interest.

Nykredit Markets

From the onset of the year, Nykredit Markets saw high customer activity across products and customer segments, including increased demand for asset management services from the Group's wealth clients. As the final half of the quarter was marked by financial market unrest, naturally our customers adopted a more cautious and reluctant investment approach. Overall Q1/2018 earnings were lower than the high level recorded in Q1/2017.

Business profit

Business profit totalled DKK 154m against DKK 340m in Q1/2017. The DKK 186m downturn was mainly due to a decrease in income of DKK 63m as well as increased loan impairments of DKK 106m.

Results for the period

Income came to DKK 328m, equal to a fall of DKK 63m, driven primarily by reduced trade and portfolio income. Income in Corporate & Institutional Banking fell by DKK 27m, whereas income in Nykredit Markets was down by almost DKK 36m on 2017.

Costs amounted to DKK 118m, equal to an increase of DKK 18m on Q1/2017.

Costs as a percentage of income totalled 35.8% compared with 25.7% in Q1/2017.

Impairment charges for loans and advances totalled DKK 56m against a net reversal of DKK 49m in Q1/2017. Of the DKK 56m impairment charge, non-continuing exposures contributed a gain of DKK 12m.

Impairment charges were 0.2% of loans and advances against negative 0.2% in Q1/2017.

Legacy derivatives produced a gain of DKK 16m in Q1/2018, equal to a negative change of DKK 159m, against a gain of DKK 175m in Q1/2017. The value adjustment concerns swaps entered into with housing cooperatives.

Profit before tax totalled DKK 170m compared with 515m in Q1/2017.

Lending and deposits

Loans and advances (excluding reverse repurchase lending) stood at DKK 20.3bn against DKK 19.7bn at end-2017.

Deposits (excluding repo deposits) amounted to DKK 9.4bn compared with DKK 14.2bn at end-2017.

WEALTH MANAGEMENT

The business division Wealth Management handles Nykredit's asset and wealth management activities. Wealth Management comprises the business areas Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite. The latter is targeted at clients with investable assets in excess of DKK 7m.

Nykredit's asset management and portfolio administration services are undertaken by Nykredit Asset Management and Nykredit Portefølje Administration A/S, and their products and solutions include Nykredit Invest, Private Portfolio, Savings Invest, Pension Invest and discretionary asset management and administration agreements with institutional clients, foundations, businesses, public institutions and personal wealth clients.

Award-winning private banking

Nykredit was awarded Best Private Banking in Denmark 2017 at the Global Private Banking Awards ceremony. Furthermore, in 2017 our Danish private banking clients named Nykredit best private banking provider in Denmark in Prospera's annual private banking survey. The awards were given in recognition of Nykredit's targeted and tenacious efforts within private banking. Nykredit's focus on holistic advisory services as well as a personal and individualised approach has landed Nykredit in the absolute top rank.

Moreover, in Q1/2018 Nykredit Invest received four Morningstar Fund awards, gaining a top ranking in four out of five categories. Nykredit Invest was ranked the best fund manager in Denmark to manage equities and bonds in a combined category and was also named best fund manager in Denmark of bonds, short-dated bonds and global equities.

Q1/2018 – summary

Total assets under management and administration and investment funds DKK million	31.03.2018	31.12.2017
Managed by Nykredit	188,049	172,645
Insourced mandates	6,316	6,262
Total assets under management	194,365	178,906
Of which Nykredit Group investment funds	63,867	61,472
Assets under administration Nykredit Portefølje Administration A/S	734,761	792,710

Total assets under management went up by DKK 15.5bn to DKK 194.3bn at end-Q1/2018. The increase comprised net growth of DKK 16.1bn and negative value adjustments of DKK 0.6bn.

Assets under administration fell by DKK 57.9bn to DKK 734.8bn at end-Q1/2018. The increase comprised net outflows of DKK 37.2bn and negative value adjustments of DKK 20.8bn.

Nykredit Asset Management

51.28% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1/2018, and 88.89% generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1/2018 especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed well.

Private Banking Elite

Private Banking Elite achieved satisfactory client growth in Q1/2018, both in terms of new clients and cultivation of existing client relationships. Net growth in assets under administration in the period was very satisfactory.

In 2018 Private Banking Elite has maintained focus on increasing its market share, both by landing new clients and by cultivating existing Nykredit client relationships with Private Banking Elite potential.

Business profit

Business profit totalled DKK 91m against DKK 100m in Q1/2017, equal to a fall of DKK 9m.

Results for the period

Wealth Management's income totalled DKK 195m, a DKK 7m downturn on Q1/2017.

Costs amounted to DKK 107m, equal to an increase of DKK 1m on Q1/2017.

Costs as a percentage of income totalled 54.6% compared with 52.3% in Q1/2017.

Impairment charges were a net reversal of DKK 2.7m against DKK 3.1m in Q1/2017.

Impairment charges of negative 0.1% were unchanged compared with Q1/2017.

Profit before tax consequently totalled DKK 91m compared with DKK 100m in Q1/2017.

Lending and deposits

Loans and advances (excluding reverse repurchase lending) stood at DKK 3.4bn against DKK 3.3bn at end-2017.

Deposits (excluding repo deposits) amounted to DKK 12.7bn compared with DKK 13.5bn at end-2017.

Subsidiaries

Nykredit Portefølje Administration A/S

Nykredit Portefølje Administration A/S handles the Nykredit Group's fund administration activities. The company is a licensed investment management company and alternative investment fund manager.

Business areas comprise administration of Danish UCITS funds and management of alternative investment funds. Moreover, the company may perform discretionary portfolio management or related tasks in Denmark and offer services as a management company in Luxembourg.

Income statement

Profit after tax was DKK 45m against DKK 38m in Q1/2017.

GROUP ITEMS

Group Items includes the results of the Bank's Treasury, which forms part of Nykredit's Group Treasury, as well as trading, investment portfolio and other income not allocated to the business units.

Business profit and profit before tax were a loss of DKK 8m against a gain of DKK 66m in Q1/2017.

Income was DKK 13m in Q1/2018 against DKK 69m in Q1/2017.
Costs totalled DKK 5m against DKK 3m in Q1/2017.

IMPAIRMENT AND LENDING

Earnings impact

IFRS 9 entered into force on 1 January 2018, which resulted in an increase in the Bank's total impairment provisions of DKK 566m. The amount has been recognised directly in equity and other balance sheet items and has thus no impact on impairments for the quarter. Reference is made to note 1.

Impairment charges for loans and advances were DKK 138m in Q1/2018 compared with a gain of DKK 55m in Q1/2017.

Of the total impairment charge of DKK 138m, impairment charges for loans and advances represented DKK 77m, while provisions for guarantees and loan commitments came to DKK 67m. Recoveries on loans and advances previously written off were DKK 6m.

Retail impairment charges were DKK 85m compared with a net reversal of DKK 2m in Q1/2017. The increase was mainly attributable to impairment charges for business customers, which rose from a net reversal of DKK 29m in Q1/2017 to a charge of DKK 30m, equal to an increase of DKK 59m. Impairment charges for personal customers went up by DKK 28m from a charge of DKK 27m in Q1/2017 to a charge of DKK 54m.

Impairment charges for loans and advances in Wholesale Clients equalled a charge of DKK 57m against a gain of DKK 50m in Q1/2017.

Impairment charges in Wealth Management came to a net reversal of DKK 3m just as in Q1/2017.

Total impairment provisions

Total impairment provisions increased by 1.8% from DKK 2,920m at 1 January 2018 to DKK 2,971m at 31 March 2018.

In addition, value adjustment of interest rate swaps of DKK 3.6bn was recorded, of which credit value adjustments amounted to DKK 3.2bn, comprising DKK 2.5bn relating to legacy derivatives and DKK 0.7bn relating to other items.

Impairment provisions for Retail reduced from DKK 1,941m at end-2017 to DKK 1,883m.

Impairment provisions for Wholesale Clients and Wealth Management saw an overall rise by DKK 53m from DKK 835m at end-2017 to DKK 888m.

Provisions for loan impairment and guarantees – Nycredit Bank Group	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017	Q1/2018	Q1/2017
DKK million										
Impairment provisions, beginning of period	1,941	1,715	785	805	51	17	23	23	2,800	2,560
Impairment provisions and reversals	(58)	(38)	56	(23)	(4)	(3)	(10)	-	(15)	(64)
Impairment provisions, end of period	1,883	1,677	841	782	47	14	13	23	2,785	2,496
Of which impairment charges for loans and advances	1,883	1,576	841	738	47	14	13	-	2,785	2,328
Of which impairment charges for lending to banks	-	-	-	-	-	-	-	23	-	23
Provisions for guarantees and loan commitments										
Impairment provisions, beginning of period	105	42	5	9	9	-	2	-	120	51
Impairment provisions, end of period	167	41	7	8	10	-	2	-	187	49
Total impairment provisions	2,051	1,718	848	790	57	14	16	23	2,971	2,545
Earnings impact										
Impairment provisions and write-offs for the period, net	26	7	56	(22)	(4)	(3)	(1)	1	77	(17)
Recoveries on loans and advances previously written off	(4)	8	(2)	27	-	-	-	-	(6)	35
Total	22	(1)	55	(49)	(4)	(3)	(1)	1	71	(52)
Provisions for guarantees and loan commitments	63	(1)	2	(1)	2	-	1	-	67	(3)
Total earnings impact	85	(2)	57	(50)	(3)	(3)	-	1	138	(55)

Total non-continuing exposures were fairly unchanged at DKK 0.2bn at 31 March 2018 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 187m against DKK 58m at end-2017.

Relative to total loans, advances and guarantees, provisions amounted to 2.5% compared with 2.1% at end-2017. Excluding guarantees, the ratio was 3.1% compared with 2.7% at end-2017. The carrying amount of non-accrual loans was DKK 0.2bn against DKK 0.2bn in 2017.

Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees totalled DKK 116.2bn against DKK 108.4bn at end-2017, up DKK 7.7bn.

This figure comprised a rise in reverse repurchase lending of DKK 9.2bn, a rise in other loans and advances of DKK 1.3bn and a decline in guarantees of DKK 2.8bn. Reverse repurchase lending totalled DKK 36.7bn at 31 March 2018 against DKK 27.6bn at end-2017.

Finance and insurance still accounted for the largest single sector exposure at DKK 45.5bn against DKK 35.0bn at end-2017. The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 39.2% against 32.2% at end-2017 and personal customers 23.5% against 25.6% at end-2017.

Lending to the real estate and construction sectors totalled DKK 11.5bn and DKK 4.6bn at end-March 2018 compared with DKK 11.4bn and DKK 3.9bn at end-2017.

At 31 December 2018, loan impairment provisions for the real estate sector totalled DKK 0.9bn compared with DKK 0.8bn at end-2017, or 6.1% of total loans and advances to the sector. At end-2017, the percentage was 5.6%.

Loans, advances and guarantees by sector DKK million	Loans, advances and guarantees		Total impairment provisions	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Public sector	448	714	2	2
Agriculture, hunting, forestry and fishing	3,161	4,645	137	104
Manufacturing, mining and quarrying	4,569	4,687	193	195
Energy supply	2,036	1,970	20	14
Construction	2,706	2,844	164	177
Trade	4,578	3,886	229	176
Transport, accommodation and food service activities	3,295	2,954	123	100
Information and communication	1,093	1,050	36	25
Finance and insurance	45,524	34,966	154	72
Real estate	11,529	11,345	757	663
Other	9,884	11,562	398	239
Total business customers	88,375	79,909	2,211	1,765
Personal customers	27,349	27,805	756	581
Total	116,172	108,428	2,969	2,348
Total, including impairment provisions for banks	-	-	2,971	2,348

Supervisory Diamond		
	Q1/2018	Q1/2017
Lending growth ¹ (limit value <20%)	1.3	15.7
Large exposures (limit value <175%)*	88.2	109.6
Property exposure (limit value <25%)	11.0	12.8
Funding ratio (limit value <1.0)	0.6	0.6
Excess liquidity coverage (limit value >50%)	231.7	275.4

* The key ratio "large exposures" has been changed in 2018 and is now showing the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures from Q1/2017 have thus been restated accordingly. Compared with the previous method, the key figure was 0.0% at end-March 2017.

FSA Supervisory Diamond for banks

The Supervisory Diamond sets out benchmarks for five key ratios that indicate when a bank is operating at an elevated risk.

Nykredit Bank's key ratios met the limit values of the Danish FSA throughout Q1/2018 and at 31 December 2017.

Nykredit Bank recorded lending growth of 1.3%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 11.0% against 12.8% at end-Q1/2017.

ALTERNATIVE PERFORMANCE MEASURES

The Management Commentary is based on the Group's internal financial reporting.

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

This information is also provided in the Management Commentary as well as in the notes to the Financial Statements for the business areas included in the internal reporting.

As part of the Group's ongoing adjustment of its internal and external reporting, various changes have been made relative to the Q1 Interim Report 2017.

The most important change is that income is now broken down into several items, differentiating more clearly between stable types of income and relatively more volatile income, such as trading and investment portfolio income. Furthermore, investment portfolio income is recognised in "Income" as opposed to previously, when investment portfolio income was recognised as a separate item.

A key reporting concept going forward is the new item "Business profit", replacing the former "Profit from core business". The difference between the two items is primarily that "Business profit" comprises the former item "Investment portfolio income".

The change has no earnings impact.

Supplementary financial ratios

The financial highlights in the Management Commentary and the segmental financial statements include a number of internal income statement items, which have been specified in note 3 of the Financial Statements. It should be noted in particular that "Net interest income" in the financial highlights is based on net interest income from deposit and lending activities and is thus not directly comparable with "Net interest income" in the income statement, which also includes interest income from, for instance, the bond portfolio.

The presentation is based on the same recognition and measurement principles that apply to the Financial Statements. This consequently means that key concepts such as "Profit (loss)", "Comprehensive income", "Balance sheets" and "Equity" correspond to the items in the Financial Statements.

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

Profit (loss) corresponds to net profit or loss.

"Profit (loss) for the period as % of average equity." Average equity is calculated on the basis of the value at the beginning of the period and all quarters of the period.

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

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE INTERIM REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for 1 January – 31 March 2018 of Nykredit Bank A/S and the Nykredit Bank 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, Nykredit Bank A/S, have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

In our opinion, the Consolidated Financial Statements and 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 2018 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 2018.

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, 9 May 2018

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen
Chairman

Søren Holm
Deputy Chairman

Kent Ankersen*

Kim Duus

Flemming Ellegaard*

David Hellemann

Anders Jensen

Allan Kristiansen*

* Staff-elected member

INCOME STATEMENT AND COMPREHENSIVE STATEMENT

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
Q1/2017	Q1/2018		Q1/2018	Q1/2017	
INCOME STATEMENT					
376	405	Interest income	6	443	411
(58)	(50)	Negative interest, income	6a	(50)	(58)
(68)	(71)	Positive interest, expenses	6a	(71)	(68)
68	75	Interest expenses	7	75	68
318	350	Net interest income		389	353
9	3	Dividend on equities		3	9
363	395	Fee and commission income		491	461
75	75	Fee and commission expenses		82	93
615	673	Net interest and fee income		801	730
882	317	Value adjustments	8	317	882
0	0	Other operating income		6	7
406	437	Staff and administrative expenses	9	491	460
4	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		0	4
5	5	Other operating expenses		6	6
(55)	137	Impairment charges for loans, advances and receivables	10	138	(55)
52	61	Profit from investments in associates and Group enterprises	11	-	-
1,190	472	Profit before tax		489	1,204
250	90	Tax	12	107	264
940	382	Profit for the period		382	940
Distribution of profit for the period					
52	62	Statutory reserves		-	-
888	320	Retained earnings		382	940
940	382	Profit for the period		382	940
COMPREHENSIVE INCOME					
940	382	Profit for the period		382	940
-	-	Other additions and disposals		-	-
-	-	Other comprehensive income		-	-
940	382	Comprehensive income for the period		382	940

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	31.03.2018	Note	31.03.2018	31.12.2017
ASSETS				
1,893	6,063		6,063	1,893
18,097	12,994	13	12,994	18,098
27,566	-	14	-	27,566
54,408	92,455	15	93,854	55,783
42,885	38,958	16	39,591	43,520
3,711	3,672	17	3,672	3,711
217	191	18	192	218
4	4		4	4
1,396	1,457		0	-
14	14		14	14
-	-		0	-
-	107		107	-
144	104		104	145
-	-	19	-	-
22,351	22,224	20	22,263	22,387
238	182		192	245
172,925	178,423		179,050	173,585

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	31.03.2018	Note	31.03.2018	31.12.2017
LIABILITIES AND EQUITY				
39,948	49,212			
39,948	49,212	21	49,482	40,218
76,610	80,065	22	79,911	76,501
6,473	5,407	23	5,407	6,473
13,976	7,741	24	7,741	13,976
1	-		49	31
13,922	13,950	25	14,288	14,258
6	12		15	9
150,937	156,386		156,892	151,467
Provisions				
-	-		121	130
58	187	26	187	58
53	32	26	32	53
111	219		340	241
2,000	2,000	27	2,000	2,000
Equity				
8,045	8,045		8,045	8,045
Other reserves				
930	992		-	-
10,902	10,781		11,773	11,832
19,877	19,818		19,818	19,877
172,925	178,423		179,050	173,585
OFF-BALANCE SHEET ITEMS				
		28		
25,449	22,687		22,318	25,080
6,726	6,596		6,857	6,835

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Total equity
2018			
Equity, end-2017, of the Annual Report	8,045	11,832	19,877
Changes in impairment charges owing to implementation of IFRS 9		(566)	(566)
Changes in taxes due owing to implementation of IFRS 9		125	125
Equity, 1 January	8,045	11,391	19,436
Profit for the period	-	382	382
Total comprehensive income	-	382	382
Total changes in equity	-	382	382
Equity, 31 March	8,045	11,773	19,818
2017			
Equity, 1 January	8,045	8,699	16,744
Profit for the period	-	940	940
Total comprehensive income	-	940	940
Total changes in equity	-	940	940
Equity, 31 March	8,045	9,639	17,684

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

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total equity
2018				
Equity, end-2017, of the Annual Report	8,045	930	10,902	19,877
Changes in impairment charges owing to implementation of IFRS 9		-	(566)	(566)
Changes in taxes due owing to implementation of IFRS 9		-	125	125
Equity, 1 January	8,045	930	10,461	19,436
Profit for the period	-	62	320	382
Total comprehensive income	-	62	320	382
Total changes in equity	-	62	320	382
Equity, 31 March	8,045	992	10,781	19,818
2017				
Equity, 1 January	8,045	713	7,986	16,744
Profit for the period	-	52	888	940
Total comprehensive income	-	52	888	940
Total changes in equity	-	52	888	940
Equity, 31 March	8,045	765	8,874	17,684

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

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	Q1/2018	Q1/2017
Profit for the period	382	940
Adjustments		
Interest income, net	(389)	(353)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	0	4
Other non-cash changes	3	(1)
Impairment charges for loans, advances and receivables	144	(20)
Tax on profit for the period	107	264
Total	247	834
Change in operating capital		
Loans, advances and other receivables	(11,257)	5,384
Deposits and payables to credit institutions	3,565	1,876
Payables to credit institutions and central banks	9,329	(3,500)
Bonds at fair value	3,718	7,316
Equities	26	(8)
Other operating capital	(6,102)	(11,035)
Total	(474)	867
Interest income received	1,160	693
Interest expenses paid	(659)	(206)
Corporation tax paid, net	(32)	(5)
Cash flows from operating activities	(5)	1,349
Cash flows from investing activities		
Property, plant and equipment	-	(3)
Total	-	(3)
Cash flows from financing activities		
Bonds in issue	(1,071)	(879)
Total	(1,071)	(879)
Total cash flows for the period	(1,076)	467
Cash and cash equivalents, beginning of period	19,991	35,723
Foreign currency translation adjustment of cash	142	134
Cash and cash equivalents, end of period	19,057	36,324
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	6,063	2,892
Receivables from credit institutions and central banks	12,994	33,432
Total	19,057	36,324

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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1/2018 are 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 Q1/2018 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish executive order on the presentation of financial reports) issued by the Danish Financial Supervisory Authority (FSA).

Changed accounting policies following implementation of IFRS 9 and amendments to the Danish Executive Order on Financial Reports

As mentioned in the Annual Report for 2017 (notes 1 and 48), IFRS 9 has been implemented with effect from 1 January 2018. The standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

The Danish FSA also issued amendments to the IFRS-compatible Danish Executive Order on Financial Reports. The amended Executive Order comprises significant IFRS 9 elements, including impairment of loans and advances at amortised cost as well as classification of financial assets.

Under the provisions of IFRS 9, comparative figures for previous periods have not been restated, as it is not possible to apply the impairment rules retrospectively without post-rationalisation. Classification, impairment and measurement as well as presentation of financial assets and liabilities in the comparative figures stated in the Q1 Interim Report 2018 thus follow the same accounting policies as described in note 1 of the Annual Report for 2017.

For Nykredit Bank, an important feature of IFRS 9 is the new principles for calculation of impairment charges for loans, advances and provisions for guarantees has resulted in total impairment provisions of DKK 566m at 1 January 2018. Impairment charges comprise expected credit losses on financial assets measured at amortised cost – primarily loans and advances, including leasing lending and balances with credit institutions – loan commitments as well as financial guarantees. In addition, expected credit losses on the part of the bond portfolio that is measured at amortised cost are subject to impairment charges. At the beginning of 2018 and in Q1/2018, impairment changes on the bond portfolio issued by Nykredit Realkredit A/S have been measured at DKK 0.

The increased impairments are offset against loans and advances at amortised cost by DKK 501m and balances with credit institutions by DKK 3m. In addition, provisions for guarantees and loan commitments increased by DKK 62m, respectively. Reference is also made to note 35.

Classification and measurement

The general principles for measurement of financial assets and liabilities have changed following implementation of IFRS 9. But at Group level, the implementation has not given rise to significant changes in the presentation and classification.

After initial recognition, financial assets must continue to be measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The measurement is based on classification of the individual financial assets in accordance with the Bank's business model.

Going forward, classification of financial instruments will be based on the following business models:

- The asset is held to collect cash flows from payments of principal and interest (hold to collect business model). Measured at amortised cost (AMC).
- The asset is held to collect cash flows from payments of principal and interest and selling the asset (hold to collect and sell business model). Measured at fair value with changes recognised through other comprehensive income with reclassification to the income statement on realisation of the assets (FVOCI).
- Other financial assets are measured at fair value through profit or loss (FVPL). These include assets managed on a fair value basis, held in the trading book or assets, where contractual cash flows do not solely comprise interest and principal of the receivable. It is also still possible to measure financial assets at fair value with value adjustment through profit or loss, when such measurement significantly reduces or eliminates an accounting mismatch that would otherwise have occurred on measurement of assets and liabilities or recognition of losses and gains on different bases.

The principles of financial liabilities follow the accounting policies applied so far.

The Group's financial assets and business models were reviewed in 2017 to ensure correct classification thereof. The review included an assessment of whether collecting cash flows is a significant element, including whether the cash flows only consist of interest and principal.

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flow is based on collection of interest and principal payments. Some product types are subject to daily interest rate adjustment, but with an interest rate fixing based on a longer time horizon. However, this is not assessed to significantly postpone the time value of the money.

The assessment has not led to significant changes to the measurement and classification of financial assets.

Receivables from credit institutions as well as bank loans and advances previously measured at amortised cost (AMC) are still measured according to this principle. The same applies to the bond portfolio measured at amortised cost at end-2017.

At 1 January 2018, repo lending, which was previously classified as "Loans, advances and other receivables at fair value", were reclassified to "Loans, advances and other receivables at amortised cost". The reclassification has not given rise to value adjustments, as the difference between fair value and net amortised cost was insignificant at 1 January 2018.

After this the Bank will have no assets that are measured at fair value and value adjusted through other comprehensive income (FVOCI).

Except for a small bond portfolio previously treated in accordance with the rules on amortised cost, the Bank's bond portfolio will generally continue to be measured at fair value through profit or loss. The reason is that the business model behind the portfolio is not intrinsically based on collecting cash flows from payments of principal and interest but is based on, for example, short-term trading activity and investments focused on cost minimisation, where contractual cash flows do not constitute a central element but follow solely from the investment.

Measurement at fair value is otherwise performed according to unchanged principles, cf IFRS 13, which are unchanged.

Generally, financial liabilities should continue to be measured at amortised cost after initial recognition and separated from the embedded derivative financial instruments, if these are not closely related to the host contract. Repo deposits were previously measured at fair value, but this was changed together with the changed classification of repo lending. From and including 1 January 2018 repo deposits will be measured at amortised cost to attain a uniform accounting treatment. The reclassification of repo lending and deposits impacted measurement by an insignificant amount in Q1/2018.

Irrespective of the fact that a number of financial assets and liabilities must generally be measured at amortised cost, measurement at fair value is possible if the fair value measurement eliminates or reduces an accounting mismatch that would otherwise follow from different type measurement of one or more financial instruments. Financial liabilities may also be measured at fair value if the instrument is part of an investment strategy or a risk management system based on fair values and is continuously stated at fair value in the reporting to Management.

Derivative financial instruments (derivatives), which are assets or liabilities, are measured at fair value through profit or loss, and this is unchanged compared with current practice. Hedging interest rate risk (hedge accounting) is still made according to the IAS 39 rules, in part as IFRS 9 does not yet comprise provisions on macro hedging.

Equity instruments are not based on cash flows which comprise payment of principal and interest. Therefore, these instruments will be still measured at fair value with value adjustment through profit or loss (FVPL), as the Bank has chosen not to recognise value adjustment through other comprehensive income (FVOCI).

Impairment for expected credit losses

For Nykredit Bank, an important feature of IFRS 9 is the new principles for calculation of impairment charges for loans, advances and receivables as well as provisions for guarantees and loan commitments, including unutilised credit facilities and bonds measured at amortised cost.

According to IAS 39, impairment was based on objective impairment criteria. Implementation of IFRS 9 means that going forward impairment charges for loans and advances measured at amortised cost will be based on expected credit losses and that already at the time of granting (stage 1), loans and advances are subject to impairment charges corresponding to the expected credit losses arising from default within 12 months. This has led to increased impairment provisions.

Loans are impaired in three stages depending on whether the credit risk has increased significantly since initial recognition:

- Stage 1 covers loans and advances without significant increase in credit risk. These are subject to impairments corresponding to expected credit losses in the event of default within the next 12 months. Loan impairment takes place already at the time of granting.
- Stage 2 covers loans and advances with significant increase in credit risk. These are subject to impairment corresponding to expected credit loss during the time-to-maturity.
- Stage 3 covers loans and advances in default or otherwise impaired. These are subject to impairment according to the same principles as loans and advances in stage 2 based on expected credit losses during the time-to-maturity, but with the difference that interest income attributable to the impaired part of loans and advances, is not recognised through profit or loss.

Impairment calculations are based on further development of existing methods and models for impairment, taking into account forward-looking information and scenarios. The definition of default has not been changed and will continue being dictated by the customer's financial position and payment behaviour (90-day arrears).

In expected loss calculations, time-to-maturity corresponds to the contractual maturity as a maximum, as adjustments are made for expected prepayments, as required. Nevertheless, for credit-impaired financial assets, the determination of expected losses should be based on contractual maturity.

Model-based impairment in stages 1 and 2 are based on transformations of PD and LDG values to short-term (12 months) or long term (remaining life of the product/cyclicality). The parameters are based on Nykredit's IRB models, and forward-looking information is determined according to the same principles as apply to regulatory capital and stress tests. For a small fraction of portfolios with no IRB parameters, simple methods are used based on appropriate loss ratios.

A key element of the determination of impairment is establishing when a financial asset should be transferred from stage 1 to stage 2. The following principles apply:

- For assets/facilities with 12-month PD <1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% and an increase in 12-month PD of 0.5pp.
- For assets/facilities with 12-month PD >1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% or an increase in 12-month PD of 2.0pp.

The Group considers that a significant increase in credit risk has occurred no later than when an asset is more than 30 days past due, unless special circumstances apply.

In stages 1 and 2, impairments are based on a number of potential outcomes (scenarios) of a customer's financial situation. In addition to historical experience, the models should reflect current conditions and future outlook at the balance sheet date. The inclusion of scenarios must be probability-weighted and unbiased.

The choice of macro scenarios is significant to total impairments which is very sensitive to choice of scenarios and probability-weights.

Generally, three scenarios are applied:

- scenario reflecting the best estimate of the company (base-line)
- scenario reflecting high expected credit losses
- scenario with minor expected credit losses to cover an appropriate number of likely losses based on the best estimate of the company. Due to the currently favourable economic trends and the financial strength of our customers, the base-line and a fairly positive scenario currently seem to coincide. In case of changed economic trends, a scenario with an improved future outlook will be part of the calculation method.

The calculation of macro-economic scenarios is based on the assumptions of eg interest rates and property prices used to determine the internal capital adequacy requirement. The base-line scenario is considered best estimate and is included in the transaction matrices. The low scenario which leads to high expected credit losses corresponds to a "mild" stress in the capital model (used to determine the internal capital adequacy requirement).

Stage 3 includes loans and advances/facilities where observations indicate that the asset is credit impaired. Most often, this is where

- a borrower is experiencing considerable financial difficulties of owing to eg changes in income, financial assets and wealth, leading to the assumption that the customer is unable to fulfil their obligations
- a borrower fails to meet their payment obligations
- there is an increased probability of bankruptcy or similar associated with a borrower
- a borrower is offered reduced payment arrangements (for example, interest rate and loan term) due to deterioration in the borrower's financial circumstances.

Relative to large stage 3 exposures, credit officers perform an individual assessment of scenarios as well as changes to credit losses. Relative to small stage 3 exposures, the credit loss is determined using a portfolio model according to the same principles as are used in an individual assessment.

Model-based impairment is still subject to management judgement according to the same principles as are applied under the previous rules (IAS 39) and is supplemented with an assessment of an improved/worsened macro scenario for the long-term Probability of Default (PD).

Impairments are offset against the relevant assets (loans, advances and receivables as well as bonds). Impairment provisions for guarantees and loan commitments are recognised as a liability.

Changes to presentation and measurement

Earnings presentation in Management Commentary and business areas

Presentations in the Management Commentary, including financial highlights, as well as notes 3 and 4, were changed in the Q1-Q3/2017 interim reports. Comparative figures for Q1/2017 have been restated.

The change followed from a number of adjustments made by Management in 2017 to the internal reporting that forms an integral part of the governance of the Company. The presentation has been changed primarily to present a more varied picture of the Group's income.

This information is considered important and relevant to readers of the external Financial Statements as a supplement to the income statement. Review of results for the period in the Management Commentary is consequently based on the regular reports made to and considered by Management.

The most important change is that income will be broken down into several items going forward, differentiating more clearly between stable types of income and relatively more volatile income from trading and investment portfolio income, for instance. Furthermore, investment portfolio income is recognised in "Income" contrary to previously, when investment portfolio income was recognised as a separate item.

In future reports the former "Profit from core business" will be replaced by the new key item "Business profit". The difference between the two items is primarily that "Business profit" comprises the former item "Investment portfolio income" which is now included in "Income".

This implies a new presentation of income in the income statement grouped in two main items; "Income" and "Legacy derivatives". In addition, income is divided into five sub-items. The principles of recognition and measurement are identical. The change is further described in note 1 of the Q1-Q3 Interim Report 2017 as well as the Annual Report for 2017.

Implementation of IFRS 15 "Revenue from contracts with customers"

The standard which was implemented on 1 January 2018 has not impacted the Financial Statements for Q1/2018.

Significant accounting estimates and assessments

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, unlisted financial instruments and provisions of the Annual Report 2017.

Other information

Apart from the above changes made due to the implementation of IFRS 9, the accounting policies are otherwise unchanged compared with the Annual Report 2017. For a full description of the Group's and the Parent's accounting policies, please refer to note 1 of the Annual Report 2017, which is available at nykredit.com/reports.

All figures in the Q1/2018 Financial Statements are rounded to the nearest million Danish kroner (DKK). Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	31.03.2018	31.03.2018	31.12.2017
2. CAPITAL AND CAPITAL ADEQUACY			
19,877	19,818	19,818	19,877
	(382)	(382)	
	Equity		
	Profit for the period not included		
(30)	(30)	(30)	(30)
	Prudent valuation adjustment		
(17)	(16)	(16)	(17)
	Intangible assets		
(43)	-	-	(43)
	Deduction for difference between IRB losses and impairments		
(4)	-	-	(4)
	Other deductions		
9	-	-	9
	Transitional adjustment of deductions		
(86)	(46)	(46)	(86)
	Common Equity Tier 1 capital deductions		
19,791	19,390	19,390	19,791
	Common Equity Tier 1 capital		
(4)	-	-	(4)
	Transitional adjustment of deductions		
4	-	-	4
	Set-off of excess deductions		
-	-	-	-
	Total Additional Tier 1 capital after deductions		
19,791	19,390	19,390	19,791
	Tier 1 capital		
2,000	2,000	2,000	2,000
	Tier 2 capital		
125	300	300	125
	Tier 2 capital additions/deductions		
(4)	-	-	(4)
	Transitional adjustment of deductions		
-	-	-	-
	Set-off of excess deductions		
21,912	21,690	21,690	21,912
	Own funds		
85,454	85,472	80,341	80,663
	Credit risk		
11,235	9,661	9,661	11,235
	Market risk		
5,300	6,899	7,765	6,112
	Operational risk		
101,989	102,032	97,767	98,011
	Total risk exposure amount		
Financial ratios			
19.4	19.0	19.8	20.1
	Common Equity Tier 1 capital ratio, %		
19.4	19.0	19.8	20.1
	Tier 1 capital ratio, %		
21.4	21.2	22.1	22.3
	Total capital ratio, %		

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

Nykredit Realkredit A/S has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the Nykredit Bank Group. The requirement of 2% is being phased in and currently constitutes 1.2%. To this should be added the phase-in of the permanent buffer requirement, currently 1.88%, applicable to all financial institutions.

At 1 January 2018, the CET1 capital ratio of the Nykredit Bank Group was 19.8% after recognition of the net changes resulting from IFRS 9 as at 1 January 2018. Nykredit does not apply the transitional arrangements set out in Article 473a (4).

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS

Results Q1/2018	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Wholesale Clients	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	106	144	250	104	-	104	13	(2)	367
Net fee income	46	41	87	59	-	59	3	(7)	142
Wealth management income	86	36	122	14	-	14	172	5	313
Net interest from capitalisation	(5)	(11)	(16)	(10)	(2)	(13)	(1)	23	(7)
Trading, investment portfolio and other income	21	101	122	52	112	164	9	(8)	286
Income	255	311	565	219	109	328	195	11	1,100
Costs	176	92	268	65	53	118	107	5	497
Business profit before impairment charges	79	219	298	154	56	211	89	6	603
Impairment charges for loans and advances	54	30	85	56	-	56	(3)	-	138
Business profit	25	189	213	98	56	154	91	6	465
Legacy derivatives	0	8	9	10	5	16	-	-	24
Profit before tax	25	197	222	108	62	170	91	6	489
BALANCE SHEET									
Assets									
Reverse repurchase lending								36,726	36,726
Loans and advances at amortised cost	11,800	20,319	32,118	20,335	-	20,335	3,446	1,228	57,128
Assets by business area	11,800	20,319	32,118	20,335	-	20,335	3,446	37,954	93,854
Unallocated assets									85,196
Total assets									179,050
Liabilities and equity									
Repo deposits								9,468	9,468
Bank deposits and other payables at amortised cost	27,719	17,498	45,217	9,422	-	9,422	12,663	3,141	70,443
Liabilities by business area	27,719	17,498	45,217	9,422	-	9,422	12,663	12,609	79,910
Unallocated liabilities									79,321
Equity									19,818
Total liabilities and equity									179,050

The income statement format was adjusted in Q3/2017 in some areas. The previous income statement items "Income from core business" and "Profit from core business" have been replaced by "Income" and "Business profit". Compared with previously, these items now comprise "Investment portfolio income" which was separated out from core business but will be recognised as an integral part of "Income" ("Trading, investment portfolio and other income") going forward. Another important element is a more detailed presentation reflecting partly the composition of income and origin in the individual business divisions, and partly, the degree of volatility of the individual items. Previously, income from the business divisions was presented as one single item "Core income from business operations". In future income will be divided into and presented as five different items:

"Net interest income" comprising net administration margin income from mortgage lending, including KundeKroner discounts as well as interest income from bank lending and deposits.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, income from bank lending, service fees, guarantee and leasing business.

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

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

The organisation of the business areas is unchanged compared with previously. Capital costs previously recognised in Group Items have been allocated to the business divisions and the allocation key has been adjusted.

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

Results Q1/2017	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	113	131	244	109	-	109	10	(1)	363
Net fee income	40	32	73	49	-	49	2	(3)	120
Wealth management income	94	52	145	8	-	8	184	4	342
Net interest from capitalisation	(6)	(10)	(16)	(10)	(2)	(12)	(1)	21	(9)
Trading, investment portfolio and other income	(11)	185	174	90	147	237	8	47	466
Income	231	390	620	246	145	391	202	69	1,283
Costs	158	103	261	60	41	100	106	3	470
Business profit before impairment charges	73	286	359	186	104	291	97	66	813
Impairment charges for loans and advances	27	(29)	(3)	(49)	-	(49)	(3)	-	(55)
Business profit	46	316	362	236	104	340	100	66	867
Legacy derivatives	-	161	161	151	24	175	-	-	337
Profit before tax	46	477	523	387	128	515	100	66	1,204
BALANCE SHEET, 31 DECEMBER 2017									
Assets									
Reverse repurchase lending								27,566	27,566
Loans and advances at amortised cost	11,973	20,124	32,097	19,672	-	19,672	3,344	670	55,783
Assets by business area	11,973	20,124	32,097	19,672	-	19,672	3,344	28,236	83,349
Unallocated assets									90,236
Total assets									173,585
Liabilities and equity									
Repo deposits								8,214	8,214
Deposits and other payables at amortised cost	27,214	19,432	46,645	14,164	-	14,164	13,464	2,228	76,501
Liabilities by business area	27,214	19,432	46,645	14,164	-	14,164	13,464	10,442	84,715
Unallocated liabilities									68,993
Equity									19,877
Total liabilities and equity									173,585

Nykredit Bank Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1/2018			Q1/2017		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	367	23	389	363	(10)	353
Dividend on equities		3	3		9	9
Fee and commission income, net	142	267	409	120	247	368
Net interest and fee income		293	801		246	730
Wealth management income	313	(313)	-	342	(342)	-
Net interest from capitalisation	(7)	7	-	(9)	9	-
Trading, investment portfolio and other income	286	(286)	-	466	(466)	-
Value adjustments		317	317		882	882
Other operating income		6	6		7	7
Total income	1,100			1,283		
Costs	497	-	497	470	-	470
Business profit before impairment charges	603			813		
Impairment charges for loans and advances	138	-	138	(55)	-	(55)
Profit from investments in associates		-	-		-	-
Business profit	465			867		
Legacy derivatives	24	(24)	-	337	(337)	-
Profit before tax	489	-	489	1,204	-	1,204

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

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

Costs in the internal presentation correspond 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 correspond to the presentation in the income statement.

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

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DKK million

Nykredit Bank Group

5. NET INTEREST INCOME AND VALUE ADJUSTMENTS

Q1/2018	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	(0)	(1)	1	-	-	1
Lending and deposits	490	(12)	502	-	-	502
Repo transactions and reverse repurchase lending	(43)	(29)	(14)	-	3	(11)
Bonds	2	-	2	-	-	2
Bonds in issue	-	17	(17)	-	-	(17)
Subordinated debt	-	10	(10)	-	-	(10)
Other financial instruments	1	19	(18)	-	-	(18)
Total	449	4	445	-	3	448
Financial portfolios at fair value and financial instruments at fair value						
Bonds	21	-	21	-	8	29
Equities	-	-	-	3	7	9
Derivative financial instruments	(77)	-	(77)	-	273	196
Total	(56)	-	(56)	3	287	682
Foreign currency translation adjustment					27	27
Net interest income and value adjustments	393	4	389	3	317	709
Q1/2017						
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(4)	(9)	5	-	-	5
Lending and deposits	468	1	467	-	-	467
Repo transactions and reverse repurchase lending	(44)	(34)	(11)	-	-	(10)
Bonds in issue	10	17	(7)	-	-	(7)
Subordinated debt	-	11	(11)	-	-	(11)
Other financial instruments	1	14	(13)	-	-	(13)
Total	431	0	430	-	-	431
Financial portfolios at fair value and financial instruments at fair value						
Bonds	49	-	49	-	175	223
Equities	-	-	-	9	6	15
Derivative financial instruments	(126)	-	(126)	-	684	559
Total	(77)	-	(77)	9	865	797
Foreign currency translation adjustment					17	17
Net interest income and value adjustments	353	0	353	9	882	1,244

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2017	Q1/2018	Q1/2018	Q1/2017
6. INTEREST INCOME			
4	6	6	4
	Receivables from credit institutions and central banks		
449	453	491	484
	Loans, advances and other receivables		
48	23	23	48
	Bonds		
(126)	(77)	(77)	(126)
	Derivative financial instruments		
	Of which		
22	18	18	22
	- foreign exchange contracts		
(144)	(94)	(94)	(145)
	- interest rate contracts		
(3)	(1)	(1)	(3)
	- equity contracts		
-	-	-	-
	- other contracts		
1	-	1	1
	- Other interest income		
376	405	443	411
	Total		
Of which interest income from reverse repurchase lending entered as:			
-	-	-	-
	Receivables from credit institutions and central banks		
6	1	1	6
	Loans, advances and other receivables at fair value		
6A. NEGATIVE INTEREST			
Interest income			
(29)	(13)	(13)	(29)
	Receivables from credit institutions and central banks		
(29)	(37)	(37)	(29)
	Reverse repurchase lending		
(58)	(50)	(50)	(58)
	Total		
Of which interest income from reverse repurchase lending entered as:			
(21)	(7)	(7)	(21)
	Receivables from credit institutions and central banks		
(29)	(37)	(37)	(29)
	Repo deposits		
Interest expenses			
(35)	(32)	(32)	(35)
	Payables to credit institutions and central banks		
(33)	(39)	(39)	(33)
	Deposits and other payables (non-derivative financial liabilities at fair value)		
(68)	(71)	(71)	(68)
	Total		
Of which repo deposits entered as:			
(14)	(15)	(15)	(14)
	Payables to credit institutions and central banks		
(20)	(15)	(15)	(20)
	Deposits and other payables (non-derivative financial liabilities at fair value)		
7. INTEREST EXPENSES			
12	17	17	12
	Credit institutions and central banks		
14	13	13	14
	Deposits and other payables		
17	17	17	17
	Bonds in issue		
11	10	10	11
	Subordinated debt		
14	19	19	14
	Other interest expenses		
68	75	75	68
	Total		
Of which interest expenses from repo transactions entered as:			
-	1	1	-
	Payables to credit institutions and central banks		
1	-	-	1
	Deposits and other payables (non-derivative financial liabilities at fair value)		

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2017	Q1/2018	Q1/2018	Q1/2017
8. VALUE ADJUSTMENTS			
0	3	3	0
175	8	8	175
6	7	7	6
17	27	27	17
684	273	273	684
882	317	317	882
9. STAFF AND ADMINISTRATIVE EXPENSES			
1	1	1	1
167	187	219	195
237	249	271	264
406	437	491	460
Remuneration of Board of Directors and Executive Board			
Board of Directors			
-	-	-	-
Fees			
Staff-elected board representatives each receive an annual fee of DKK 60,000. No additional fees are paid to the Board of Directors.			
Executive Board			
1	1	1	1
1	1	1	1
Staff expenses			
129	150	176	152
14	13	16	16
24	24	28	27
167	187	219	195
Number of staff			
669	652	823	830
Average number of staff for the financial period, full-time equivalent			

NOTES

DKK million

10. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES

	Loans and advances 2018	Loans and advances 2017	Guarantees 2018	Guarantees 2017	Credit institutions and other 2018	Credit institutions and other 2017	Total 2018	Total 2017
Nykredit Bank Group								
Total impairment provisions								
Beginning of period	2,290	2,538	58	52	-	23	2,349	2,612
Impact following implementation of IFRS 9	506		62		3		571	-
Balance, 1 January 2018	2,796		120		3		2,920	
New impairment provisions as a result of additions and change in credit risk	612	1,186	85	8	1		698	1,194
Releases as a result of prepayments and change in credit risk	542	1,215	18	10	2	-	562	1,225
Change as a result of from correction of models and risk parameters	-	-	-	-	-	-	-	-
Impairment provisions written off	84	36	-	-	-	-	84	36
Total provisions for impairment of loans, advances and receivables, and for guarantees	2,783	2,473	187	49	2	23	2,971	2,545
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		(28)		(2)		-	-	(30)
Change in impairment provisions for loans and advances (stages 1-3)	70		67		(1)		136	-
Write-offs for the period, not previously provided for	8	12	-		-		8	12
Recoveries on claims previously written off	(6)	(37)					(6)	(37)
Results for Q1	73	(53)	67	(2)	(1)	-	138	(55)
Nykredit Bank A/S								
Total impairment provisions								
Beginning of period	2,214	2,472	58	52	-	23	2,272	2,547
Impact following implementation of IFRS 9	506		62		3		571	-
Balance, 1 January 2018	2,720		120		3		2,843	
New impairment provisions as a result of additions and change in credit risk	595	153	85	8	1		681	161
Releases as a result of prepayments and change in credit risk	523	181	18	11	2	-	544	192
Change as a result of correction of models and risk parameters	-	-	-	-	-	-	-	-
Impairment provisions written off	84	36	-	-	-	-	84	36
Total impairment charges for loans, advances and receivables, and provisions for guarantees	2,708	2,408	187	49	2	23	2,897	2,480
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		(28)		(3)		-	-	(31)
Change in impairment provisions for loans and advances (stages 1-3)	72		67		(1)		137	-
Write-offs for the period, not previously provided for	6	11	-		-		6	11
Recoveries on claims previously written off	(6)	(35)					(6)	(35)
Earnings impact, Q1	72	(52)	67	(3)	(1)	-	137	(55)

NOTES

DKK million

Nykredit Bank Group

10 B. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

2018: Total impairment provisions by stage

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Total impairment provisions, end-2017 (Annual Report for 2017)				2,290
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January due to implementation of IFRS 9				571
Total, 1 January 2018	498	202	2,219	2,919
Impairment provisions for new loans and advances (additions)	20	59	44	124
Additions as a result of change in credit risk	230	46	298	575
Releases as a result of change in credit risk	274	103	186	562
Previously written down for impairment, now written off	-	-	84	84
Total impairment provisions, end of period	475	205	2,291	2,971
Earnings impact, Q1/2018	(24)	3	157	136

	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total impairment provisions
2017: Total impairment provisions					
Impairment provisions, beginning of period	2,406	132	23	52	2,612
Additions as a result of change in credit risk	147	14		8	169
Releases as a result of change in credit risk	189		-	10	200
Other changes	36				36
Total impairment provisions, end of period	2,328	146	23	49	2,545
Earnings impact, Q1/2017	(43)	14	-	(2)	(30)

NOTES

DKK million

Nykredit Bank A/S

10 B. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

2018: Total impairment provisions by stage

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Total impairment provisions, end-2017 (Annual Report for 2017)				2,214
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January due to implementation of IFRS 9				571
Total, 1 January 2018	482	197	2,165	2,843
Impairment provisions for new loans and advances (additions)	19	59	44	122
Additions as a result of change in credit risk	230	45	285	559
Releases as a result of change in credit risk	265	101	178	544
Previously written down for impairment, now written off	-	-	84	84
Total impairment provisions, end of period	465	200	2,231	2,897
Earnings impact, Q1/2018	(17)	4	151	137

	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total impairment provisions
2017: Total impairment provisions					
Impairment provisions, beginning of period	2,406	132	23	52	2,612
Additions as a result of change in credit risk	147	14	-	8	169
Releases as a result of change in credit risk	189	-	-	11	200
Other changes	36				36
Total impairment provisions, end of period	2,328	146	23	49	2,545
Earnings impact, Q1/2017	(42)	14	-	(3)	(31)

NOTES

DKK million

10 C. DISTRIBUTION OF PROVISIONS FOR LOAN IMPAIRMENT AND GUARANTEES, END OF PERIOD

Nykredit Bank Group

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)		Total impairment provisions
Q1/2018: Total impairment provisions by loans and advances					
Loans and advances					
Total, gross	90,770	1,881	3,988	-	96,638
Total impairment provisions, end of period	402	166	2,216		2,785
Loans and advances, carrying amount	90,368	1,715	1,771		93,854
Guarantees and loan commitments					
Total, gross	34,453	390	191		35,035
Provisions, end of period	73	39	76		187
Guarantees and loan commitments, carrying amount	34,381	351	116		34,848

	Individual impairment provisions	Collective impairment provisions	Guarantees	Credit institutions	Total impairment provisions
Q1/2017: Total impairment provisions by loans and advances					
Loans and advances					
Total, gross	3,348	55,392	15,114	25	73,880
Total impairment provisions, end of period	2,328	146	49	23	2,546
Loans and advances, carrying amount	1,021	55,247	15,065	2	71,334

Nykredit Bank A/S

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)		Total impairment provisions
Q1/2018: Total impairment provisions by loans and advances					
Loans and advances					
Total, gross	90,064	1,260	3,841		95,165
Total impairment provisions, end of period	392	162	2,156		2,710
Loans and advances, carrying amount	89,672	1,098	1,685	-	92,455
Guarantees and loan commitments					
Total, gross	34,562	390	191		35,143
Provisions, end of period	73	39	76		187
Guarantees and loan commitments, carrying amount	34,489	351	116	-	34,956

	Individual impairment provisions	Collective impairment provisions	Guarantees	Credit institutions	Total impairment provisions
Q1/2017: Impairment provisions by loans and advances					
Loans and advances					
Total, gross	3,207	54,224	15,581	25	73,037
Impairment provisions, end of period	2,269	139	49	23	2,480
Loans and advances, carrying amount	938	54,085	15,532	2	70,557

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2017	Q1/2018	Q1/2018	Q1/2017
11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
-	-	-	-
52	61	-	-
52	61	-	-
12. TAX			
250	90	107	264
250	90	107	264
21.0	19.1	21.9	21.9

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	31.03.2018		31.03.2018	31.12.2017
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
6,171	1,823	Receivables from central banks	1,823	6,171
11,926	11,170	Receivables from credit institutions	11,171	11,927
18,097	12,994	Total	12,994	18,098
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
27,566	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	-	27,566
27,566	-	Total	-	27,566
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
56,622	95,163	Loans and advances	96,636	58,073
56,622	95,163	Balance, end of period	96,636	58,073
Adjustment for credit risk				
(2,214)	(2,708)	Impairment provisions	(2,783)	(2,290)
54,408	92,455	Balance after impairment provisions, end of period	93,854	55,783
-	36,726	Of which reverse repurchase lending	36,726	-
<p>In connection with implementation of IFRS 9, total impairment provisions increased by DKK 571m, impacting the accounting balance as at 1 January 2018. Also, reverse repurchase lending previously measured at fair value is reclassified to loans, advances and other receivables at amortised cost.</p>				
16. BONDS AT FAIR VALUE				
37,904	35,555	Covered bonds	36,188	38,539
2,146	888	Government bonds	888	2,146
3,557	2,906	Other bonds	2,907	3,557
43,607	39,349	Total	39,983	44,242
722	391	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 23	391	722
42,885	38,958	Total	39,591	43,520
372	351	Of which redeemed bonds	353	374
15,758	24,711	Assets sold as part of genuine sale and repurchase transactions	24,711	15,758
17. BONDS AT AMORTISED COST				
3,711	3,672	Covered bonds	3,672	3,711
3,711	3,672	Total	3,672	3,711
<p>The item includes bonds issued by Nykredit Realkredit A/S.</p>				
85	2,331	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	2,331	85
<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 value days.</p>				

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	31.03.2018	31.03.2018	31.12.2017
18. EQUITIES			
93	56	56	93
2	1	1	2
123	135	135	123
217	192	192	218
19. ASSETS IN TEMPORARY POSSESSION			
27	0	-	27
(27)	0	-	(27)
-	-	-	-
<p>Assets in temporary possession comprise properties acquired by foreclosure.</p> <p>Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc.</p> <p>The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.</p>			
20. OTHER ASSETS			
1,055	967	998	1,086
18,379	17,900	17,900	18,379
2,917	3,356	3,365	2,923
22,351	22,224	22,263	22,387

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	31.03.2018	31.03.2018	31.12.2017
21. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
3,568	4,368	4,368	3,568
36,380	44,844	45,114	36,650
39,948	49,212	49,482	40,218
7,626	15,370	15,370	7,626
22. DEPOSITS AND OTHER PAYABLES			
65,224	62,628	62,474	65,115
1,286	810	810	1,286
7,484	4,368	4,368	7,484
2,616	2,790	2,790	2,616
-	9,468	9,468	-
76,610	80,065	79,911	76,501
¹ Repo deposits are now measured at amortised cost – previously at fair value			
23. BONDS IN ISSUE AT AMORTISED COST			
Issues			
4,624	3,798	3,798	4,624
2,513	1,943	1,943	2,513
58	57	57	58
7,195	5,798	5,798	7,196
722	391	391	722
6,473	5,407	5,407	6,473
No adjustments arising from changes in own credit risk have been made. *Listed on Nasdaq Copenhagen A/S or the Luxembourg Stock Exchange.			
24. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
8,214	-	-	8,214
5,762	7,741	7,741	5,762
13,976	7,741	7,741	13,976
25. OTHER LIABILITIES			
1,097	1,144	1,146	1,098
11,540	11,455	11,455	11,540
1,285	1,350	1,686	1,620
13,922	13,950	14,288	14,258

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	31.03.2018	31.03.2018	31.12.2017
26. PROVISIONS			
Provisions for losses under guarantees			
52	58	58	52
	Assets, beginning of period		
-	62	62	-
	Adjustment on 1 January due to implementation of IFRS 9		
27	85	85	27
	Additions		
21	18	18	21
	Reversal of unutilised amounts		
-	-	-	-
	Disposals		
58	187	187	58
	Balance, end of period		
Other provisions			
97	53	53	97
	Assets, beginning of period		
13	1	1	13
	Additions		
22	18	18	22
	Reversal of unutilised amounts		
35	4	4	35
	Disposals		
53	32	32	53
	Balance, end of period		
Total provisions for losses under guarantees and other provisions			
149	111	111	149
	Assets, beginning of period		
40	87	86	40
	Additions		
43	37	36	43
	Reversal of unutilised amounts		
35	4	4	35
	Disposals		
111	157	157	111
	Balance, end of period		
<p>As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.</p> <p>The balance sheet items in the Financial Statements represent the Bank's best estimates of the expected costs relating to provisions.</p> <p>The provisions concern contractual obligations relating to loans and advances and other banking activities, as well as provisions for restructuring costs.</p> <p>It is estimated that the majority of provisions will be settled within 1-2 years.</p>			
27. SUBORDINATED DEBT			
<p>Subordinated debt consists of financial liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.</p>			
2,000	2,000	2,000	2,000
	Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibar.		
2,000	2,000	2,000	2,000
	Total subordinated debt		
2,000	2,000	2,000	2,000
	Subordinated debt that may be included in own funds		

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	31.03.2018	31.03.2018	31.12.2017
28. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
Contingent liabilities			
14,100	11,135	10,866	13,830
5,665	5,939	5,939	5,665
5,684	5,613	5,513	5,585
25,449	22,687	22,318	25,080
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
Other commitments			
6,617	6,488	6,488	6,617
109	108	369	218
6,726	6,596	6,857	6,835

A credit commitment of less than one year of DKK 5.8m in Q1/2018 has been made.

28. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

Legal proceedings

The Bank's operations involve the Bank in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.

Bankernes EDB Central (BEC)

BEC is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate otherwise for reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Guarantee and resolution schemes

Nykredit Bank A/S participates in the mandatory Danish deposit guarantee scheme. A new scheme was introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of failing institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

The Danish Resolution Fund, which is a finance scheme, was also established in 2015. The Danish Resolution Fund is funded by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

Joint taxation

The Company is jointly taxed in Denmark with Forenet Kredit as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends of these companies.

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1/2018.

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

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

Significant related party transactions prevailing/entered into in 2017 or 2018 include:

Nykredit Bank has received Tier 2 capital of DKK 2bn from Nykredit Realkredit A/S.

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

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

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

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S.

NOTES

DKK million

Nykredit Bank Group

30. LOANS, ADVANCES, GUARANTEES AND PROVISIONING RATE

Loans, advances, guarantees and provisions by sector

	Carrying amount			Proportion, %	Provisions		
	Loans and advances	Guarantees	Total		Impairment provisions (stages 1-3)	Provisions (stages 1-3)	Total
31 March 2018							
Public sector	448	-	448	0	2	-	2
Business customers							
Agriculture, hunting, forestry and fishing	2,382	779	3,161	3	118	19	137
Manufacturing, mining and quarrying	4,394	175	4,569	4	192	1	193
Energy supply	2,012	24	2,036	2	20	0	20
Construction	2,065	641	2,706	2	158	6	164
Trade	4,080	498	4,578	4	213	16	229
Transport, accommodation and food service activities	3,044	251	3,295	3	119	4	123
Information and communication	837	256	1,093	1	34	2	36
Finance and insurance	44,510	1,014	45,524	39	150	4	154
Real estate	8,942	2,588	11,529	10	719	38	757
Other	8,596	1,288	9,884	9	381	17	398
Total business customers	80,862	7,514	88,375	76	2,104	107	2,211
Personal customers	12,545	14,805	27,349	24	677	79	756
Total	93,854	22,318	116,172	100	2,783	186	2,969
Of which reverse repurchase lending	36,726	-	36,726	32	-	-	-
31 December 2017							
Public sector	714	-	714	1	2	-	2
Business customers							
Agriculture, hunting, forestry and fishing	2,408	2,237	4,645	4	102	2	104
Manufacturing, mining and quarrying	4,488	199	4,687	4	194	1	195
Energy supply	1,940	30	1,970	2	12	2	14
Construction	2,285	559	2,844	3	174	3	177
Trade	3,344	542	3,886	4	172	3	176
Transport, accommodation and food service activities	2,404	550	2,954	3	99	1	100
Information and communication	808	242	1,050	1	24	1	25
Finance and insurance	33,937	1,029	34,966	32	71	1	72
Real estate	8,697	2,648	11,345	10	645	18	663
Other	9,983	1,579	11,562	11	238	2	239
Total business customers	70,294	9,615	79,909	74	1,730	35	1,765
Personal customers	12,341	15,464	27,805	26	558	23	581
Total	83,349	25,079	108,428	100	2,290	58	2,348
Of which reverse repurchase lending	27,566	-	27,566	25	-	-	-
Provisioning rate	Q3/	Q4/	Q1/	Q2/	Q3/	Q4/	Q1/
Group	2016	2016	2017	2017	2017	2017	2018
Total loans and advances	77,986	85,094	79,705	79,055	77,438	83,349	93,854
Total guarantees	15,528	17,152	15,164	19,627	20,572	25,080	22,318
Impairment provisions for loans and advances at amortised cost	2,611	2,537	2,473	2,209	2,177	2,290	2,783
Provisions for guarantees	50	51	49	59	55	58	187
Total loans, advances, guarantees and provisions	96,175	104,834	97,391	100,950	100,242	110,776	119,142
Provisioning rate, %	2.8	2.5	2.6	2.2	2.2	2.1	2.5
Provisioning rate excluding guarantees	3.2	2.9	3.0	2.7	2.7	2.7	2.9

31. 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 input.

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 and is 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. Reverse repurchase lending and repo transactions as well as 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 OEI 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.

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

FVA may involve both funding benefit and funding costs, 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 a negative DKK 441m at 31 March 2018 against a negative DKK 366m at end-2017.

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. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 31 March 2018, the non-amortised minimum margin amounted to DKK 156m against DKK 157m at end-2017. With regard to liquidity and credit risk, DKK 214m for 2018 and DKK 216m for 2017 have been included above in the net adjustment of FVA and CVA. 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 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 collective impairment provisions for 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".

Fair value totalled DKK 1,205m on 31 March 2018 after value adjustment. Credit value adjustments came to DKK 2,897m at 31 March 2018 (2017: DKK 3,110m).

31. FAIR VALUE DISCLOSURES (CONTINUED)

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 110m.

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 2018 the proportion was thus 2.2% compared with 1.2% at end-2017. The proportion of financial liabilities was 0.0% against 0.0% at end-2017.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.3bn (end-2017: DKK 4.0bn) 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 129m at 31 March 2018 (0.7% of equity at 31 March 2018). The earnings impact for 2017 was estimated at DKK 118m (0.6% of equity at 31 December 2017).

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 2018 and 2017, 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 resulted in all material respects from bonds that were reclassified either due to traded volume or the number of days between last transaction and the time of determination. In Q1/2018 financial assets of DKK 5.6bn have been transferred from Listed prices to Observable inputs and DKK 2.0bn from Observable inputs to Listed prices. Financial liabilities of DKK 0.4bn have been transferred from Listed prices to Observable inputs and DKK 0.2bn 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 2018, the amount was DKK 0.0bn against DKK 0.1bn at end-2017.

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

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DKK million

Nykredit Bank Group

31. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 March 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	21,874	17,717	-	39,591
- equities measured at fair value through profit or loss	109	-	83	192
- positive fair value of derivative financial instruments	50	16,645	1,205	17,900
Total	22,032	34,362	1,289	57,683
Percentage	38.2	59.6	2.2	100.0
Financial liabilities:				
- other non-derivative financial liabilities at fair value	5,729	2,013	-	7,741
- negative fair value of derivative financial instruments	48	11,407	-	11,455
Total	5,776	13,420	-	19,196
Percentage	30.1	69.9	-	100.0
Assets and liabilities measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	79	1,104	1,183
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	4	52	56
Purchases for the period	-	0	-	0
Sales for the period	-	-	(5)	(5)
Transferred from Listed prices and Observable inputs	-	-	121	121
Transferred to Listed prices and Observable inputs	-	-	(66)	(66)
Fair value, end of period, assets	-	83	1,205	1,289

For 2018, unrealised value adjustments of DKK 15m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 31 March 2018 have been recognised in the income statement.

Nykredit Bank Group

31. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2017

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- reverse repurchase lending to credit institutions and central banks	-	6,141	-	6,141
- other reverse repurchase lending	-	27,566	-	27,566
- bonds at fair value	26,181	17,339	-	43,520
- equities measured at fair value through profit or loss	139	-	79	218
- positive fair value of derivative financial instruments	19	17,256	1,104	18,379
Total	26,339	68,302	1,183	95,824
Percentage	27.5	71.3	1.2	100

Financial liabilities:

- repo transactions with credit institutions and central banks	-	7,626	-	7,626
- other non-derivative financial liabilities at fair value including negative securities portfolios	3,656	10,320	-	13,976
- negative fair value of derivative financial instruments	14	11,526	-	11,540
Total	3,670	29,472	-	33,142
Percentage	11.1	88.9	-	100

Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	123	587	710
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(59)	113	54
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	1	-	1
Purchases for the period	-	21	-	21
Sales for the period	-	(7)	(43)	(50)
Transferred from Listed prices and Observable inputs	-	-	698	698
Transferred to Listed prices and Observable inputs	-	-	(251)	(251)
Fair value, end of period, assets	-	79	1,104	1,183

For 2017 unrealised negative value adjustments of DKK 150m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 31 December 2017 have been recognised in the income statement.

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DKK million

Nykredit Bank Group

33. GROUP STRUCTURE

Name and registered office

Nykredit Bank A/S (Parent), Copenhagen, a)

Consolidated subsidiaries

Nykredit Portefølje Administration A/S, Copenhagen, b)

Nykredit Leasing A/S, Gladsaxe c)

	Ownership interest as %, 31 March 2018	Profit for the period 2018	Equity, 31 March 2018	Profit for 2017	Equity, 31 December 2017
Nykredit Bank A/S (Parent), Copenhagen, a)		382	19,818	3,134	19,877
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	35	760	136	725
Nykredit Leasing A/S, Gladsaxe c)	100	26	697	78	671

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

	Number of staff	Revenue ¹	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	823	890	489	107	-

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

a) Banking

b) Investment management company

c) Leasing

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DKK million

Nykredit Bank Group	Q1/ 2018	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014
34. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest and fee income	801	730	652	708	857
Value adjustments	317	882	(660)	(720)	(298)
Other operating income	6	7	7	7	7
Staff and administrative expenses	491	460	464	480	508
Other operating expenses, depreciation and amortisation	6	10	10	22	18
Impairment charges for loans, advances and receivables	138	(55)	(16)	(19)	40
Profit from investments in associates and Group enterprises	-	-	-	-	-
Profit (loss) before tax	489	1,204	(459)	(488)	(1)
Tax	107	264	(102)	(113)	9
Profit for the period	382	940	(357)	(374)	(10)
Total comprehensive income	382	940	(357)	(374)	(10)
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Assets					
Cash balances and receivables from credit institutions and central banks	19,057	36,324	20,304	42,699	29,389
Loans, advances and other receivables at fair value	-	23,449	34,963	29,569	35,831
Loans, advances and other receivables at amortised cost	93,854	56,256	48,972	49,404	48,078
Bonds and equities	39,783	35,276	42,688	44,014	82,471
Remaining assets	26,356	26,945	37,849	53,365	33,103
Total assets	179,050	178,251	184,777	219,051	228,871
Liabilities and equity					
Payables to credit institutions and central banks	49,482	48,345	41,552	61,649	58,492
Deposits and other payables	79,911	68,035	59,747	67,832	68,694
Bonds in issue at amortised cost	5,407	9,278	18,031	24,427	23,849
Other non-derivative financial liabilities at fair value	7,741	12,889	17,537	4,930	33,108
Remaining payables	14,352	19,785	31,868	45,686	29,893
Provisions	340	235	181	226	247
Subordinated debt	2,000	2,000	100	100	250
Equity	19,818	17,684	15,760	14,201	14,338
Total liabilities and equity	179,050	178,251	184,777	219,051	228,871
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	22,318	15,164	13,615	20,320	12,306
Other commitments	6,857	4,469	5,721	4,632	6,735

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	DKK million				
Nykredit Bank Group	Q1/ 2018	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014
34. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS					
Total capital ratio, %	22.1	18.4	19.6	15.6	16.1
Tier 1 capital ratio, %	19.8	16.3	19.2	15.1	15.7
Return on equity before tax, %	10	7.0	(2.9)	(3.6)	0.0
Return on equity after tax, %	8	5.5	(2.2)	(2.8)	(0.1)
Income:cost ratio	1.77	3.90	0.00	(0.01)	1.00
Interest rate risk	0.0	0.2	0.8	0.3	0.7
Foreign exchange position, %	0.0	0.2	0.2	0.0	4.2
Foreign exchange risk	0.0	0.0	0.0	0.0	0.3
Loans and advances:deposits	1.2	1.2	1.5	1.2	1.3
Loans and advances:equity	4.7	4.5	5.3	5.6	5.9
Growth in loans and advances excluding repo transactions for the period, %	68.2	20.3	4.1	5.1	2.2
Excess coverage:statutory liquidity requirements, %	234.6	275.4	214.6	309.2	270.1
Total large exposures, %	0.0	0.0	11.1	11.2	0.0
Impairment charges for the period, %	0.1	(0.1)	0.0	0.0	0.0
Return on capital employed, %	0.0	0.5	(0.2)	(0.2)	0.0
Average number of staff, full-time equivalent	823	830	792	769	860

35. CLASSIFICATIONS AND VALUE ADJUSTMENTS AS AT 1 JANUARY 2018

	Amortised cost	Fair value with value adjustment through profit or loss	Fair value with value adjustment through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
NYKREDIT BANK GROUP							
Assets							
Cash balances and receivables from credit institutions and central banks	X a)			13,850	6,141	(3)	19,988
Cash balances and receivables from credit institutions and central banks		X a)		6,141	(6,141)		-
Loans, advances and other receivables at fair value		X a)		27,566	(27,566)		-
Loans, advances and other receivables at amortised cost	X a) b)			55,783	27,566	(501)	82,848
Bonds at fair value		X		43,520			43,520
Bonds at amortised cost				3,711			3,711
Equities		X		218			218
Other balance sheet items				4,417			4,417
Positive market value of derivatives		X		18,379			18,379
Balance sheet total				173,585	-	(504)	173,081
a) Reclassification of repo transactions					27,566		
b) Impairment charges (IFRS 9) for loans and advances measured at amortised cost						(501)	
Liabilities and equity							
Payables to credit institutions and central banks	X a)			32,592	7,626	-	40,218
Payables to credit institutions and central banks		X a)		7,626	(7,626)		-
Deposits and other payables	X a)			76,501	8,214		84,715
Bonds in issue at amortised cost	X			6,473			6,473
Other non-derivative financial liabilities at fair value		X a)		13,976	(8,214)		5,762
Other balance sheet items b)				4,941		(125)	4,816
Negative market value of derivatives		X		11,540			11,540
Provisions for guarantees and other liabilities				58		62	120
Equity c)				19,877		(441)	19,436
Balance sheet total				173,585	-	(504)	173,081
a) Reclassification of repo transactions					15,840		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost						(125)	
c) Change to impairment charges (IFRS 9) for loans and advances measured at amortised cost						(441)	

35. CLASSIFICATIONS AND VALUE ADJUSTMENTS AS AT 1 JANUARY 2018 (CONTINUED)

	Amortised cost	Fair value with value adjustment through profit or loss	Fair value with value adjustment through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
NYKREDIT BANK A/S							
Assets							
Cash balances and receivables from credit institutions and central banks	X a)			13,850	6,141	(3)	19,987
Cash balances and receivables from credit institutions and central banks		X a)		6,141	(6,141)		-
Loans, advances and other receivables at fair value		X a)		27,566	-		27,566
Loans, advances and other receivables at amortised cost	X a) b)			54,408	-	(501)	53,907
Bonds at fair value		X		42,885			42,885
Bonds at amortised cost				3,711			3,711
Equities measured at fair value through profit or loss		X		217			217
Other balance sheet items				5,768			5,768
Positive market value of derivatives		X		18,379			18,379
Balance sheet total				172,925	-	(504)	172,421
a) Reclassification of repo transactions					6,141		
b) Change in equity in Nykredit Bank A/S as a consequence of new impairment charges for loans and advances						(504)	
Liabilities and equity							
Payables to credit institutions and central banks	X a)			32,322	7,626	-	39,948
Payables to credit institutions and central banks		X a)		7,626	(7,626)		-
Deposits and other payables	X a)			76,610	8,214		84,824
Bonds in issue at amortised cost	X			6,473			6,473
Other non-derivative financial liabilities at fair value		X a)		13,976	(8,214)		5,762
Other balance sheet items b)				4,442		(125)	4,317
Negative market value of derivatives		X		11,540			11,540
Provisions for guarantees and other liabilities				58		62	120
Equity b)				19,877		(441)	19,436
Balance sheet total				172,925	-	(504)	172,421
a) Reclassification of repo transactions					15,840		
b) Change in equity as a consequence of new impairment charges for loans and advances						(441)	

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Nykredit Bank Group

FINANCIAL RATIOS, DEFINITIONS

Financial ratios	Definition
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income including profit (loss) from associates and Group enterprises divided by costs excluding tax
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital
Foreign exchange position, %	Exchange rate indicator 1 divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits. Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (end of period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excluding repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the period (loans and advances at the beginning of the year divided by loans and advances at the end of the period). Loans and advances include loans and advances at amortised cost
Growth in loans and advances including repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the period (loans and advances at the beginning of the year divided by loans and advances at the end of the period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of section 152 of the Danish Financial Business Act (Available excess liquidity relative to 10% of reduced payables). (Reduced payables include balance sheet total plus guarantees less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by eligible capital
Impairment charges for the period, %	Impairment charges for the period divided by loans and advances plus guarantees plus impairment provisions
Return on capital employed, %	Profit (loss) for the period divided by total assets
Financial ratios – capital and capital adequacy	
Total capital ratio, %	Own funds divided by total risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by total risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by total risk exposure amount
Other financial ratios on page 4 and in note 3	
Profit (loss) for the period as % pa of average equity	Annualised profit (loss) divided by average equity
Costs as % of income	Costs divided by income
Business profit as % pa of average equity	Business profit divided by average equity

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