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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 – 30 June 2018**

### **H1 – SUMMARY**

- Business profit for H1/2018 slightly exceeded expectations.
- Business profit for H1/2018 was DKK 1,086 million against DKK 1,688 million in H1/2017. Profit for the period amounted to DKK 1,025 million against DKK 2,383 million in H1/2017, equivalent to a return on equity pa of 10.2% and 26.7%, respectively.
- Compared with end-2017, loans and advances (excluding reverse repurchase lending) increased by DKK 2.6 billion, or 4.6%. Including secured homeowner loans of DKK 1.0 billion transferred to Totalkredit, loans and advances increased by DKK 3.6 billion.
- Income amounted to DKK 2,202 million against DKK 2,435 million in H1/2017. The difference reflects extraordinarily high value adjustment of interest rate swaps in H1/2017.
- Costs amounted to DKK 988 million.
- Impairment charges for loans and advances were DKK 129 million, equalling 0.1% of loans and advances.
- Legacy derivatives were a gain of DKK 219 million compared with DKK 1,366 million in H1/2017, which saw large reversals.

### **LIQUIDITY**

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 167% against 148% at end-2017. Deposits exceeded lending (excluding repo lending and deposits) by DKK 14.1 billion against DKK 20.7 billion at end-2017.

### **CAPITAL**

- Equity stood at DKK 20.5 billion, up DKK 0.6 billion on end-2017. The change reflects profit for the period of DKK 1.0 billion and a negative adjustment of equity at the beginning of the year of DKK 0.4 billion as a result of the IFRS 9 impact.
- The Common Equity Tier 1 (CET1) capital ratio was 20.0% against 20.1% at end-2017. The total capital ratio was 22.4% against 22.3% at end-2017, and the internal capital adequacy requirement came to 10.1% compared with 10.6% at end-2017.

### **ABOUT NYKREDIT BANK GROUP**

- The H1 Interim Reports 2018 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at [nykredit.com](http://nykredit.com).

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# FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	H1/2018	H1/2017	Q2/2018	Q1/2018	2017
<b>BUSINESS PROFIT AND PROFIT FOR THE PERIOD</b>					
Net interest income	752	744	385	367	1,493
Net fee income	273	242	131	141	540
Wealth management income	670	691	357	313	1,402
Net interest from capitalisation	(15)	(17)	(7)	(7)	(32)
Trading, investment portfolio and other income	523	775	237	286	986
<b>Income</b>	<b>2,202</b>	<b>2,435</b>	<b>1,102</b>	<b>1,100</b>	<b>4,388</b>
Costs	988	953	491	497	1,973
<b>Business profit before impairment charges</b>	<b>1,215</b>	<b>1,481</b>	<b>611</b>	<b>603</b>	<b>2,415</b>
Impairment charges for loans and advances	129	(207)	(9)	138	(102)
<b>Business profit</b>	<b>1,086</b>	<b>1,688</b>	<b>621</b>	<b>465</b>	<b>2,516</b>
Legacy derivatives	219	1,366	195	24	1,517
<b>Profit before tax</b>	<b>1,305</b>	<b>3,054</b>	<b>816</b>	<b>489</b>	<b>4,033</b>
Tax	281	671	174	107	901
<b>Profit for the period</b>	<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>382</b>	<b>3,133</b>
<b>SUMMARY BALANCE SHEET</b>					
	30.06.2018	30.06.2017	30.06.2018	31.03.2018	31.12.2017
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	12,724	25,486	12,724	19,057	19,991
Reverse repurchase lending	31,192	21,511	31,192	36,726	27,566
Loans, advances and other receivables at amortised cost	58,344	57,544	58,344	57,128	55,783
Bonds and equities etc	49,075	36,205	49,075	43,455	47,454
Remaining assets	22,755	25,041	22,755	22,684	22,791
<b>Total assets</b>	<b>174,090</b>	<b>165,787</b>	<b>174,090</b>	<b>179,050</b>	<b>173,585</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	42,434	41,252	42,434	49,482	40,218
Repo deposits	11,851	3,573	11,851	9,468	8,214
Deposits and other payables	72,442	69,716	72,442	70,443	76,501
Bonds in issue at amortised cost	4,779	6,366	4,779	5,407	6,473
Other non-derivative financial liabilities at fair value	6,059	6,576	6,059	7,741	5,762
Remaining payables	13,811	16,958	13,811	14,352	14,298
Provisions	254	219	254	340	241
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	20,460	19,127	20,460	19,818	19,877
<b>Total liabilities and equity</b>	<b>174,090</b>	<b>165,787</b>	<b>174,090</b>	<b>179,050</b>	<b>173,585</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	21,692	19,627	21,692	22,228	25,080
Other commitments	7,315	6,291	7,315	6,857	6,835
<b>FINANCIAL RATIOS<sup>1</sup></b>					
Profit for the period as % pa of average equity	10.2	26.7	12.8	7.7	16.8
Costs as % of income	44.8	39.2	44.5	45.2	45.0
Total provisions for loan impairment and guarantees	2,853	2,268	2,853	2,969	2,347
Impairment charges for the period, %	0.1	(0.2)	(0.1)	0.1	(0.1)
Total capital ratio, %	22.4	20.8	22.4	22.1	22.3
Tier 1 capital ratio, %	20.0	18.7	20.0	19.8	20.1
Common Equity Tier 1 capital ratio, %	20.0	18.7	20.0	19.8	20.1
Average number of staff, full-time equivalent	830	827	830	823	819

<sup>1</sup> Financial ratios are defined on page 58

## FINANCIAL PERFORMANCE IN H1/2018

Nykredit Bank is an important part of the Nykredit Group and widely underpins the Group's mortgage business. 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

Business profit for H1/2018 was slightly ahead of expectations, as particularly trading and investment portfolio income etc rose moderately relative to expectations, but dropped relative to H1/2017. Costs and impairment charges were in line with expectations.

Nykredit wants to be customers' preferred bank, always striving to further enhance customer experience. This was reflected in a continued positive trend in the number of full-service customers under Nykredit's homeowner banking programme, BoligBank, and increasing business volumes.

Also Nykredit Private Banking recorded continued client growth and was named Best Private Banking in Denmark by Euromoney, a magazine, earlier this year. Also, Prospera, a market research company, named Nykredit Asset Management as the asset manager providing the best service overall and the best at turning investments into solid returns. Assets under management also increased in H1.

### Income

Income totalled DKK 2,202 million, equal to a decline of DKK 233 million, which should be seen in light of a fall in investment portfolio income and income from swaps etc from a significant level in H1/2017.

Net interest income, which relates to deposits and lending activities, rose by DKK 8 million to DKK 752 million, while net fee income went up DKK 31 million to DKK 273 million compared with H1/2017. The increases were driven by Retail.

Wealth management income decreased by DKK 21 million to DKK 670 million compared with H1/2017, which reflected lower customer activity in Nykredit Markets compared with the high level in H1/2017, particularly in Q1.

Net interest expenses from capitalisation, which includes interest on subordinated debt etc, totalled DKK 15 million, equal to a DKK 2 million decline on H1/2017.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 252 million to DKK 523 million.

### Costs

The Group maintains a strong focus on building organisational efficiency, while investing considerably in compliance and implementation of new regulatory requirements, as well as broader collaboration with BEC.

Due to these large projects, total costs rose slightly from DKK 953 million to DKK 988 million. Costs as a percentage of income totalled 44.8% in H1/2018.

The average number of full-time equivalent staff was 830 compared with 827 in H1/2017.

### Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges and provisions came to DKK 129 million, equalling 0.1% of loans and advances, against a gain of DKK 207 million in H1/2017. Of the charge of DKK 129 million, Retail accounted for DKK 99 million, and Wealth Management accounted for DKK 22 million.

### Legacy derivatives

Legacy derivatives, which are not included in business profit, went down by DKK 1,147 million to DKK 219 million on H1/2017, partly driven by significant income from two large exposures in H1/2017 and as a result of interest rate movements. Legacy derivatives are derivatives Nykredit no longer offers to customers.

The portfolio of legacy derivatives had a total market value of DKK 5.8 billion against DKK 5.9 billion at end-2017. The portfolio was written down to DKK 3.6 billion at end-June 2018 against DKK 3.4 billion at end-2017.

### Tax

The calculated tax charge was DKK 281 million, corresponding to 21.5% of profit before tax, compared with 22.0% in H1/2017.

### Results

Profit after tax was DKK 1,025 million in H1/2018 against DKK 2,383 million in H1/2017.

## RESULTS FOR Q2/2018 RELATIVE TO Q1/2018

Profit before tax rose by DKK 327 million from DKK 489 million in Q1/2018 to DKK 816 million in Q2/2018. The increase was especially attributable to impairment charges for loans and advances as well as value adjustment of legacy derivatives.

Income was in line with the level recorded in Q1/2018, as net interest income and wealth management income increased by DKK 18 million and DKK 44 million, respectively, but the rise was partly offset by lower fee income and lower trading and investment portfolio income totalling DKK 59 million.

Costs were in line with Q1, whereas impairment charges reduced by DKK 147 million from a charge of DKK 138 million to a gain of DKK 9 million.

Finally, value adjustments of legacy derivatives were up DKK 171 million to DKK 195 million in Q2/2018.

Business profit was DKK 621 million in Q2/2018 against DKK 465 million in Q1/2018. Profit after tax for the period grew by DKK 260 million to DKK 642 million.

## OUTLOOK FOR 2018

At the presentation of the Annual Report for 2017, our guidance for business profit and profit before tax for 2018 was between DKK 1.5 billion and DKK 2.0 billion. In light of the performance in H1/2018, we maintain our guidance for business profit and profit before tax.

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

## EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the 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 and Nykredit Bank have rating relationships with the international credit rating agencies S&P Global Ratings (S&P) and Fitch Ratings regarding the credit rating of the companies and their funding.

### S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have long-term and short-term issuer credit ratings of A/A-1 with S&P. From 13 July 2018, S&P changed its rating outlook from stable to positive.

On 29 June 2018, Nykredit Realkredit and Nykredit Bank were assigned long-term and short-term Resolution Counterparty Ratings of A+/A-1.

### Fitch Ratings

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

On 1 August 2018 Fitch upgraded Nykredit Realkredit's and Nykredit Bank's long-term senior unsecured preferred debt ratings by one notch to A+. Fitch has also assigned Nykredit Bank long-term and short-term deposit ratings of A+/F1.

### Listing of ratings

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at [nykredit.com/rating](http://nykredit.com/rating).

DKK million		
Nykredit Bank Group		
Summary balance sheet	30.06.2018	31.12.2017
Assets		
Receivables from credit institutions etc	12,724	19,991
Reverse repurchase lending at amortised cost	31,192	27,566
Loans and advances at amortised cost	58,344	55,783
Retail	32,099	32,097
- Personal Banking	11,666	11,973
- Business Banking	20,433	20,124
Wholesale	22,206	19,672
Wealth Management	3,539	3,344
Other loans and advances	501	670
Bonds and equities	49,075	47,454
Remaining assets	22,755	22,791
Liabilities and equity		
Payables to credit institutions and central banks	42,434	40,218
Repo deposits	11,851	8,214
Deposits and other payables	72,442	76,502
Retail	47,201	46,646
- Personal Banking	29,404	27,214
- Business Banking	17,797	19,432
Wholesale	10,167	14,164
Wealth Management	12,060	13,464
Other deposits	3,014	2,228
Bonds in issue	4,779	6,473
Other non-derivative financial liabilities at fair value	6,059	5,762
Remaining payables and provisions	14,065	14,539
Subordinated debt	2,000	2,000
Equity	20,460	19,877
<b>Balance sheet total</b>	<b>174,090</b>	<b>173,585</b>

DKK million		
Nykredit Bank Group		
Equity	30.06.2018	31.12.2017
Equity, beginning of period	19,877	16,744
IFRS 9 impact	(441)	-
Profit after tax	1,025	3,133
<b>Total equity</b>	<b>20,460</b>	<b>19,877</b>

## BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

### Balance sheet

The balance sheet stood at DKK 174.1 billion compared with DKK 173.6 billion at end-2017.

Receivables from credit institutions and cash balances etc were reduced by DKK 7.3 billion to DKK 12.7 billion, while reverse repurchase lending increased by DKK 3.6 billion to DKK 31.2 billion.

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 2.6 billion on end-2017 to DKK 58.3 billion at end-H1/2018. Compared with 30 June 2017 loans and advances grew by DKK 0.8 billion from DKK 57.5 billion.

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At 30 June 2018 these loans came to DKK 5.2 billion against DKK 2.2 billion at 30 June 2017 and DKK 4.2 billion at end-2017. Including secured homeowner loans, the loan portfolio totalled DKK 63.6 billion compared with DKK 59.8 billion at 30 June 2017 and DKK 60.0 billion at end-2017, equal to an increase of DKK 3.7 billion and DKK 3.6 billion, respectively.

The bond and equity portfolio stood at DKK 49.1 billion, which was an increase of DKK 1.6 billion 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.

Payables to credit institutions and central banks were up by DKK 2.2 billion to DKK 42.4 billion, while repo deposits rose by DKK 3.6 billion to DKK 11.9 billion.

Deposits and other payables (excluding repo deposits) totalled DKK 72.4bn, which represented a decrease of DKK 4.1bn on end-2017. This resulted from a reduction in demand and fixed-term deposits, particularly driven by Wholesale and Wealth Management. The remaining divisions increased slightly.

Deposits exceeded lending at amortised cost by DKK 14.1 billion compared with DKK 20.7 billion at end-2017.

DKK million		
Nykredit Bank Group		
Capital and capital adequacy	30.06.2018	31.12.2017
Share capital	8,045	8,045
Retained earnings	12,415	11,832
<b>Equity, end of period</b>	<b>20,460</b>	<b>19,877</b>
Prudent valuation adjustment	(31)	(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
<b>Common Equity Tier 1 capital</b>	<b>20,413</b>	<b>19,791</b>
Additional Tier 1 capital	-	-
Other deductions	-	-
<b>Tier 1 capital</b>	<b>20,413</b>	<b>19,791</b>
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	343	125
Transitional adjustment of Tier 2 capital	-	(4)
<b>Own funds</b>	<b>22,757</b>	<b>21,912</b>
Credit risk	83,374	80,663
Market risk	10,426	11,235
Operational risk	7,765	6,112
<b>Total risk exposure amount</b>	<b>101,565</b>	<b>98,011</b>
Total capital ratio, %	22.4	22.3
Tier 1 capital ratio, %	20.0	20.1
Common Equity Tier 1 capital ratio, %	20.0	20.1

DKK million		
Nykredit Bank Group		
Required own funds and internal capital adequacy requirement	30.06.2018	31.12.2017
Credit risk	6,670	6,453
Market risk	834	899
Operational risk	621	489
<b>Total Pillar I</b>	<b>8,125</b>	<b>7,841</b>
Slightly weaker economic climate (stress tests, etc)	471	1,076
Other risks	1,692	1,488
<b>Total Pillar II</b>	<b>2,163</b>	<b>2,564</b>
<b>Total required own funds</b>	<b>10,288</b>	<b>10,405</b>
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.1	10.6

Bonds in issue totalled DKK 4.8 billion against DKK 6.5 billion at end-2017. The Bank's issues under the ECP and EMTN programmes are continuously adapted to the Bank's liquidity needs.

### Equity and capital adequacy

Equity carried for accounting purposes totalled DKK 20.5 billion at end-June 2018. In 2018 equity has changed with profit for the period less beginning of period 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-June 2018, Nykredit Bank's total own funds came to DKK 22.8 billion determined inclusive of results for H1/2018. The Bank's CET1 capital was DKK 20.4 billion at end-June 2018 compared with DKK 19.8 billion at end-2017.

The risk exposure amount (REA) increased to DKK 101.6 billion at end-June 2018 from DKK 98.0 billion at end-2017, mainly due to increased credit risk.

At end-June 2018 the total capital ratio was 22.4%, and the Tier 1 capital ratio was 20.0%.

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 2.2 billion at end-June 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 10.1% 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, 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 7 million) 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		Wealth Management		Group Items		Total	
	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017
<b>Business profit and profit for the period</b>										
Net interest income	508	502	220	220	26	23	(2)	(1)	752	744
Net fee income	167	137	112	105	6	5	(12)	(6)	273	242
Wealth management income	249	284	63	28	350	370	8	9	670	691
Net interest from capitalisation	(30)	(30)	(26)	(23)	(3)	(3)	44	39	(15)	(17)
Trading, investment portfolio and other income	232	329	271	392	18	14	3	40	523	775
<b>Income</b>	<b>1,125</b>	<b>1,223</b>	<b>640</b>	<b>722</b>	<b>396</b>	<b>408</b>	<b>41</b>	<b>81</b>	<b>2,202</b>	<b>2,435</b>
Costs	527	516	233	226	212	203	15	9	988	953
<b>Business profit before impairment charges</b>	<b>598</b>	<b>707</b>	<b>406</b>	<b>496</b>	<b>184</b>	<b>206</b>	<b>26</b>	<b>72</b>	<b>1,215</b>	<b>1,481</b>
Impairment charges for loans and advances	99	(26)	0	(182)	22	1	9	0	129	(207)
<b>Business profit</b>	<b>499</b>	<b>733</b>	<b>407</b>	<b>678</b>	<b>163</b>	<b>205</b>	<b>18</b>	<b>72</b>	<b>1,086</b>	<b>1,688</b>
Legacy derivatives	157	307	63	1,059	0	1	-	-	219	1,366
<b>Profit before tax</b>	<b>655</b>	<b>1,039</b>	<b>470</b>	<b>1,737</b>	<b>162</b>	<b>206</b>	<b>18</b>	<b>72</b>	<b>1,305</b>	<b>3,054</b>
Costs as % of income	46.9	42.2	36.5	31.3	53.5	49.7	35.9	11.1	44.8	39.2



## RETAIL

### H1/2018 – summary

In H1/2018 Retail continued efforts to optimise customer experience by:

- Improving accessibility through a new service concept
- Enhancing services for wholesale clients, providing more digital solutions and five new corporate banking centres
- Increasing KundeKroner discounts from 0.10% to 0.15% through Totalkredit and extending the ErhvervsKroner concept to include business customers.

Retail has implemented a new service concept aimed at improving accessibility for customers whether by telephone or in person. Five new corporate banking centres have also been established, which has strengthened our advisory services to our largest retail business customers.

The number of new private banking clients and full-service homeowner banking (BoligBank) customers grew satisfactorily. Similarly, the number of new full-service business customers continued to rise as did the number of agricultural customers. Hence, it appears that a growing number of farmers choose Nykredit as their everyday bank.

To solidify Nykredit's market position, Retail Personal Banking lowered selected housing loan rates at the beginning of the year and the annual KundeKroner customer discount was raised to 0.15% from 2018 compared with 0.10% in 2017. The discount is awarded to retail customers having Totalkredit loans.

Retail Business Banking has launched a new self-service solution for all types of business customers in Nykredit, which, in addition to improving customer experience, provides for faster assessment and onboarding of new customers. Just like personal customers, business and agricultural customers with mortgage loans in Nykredit are now also offered a unique discount, ErhvervsKroner, which makes up 0.15% of their debt outstanding of up to DKK 20 million, applicable from 1 July 2018.

Retail has also intensified efforts to ensure that Nykredit complies with the tightened regulatory compliance requirements concerning the treatment of personal data. In H1 Nykredit's staff participated in a number of training activities, and systems and controls were improved as well.

### Business profit

Retail recorded a business profit of DKK 499 million compared with DKK 733 million in H1/2017 and a profit before tax of DKK 655 million against a profit of DKK 1,039 million in H1/2017.

### Results for the period

Income declined from DKK 1,223 million in H1/2017 to DKK 1,125 million in H1/2018. The DKK 98 million decline was primarily due to a decrease of DKK 135 million in business banking, mainly driven by falling positive value adjustments, including value adjustments of interest rate swaps.

Net interest income rose by DKK 6 million despite intense market competition.

Costs increased by DKK 11 million to DKK 527 million, equal to a cost:income ratio of 46.9% against 42.2% in H1/2017.

Impairment charges for loans and advances totalled DKK 99 million against a net reversal (gain) of DKK 26 million in H1/2017, equalling 0.2% of loans and advances.

Income from legacy derivatives fell from DKK 307 million in H1/2017 to DKK 157 million. In both years, the value adjustment was attributable to business customers, including small housing cooperatives.

### Lending and deposits

Loans and advances were stable at DKK 32.1 billion compared with end-2017.

Deposits came to DKK 47.2 billion against DKK 46.6 billion 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 65 million compared with DKK 58 million in H1/2017.

## WHOLESALE

### H1/2018 – summary

In H1/2018 Corporate & Institutional Banking continued delivering good customer experience, resulting in:

- Increased bank lending
- A satisfactory financial performance despite fierce competition on prices and terms across the market.

From the beginning 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 part of the half-year was marked by financial market turmoil, naturally our customers adopted a more cautious and reluctant investment approach.

### Business profit

Business profit totalled DKK 407 million against DKK 678 million in H1/2017. The DKK 272 million decline was driven primarily by falling trading and portfolio income. Furthermore, net income (reversals) from impairment was down by DKK 182 million.

### Results for the period

The business division's profit for the period was DKK 470 million, equal to a decline of DKK 1,267 million, of which Corporate & Institutional Banking accounted for DKK 1,196 million, whereas Nykredit Markets's profit reduced by DKK 71 million.

Income declined by DKK 82 million, of which trading and investment portfolio income was down by DKK 121 million, whereas wealth management income rose by DKK 35 million. Income from legacy derivatives dropped by DKK 996 million, which should be seen in light of the high income in H1/2017 that was positively affected by the settlement of two housing cooperative exposures as well as movements in interest rate markets.

Costs amounted to DKK 233 million, equal to an increase of DKK 8 million on H1/2017.

Costs as a percentage of income totalled 36.5% compared with 31.3% in H1/2017.

Impairment charges for loans and advances totalled DKK 0 million against a net reversal of DKK 182 million in H1/2017. Of the impairment charge in H1/2017, non-continuing exposures contributed a gain of DKK 19 million.

Impairment charges were 0.0% of loans and advances against negative 0.4% in H1/2017.

### Lending and deposits

Loans and advances stood at DKK 22.2 billion against DKK 19.7 billion at end-2017.

Deposits amounted to DKK 10.2 billion compared with DKK 14.2 billion at end-2017.

## WEALTH MANAGEMENT

### H1/2018 – summary

	DKK million	
Total assets under management and administration, and investment funds	30.06.2018	31.12.2017
Managed by Nykredit	195,936	172,645
Insourced mandates	6,489	6,262
<b>Total assets under management</b>	<b>202,425</b>	<b>178,906</b>
Of which Nykredit Group investment funds	67,756	61,472
Assets under administration by Nykredit Portefølje Administration A/S	688,620	792,710

Wealth Management delivered a solid performance in H1, which resulted in:

- Satisfactory financial results as well as strong client growth in Private Banking Elite
- Nykredit Asset Management is considered the investment fund manager providing the best performance and services in Denmark
- Increasing assets under management.

In H1 Private Banking Elite continued increasing its market share, both by landing new clients and by cultivating existing Nykredit client relationships with Private Banking Elite potential.

Income remained high, as did business profit.

According to Prospera, a market research company, pension funds, municipalities and large foundations name Nykredit Asset Management as the asset manager offering the best services overall and the best at turning investments into solid returns. Prospera has asked 80 professional investors about their overall customer experience and asked them to rank Danish asset managers. Nykredit Asset Management was ranked no 1, achieving top marks for investment performance.

In Q1/2018 Nykredit Invest received four Morningstar Fund awards, gaining a top ranking in four out of eight 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.

45% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in H1/2018, and 89% generated above-benchmark returns over the past three years. This is considered satisfactory. In H1/2018 especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed well.

#### Activities

Private Banking Elite, which is behind part of total assets under management, recorded satisfactory net growth in assets under management in H1.

Total assets under management went up by DKK 23.5 billion to DKK 202.4 billion at end-H1/2018. The increase was attributable to positive net sales of DKK 20.6 billion as well as positive value adjustments of DKK 2.9 billion.

Total assets under administration fell by DKK 104.1 billion to DKK 688.6 billion at end-H1/2018. The decrease comprised net outflows of DKK 108.0 billion primarily from one large client and positive value adjustments as well as other returns of DKK 3.9 billion.

#### Business profit

Business profit totalled DKK 162 million against DKK 206 million in H1/2017, corresponding to a drop of DKK 43 million.

#### Results for the period

The business division generated income of DKK 396 million, a DKK 12 million downturn on H1/2017.

Costs amounted to DKK 212 million, equal to an increase of DKK 9 million on H1/2017.

Costs as a percentage of income totalled 53.5% compared with 49.7% in H1/2017.

Impairment charges were DKK 22 million compared with DKK 1 million in H1/2017.

Impairment charges equalled 0.4% of loans and advances.

Profit before tax totalled DKK 162 million compared with DKK 206 million in H1/2017.

#### Lending and deposits

Loans and advances stood at DKK 3.5 billion against DKK 3.3 billion at end-2017.

Deposits amounted to DKK 12.1 billion compared with DKK 13.5 billion at end-2017.

#### Subsidiaries

##### Nykredit Portefølje Administration A/S

Nykredit Portefølje Administration A/S handles the Nykredit Group's investment 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

Nykredit Portefølje Administration A/S recorded a profit before tax of DKK 96 million compared with DKK 83 million in H1/2017.

## **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 DKK 18 million against DKK 72 million in H1/2017.

Income fell mainly due to reduced trading and investment portfolio income etc from DKK 81 million in H1/2017 to DKK 41 million. Costs totalled DKK 15 million against DKK 9 million in H1/2017.

Impairment charges totalled DKK 9 million against DKK 0 million in H1/2017, mainly attributable to stage 1 impairment provisions for credit institutions.

## IMPAIRMENT AND LENDING

### Earnings impact

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

Impairment charges for loans and advances were DKK 129 million in H1/2018 compared with a gain of DKK 207 million in H1/2017.

Of the total impairment charges of DKK 129 million, impairment charges for loans and advances etc represented DKK 137 million, provisions for guarantees and loan commitments, came to a gain of DKK 17 million, while other items, including credit institutions came to a charge of DKK 9 million. Recoveries on loans and advances previously written off were DKK 33 million.

Retail impairment charges came to DKK 99 million compared with a net reversal (gain) of DKK 26 million in H1/2017. Impairment charges for Retail Business Banking came to DKK 33 million against a reversal of DKK 55 million in H1/2017, equal to a negative change of DKK 88 million. Impairment charges for Retail Personal Banking were up by DKK 36 million to DKK 66 million.

Impairment charges for loans and advances in Wholesale totalled DKK 0 million against a gain of DKK 182 million in H1/2017. The income in H1/2017 reflected a one-off gain from reversed loan impairment on two large housing cooperative exposures in Corporate & Institutional Banking.

Impairment charges in Wealth Management totalled DKK 22 million against DKK 0 million in H1/2017.

### Total provisions

Total provisions for loan impairment, guarantees and loan commitments decreased by 1.6% from DKK 2,920 million at 1 January 2018 (including the IFRS 9 impact) to DKK 2,873 million at 30 June 2018.

In addition, value adjustment of interest rate swaps of DKK 3.3 billion was recorded, of which credit value adjustments amounted to DKK 2.9 billion, comprising DKK 2.3 billion relating to legacy derivatives and DKK 0.6 billion relating to other items.

Total non-continuing exposures were DKK 0.2 billion against DKK 0.3 billion at 30 June 2017 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 103 million against DKK 120 million at 1 January 2018 (including the IFRS 9 impact).

Relative to total loans, advances and guarantees, provisions amounted to 2.5% compared with 2.1% at end-2017.

<b>Provisions for loan impairment and guarantees – Nykredit Bank Group</b>										
DKK million	Retail		Wholesale		Wealth Management		Group Items		Total	
	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017	H1/2018	H1/2017
Loan impairment provisions, beginning of period	1,941	1,715	785	805	51	17	23	23	2,800	2,560
Impairment provisions and reversals	10	(123)	(72)	(205)	24	-	9	-	(30)	(328)
<b>Impairment provisions, end of period</b>	<b>1,951</b>	<b>1,592</b>	<b>713</b>	<b>600</b>	<b>75</b>	<b>17</b>	<b>32</b>	<b>23</b>	<b>2,770</b>	<b>2,232</b>
Of which impairment charges for loans and advances etc	1,951	1,592	713	600	75	17	13	-	2,751	2,209
Of which impairment charges for lending to banks	-	-	-	-	-	-	19	23	19	23
<b>Provisions for guarantees and loan commitments</b>										
Impairment provisions, beginning of period	105	42	5	9	9	-	2	-	120	51
Impairment provisions, end of period	93	50	3	8	5	-	1	-	103	58
<b>Total impairment provisions</b>	<b>2,044</b>	<b>1,642</b>	<b>716</b>	<b>608</b>	<b>80</b>	<b>14</b>	<b>33</b>	<b>23</b>	<b>2,873</b>	<b>2,287</b>
<b>Earnings impact</b>										
Impairment provisions and write-offs for the period, net	132	(19)	13	(152)	25	-	9	-	179	(171)
Recoveries on loans and advances previously written off	22	14	11	29	-	-	-	-	33	43
<b>Total</b>	<b>110</b>	<b>(33)</b>	<b>2</b>	<b>(181)</b>	<b>25</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>146</b>	<b>(214)</b>
Provisions for guarantees and loan commitments	(12)	8	(2)	(1)	(3)	-	-	-	(17)	7
<b>Total earnings impact</b>	<b>99</b>	<b>(26)</b>	<b>-</b>	<b>(182)</b>	<b>22</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>129</b>	<b>(207)</b>

### Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees was DKK 111.2 billion against DKK 108.4 billion at end-2017, up DKK 2.8 billion.

This figure comprised a rise in reverse repurchase lending of DKK 3.6 billion, a rise in other loans and advances of DKK 2.6 billion and a decline in guarantees of DKK 3.4 billion. Reverse repurchase lending totalled DKK 31.2 billion at 30 June 2018 against DKK 27.6 billion at end-2017.

Finance and insurance remained the largest single sector exposure at DKK 39.0 billion against DKK 35.0 billion at end-2017. The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 35.0% against 32.2% at end-2017 and personal customers 24.5% against 25.6% at end-2017.

At 30 June 2018 loan impairment provisions for the real estate sector totalled DKK 0.7 billion compared with DKK 0.8 billion at end-2017, or 4.9% 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		Provisions	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Public sector	<b>582</b>	<b>714</b>	<b>1</b>	<b>2</b>
Agriculture, hunting, forestry and fishing	3,194	4,645	127	104
Manufacturing, mining and quarrying	4,672	4,687	208	195
Energy supply	1,952	1,970	14	14
Construction	2,772	2,844	164	177
Trade	4,768	3,886	262	176
Transport, accommodation and food service activities	4,263	2,954	110	100
Information and communication	1,878	1,050	41	25
Finance and insurance	38,977	34,966	177	72
Real estate	10,698	11,345	528	663
Other	10,174	11,562	444	239
<b>Total business customers</b>	<b>83,348</b>	<b>79,909</b>	<b>2,075</b>	<b>1,765</b>
Personal customers	27,298	27,805	777	581
<b>Total</b>	<b>111,228</b>	<b>108,428</b>	<b>2,853</b>	<b>2,348</b>
<b>Total, including impairment provisions for banks</b>	<b>-</b>	<b>-</b>	<b>2,873</b>	<b>2,348</b>

<b>Supervisory Diamond</b>		
	H1/2018	H1/2017
Lending growth (limit value <20%)	1.2%	16.9%
Large exposures* (limit value <175%)	86.9%	99.8%
Property exposure (limit value <25%)	10.7%	12.1%
Funding ratio (limit value <1.0)	0.6	0.6
Liquidity benchmark* (limit value >100%)	167.4%	172.2%

\* The benchmark "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 H1/2017 have been restated accordingly. The liquidity benchmark replaces the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

### **Supervisory Diamond for banks**

The Supervisory Diamond model uses five key benchmarks to measure if a bank is operating at an elevated risk.

Nykredit Bank operated within the limit values of the Danish FSA throughout H1/2018.

## 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 division reporting, which forms part of Nykredit's financial governance. Readers of the financial reports are thus provided with information that is relevant to their assessment of Nykredit's financial performance.

The income statement format of the financial highlights on page 3 and the business areas (pages 30-31 and note 3) reflects the internal management reporting.

The income statement format has been adjusted 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 its 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 interest income from bank lending and deposits. The corresponding item in the income statement (page 18) includes all interest.

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

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

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

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

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 cost allocation key has been adjusted.

### Supplementary financial ratios etc

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

Profit (loss) 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 – 30 June 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 Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 June 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 – 30 June 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, 23 August 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

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank Group		H1/2018	H1/2017	Q2/2018	Q2/2017
<b>INCOME STATEMENT</b>					
Interest income	6	949	878	506	467
Negative interest income	6a	(90)	(131)	(40)	(73)
Positive interest expenses	6a	(130)	(161)	(59)	(93)
Interest expenses	7	160	165	85	97
<b>Net interest income</b>		<b>829</b>	<b>743</b>	<b>439</b>	<b>390</b>
Dividend on equities etc		4	11	2	2
Fee and commission income		1,014	984	523	523
Fee and commission expenses		173	195	91	102
<b>Net interest and fee income</b>		<b>1,674</b>	<b>1,543</b>	<b>873</b>	<b>813</b>
Value adjustments	8	732	2,241	415	1,359
Other operating income		14	16	8	9
Staff and administrative expenses		976	934	485	474
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		0	8	0	4
Other operating expenses		12	11	6	5
Impairment charges for loans, advances and receivables etc	9	129	(207)	(9)	(152)
Profit from investments in associates and Group enterprises	10	1	-	1	0
<b>Profit before tax</b>		<b>1,305</b>	<b>3,054</b>	<b>816</b>	<b>1,850</b>
Tax	11	281	671	174	407
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
<b>Distribution of profit for the period</b>					
Statutory reserves		-	-	-	-
Retained earnings		1,025	2,383	642	1,443
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
<b>COMPREHENSIVE INCOME</b>					
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
Other additions and disposals		-	-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S

		H1/2018	H1/2017	Q2/2018	Q2/2017
<b>INCOME STATEMENT</b>					
Interest income	6	869	806	464	430
Negative interest income	6a	(90)	(131)	(40)	(73)
Positive interest expenses	6a	(130)	(161)	(59)	(93)
Interest expenses	7	161	165	86	97
<b>Net interest income</b>		<b>748</b>	<b>671</b>	<b>398</b>	<b>353</b>
Dividend on equities etc		4	11	2	2
Fee and commission income		820	786	425	423
Fee and commission expenses		159	160	84	85
<b>Net interest and fee income</b>		<b>1,413</b>	<b>1,308</b>	<b>740</b>	<b>693</b>
Value adjustments	8	733	2,241	416	1,359
Other operating income		2	2	1	2
Staff and administrative expenses		870	829	432	424
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		-	8	-	4
Other operating expenses		10	10	5	5
Impairment charges for loans, advances and receivables etc	9	125	(209)	(12)	(154)
Profit from investments in associates and Group enterprises	10	127	111	66	59
<b>Profit before tax</b>		<b>1,271</b>	<b>3,024</b>	<b>798</b>	<b>1,834</b>
Tax	11	246	641	156	391
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
<b>Distribution of profit for the period</b>					
Statutory reserves		127	111	66	59
Retained earnings		897	2,272	576	1,383
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
<b>COMPREHENSIVE INCOME</b>					
<b>Profit for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>
Other additions and disposals		-	-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>		<b>1,025</b>	<b>2,383</b>	<b>642</b>	<b>1,443</b>

## BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
31.12.2017	30.06.2018		Note	30.06.2018	31.12.2017
<b>ASSETS</b>					
1,893	4,950	Cash balances and demand deposits with central banks		4,950	1,893
18,097	7,773	Receivables from credit institutions and central banks	12	7,774	18,098
27,566	-	Loans, advances and other receivables at fair value	13	-	27,566
54,408	88,116	Loans, advances and other receivables at amortised cost	14	89,536	55,783
42,885	44,489	Bonds at fair value	15	45,248	43,520
3,711	3,627	Bonds at amortised cost	16	3,627	3,711
217	199	Equities etc	17	200	218
4	6	Investments in associates		6	4
1,396	1,521	Investments in Group enterprises		0	0
14	14	Intangible assets		14	14
0	0	Other property, plant and equipment		0	0
-	70	Current tax assets		70	-
144	134	Deferred tax assets		134	145
-	-	Assets in temporary possession	18	-	-
22,351	22,379	Other assets	19	22,422	22,387
238	98	Prepayments		110	245
<b>172,925</b>	<b>173,375</b>	<b>Total assets</b>		<b>174,090</b>	<b>173,585</b>

# BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
31.12.2017	30.06.2018		Note	30.06.2018	31.12.2017
<b>LIABILITIES AND EQUITY</b>					
39,948	42,164	Payables to credit institutions and central banks	20	42,434	40,218
76,610	84,364	Deposits and other payables	21	84,293	76,501
6,473	4,779	Bonds in issue at amortised cost	22	4,779	6,473
13,976	6,059	Other non-derivative financial liabilities at fair value	23	6,059	13,976
1	-	Current tax liabilities		68	31
13,922	13,409	Other liabilities	24	13,733	14,258
6	6	Deferred income		10	9
<b>150,937</b>	<b>150,781</b>	<b>Total payables</b>		<b>151,376</b>	<b>151,467</b>
<b>Provisions</b>					
-	-	Provisions for deferred tax		120	130
58	103	Provisions for losses under guarantees	25	103	58
53	31	Other provisions	25	31	53
<b>111</b>	<b>134</b>	<b>Total provisions</b>		<b>254</b>	<b>241</b>
2,000	2,000	Subordinated debt	26	2,000	2,000
<b>Equity</b>					
8,045	8,045	Share capital		8,045	8,045
<b>Other reserves</b>					
930	1,058	- statutory reserves		-	-
10,902	11,357	- retained earnings		12,415	11,832
<b>19,877</b>	<b>20,460</b>	<b>Total equity</b>		<b>20,460</b>	<b>19,877</b>
<b>172,925</b>	<b>173,375</b>	<b>Total liabilities and equity</b>		<b>174,090</b>	<b>173,585</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
25,449	22,062	Contingent liabilities	27	21,692	25,080
6,726	7,092	Other commitments		7,315	6,835

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital <sup>1</sup>	Retained earnings	Total equity
<b>2018</b>			
Equity, end-2017, see 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
<b>Equity, 1 January</b>	<b>8,045</b>	<b>11,391</b>	<b>19,436</b>
Profit for the period	-	1,025	1,025
<b>Total comprehensive income</b>	<b>-</b>	<b>1,025</b>	<b>1,025</b>
<b>Total changes in equity</b>	<b>-</b>	<b>1,025</b>	<b>1,025</b>
<b>Equity, 30 June</b>	<b>8,045</b>	<b>12,415</b>	<b>20,460</b>
<b>2017</b>			
<b>Equity, 1 January</b>	<b>8,045</b>	<b>8,699</b>	<b>16,744</b>
Profit for the period	-	2,383	2,383
<b>Total comprehensive income</b>	<b>-</b>	<b>2,383</b>	<b>2,383</b>
<b>Total changes in equity</b>	<b>-</b>	<b>2,383</b>	<b>2,383</b>
<b>Equity, 30 June</b>	<b>8,045</b>	<b>11,082</b>	<b>19,127</b>

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

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital <sup>1</sup>	Statutory reserves	Retained earnings	Total equity
<b>2018</b>				
Equity, end-2017, see 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
<b>Equity, 1 January</b>	<b>8,045</b>	<b>930</b>	<b>10,461</b>	<b>19,436</b>
Profit for the period	-	127	897	1,025
<b>Total comprehensive income</b>	<b>-</b>	<b>127</b>	<b>897</b>	<b>1,025</b>
<b>Total changes in equity</b>	<b>-</b>	<b>127</b>	<b>897</b>	<b>1,025</b>
<b>Equity, 30 June</b>	<b>8,045</b>	<b>1,058</b>	<b>11,357</b>	<b>20,460</b>
<b>2017</b>				
<b>Equity, 1 January</b>	<b>8,045</b>	<b>713</b>	<b>7,986</b>	<b>16,744</b>
Profit for the period	-	111	2,272	2,383
<b>Total comprehensive income</b>	<b>-</b>	<b>111</b>	<b>2,272</b>	<b>2,383</b>
<b>Total changes in equity</b>	<b>-</b>	<b>111</b>	<b>2,272</b>	<b>2,383</b>
<b>Equity, 30 June</b>	<b>8,045</b>	<b>824</b>	<b>10,258</b>	<b>19,127</b>

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

# CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	H1/2018	H1/2017
<b>Profit for the period</b>	<b>1,025</b>	<b>2,383</b>
<b>Adjustments</b>		
Interest income, net	(829)	(743)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	0	8
Other non-cash changes	4	(1)
Impairment charges for loans, advances and receivables etc	156	(164)
Tax on profit for the period	281	671
<b>Total</b>	<b>636</b>	<b>2,154</b>
<b>Change in operating capital</b>		
Loans, advances and other receivables	(6,903)	6,205
Deposits and payables to credit institutions	7,583	4,244
Payables to credit institutions and central banks	1,987	(10,329)
Bonds at fair value	(1,443)	5,631
Equities etc	16	(61)
Other operating capital	(8,342)	(15,059)
<b>Total</b>	<b>(6,465)</b>	<b>(7,214)</b>
Interest income received	1,822	1,488
Interest expenses paid	(961)	(701)
Corporation tax paid, net	(181)	(5)
<b>Cash flows from operating activities</b>	<b>(5,785)</b>	<b>(6,433)</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment	-	(1)
<b>Total</b>	<b>-</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>		
Bonds in issue	(1,719)	(3,708)
<b>Total</b>	<b>(1,719)</b>	<b>(3,708)</b>
<b>Total cash flows for the period</b>	<b>(7,504)</b>	<b>(10,142)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>19,991</b>	<b>35,723</b>
Foreign currency translation adjustment of cash	237	(95)
Total cash flows for the period	(7,504)	(10,142)
<b>Cash and cash equivalents, end of period</b>	<b>12,724</b>	<b>25,486</b>
<b>Cash and cash equivalents, end of period:</b>		
Cash balances and demand deposits with central banks	4,950	1,803
Receivables from credit institutions and central banks	7,774	23,683
<b>Total</b>	<b>12,724</b>	<b>25,486</b>



# NOTES

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Nykredit Bank Group

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## 1. ACCOUNTING POLICIES

### General

The Consolidated Financial Statements for H1/2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Parent Interim Financial Statements for H1/2018 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).

All figures in the H1 Interim Report 2018 are rounded to the nearest million Danish kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

### Change in 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 provisions governing impairment of loans and advances at amortised cost as well as classification of financial assets.

Under the transitional 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. The classification, impairment and measurement as well as presentation of financial assets and liabilities in the comparative figures stated in the Interim Report 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 etc, which have prompted a DKK 566 million rise in total impairment provisions at 1 January 2018. The impairments comprise expected credit losses on financial assets measured at amortised cost – primarily loans and advances, including leasing loans and balances with credit institutions – loan commitments as well as financial guarantees. Impairments are also made for expected credit losses on the part of the bond portfolio measured at amortised cost. At the beginning of 2018 and in H1/2018, impairments on the bond portfolio has been measured at DKK 0. The bond portfolio is issued by Nykredit Realkredit A/S.

The increase has been offset against loans and advances at amortised cost by DKK 501 million and balances with credit institutions by DKK 3 million. In addition, provisions for guarantees and loan commitments increased by DKK 62 million, respectively. Reference is also made to note 34.

### 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.

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.
- 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 collection 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 etc as well as bank loans and advances previously measured at amortised cost are still measured according to this principle. The same applies to the bond portfolio which was measured at amortised cost at end-2017.

Repo lending, which was previously included in "Loans, advances and other receivables at amortised cost", are from 1 January 2018 included in "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).

Apart from a small bond portfolio previously treated according to the rules on amortised cost, the Bank's bond portfolio will continue being 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 performed according to unchanged principles pursuant to IFRS 13.

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 reclassification of repo lending. From and including 1 January 2018 repo deposits have been measured at amortised cost to attain a uniform accounting treatment. The reclassification of repo lending and deposits impacted measurement by an insignificant amount in H1/2018.

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 are 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 etc 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 of 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 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 etc 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 etc with significant increase in credit risk. These are subject to impairment corresponding to expected credit losses during the time-to-maturity.
- Stage 3 covers loans and advances etc 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 is based on transformations of PD and LGD 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 past 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 macroeconomic scenarios is significant to total impairments which are very sensitive to choice of scenarios and probability-weights.

Generally, three scenarios are applied:

- scenario reflecting the best estimate of the company (baseline)
- 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 baseline 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 baseline scenario is considered best estimate and is included in the transaction matrices. The slightly weaker 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 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 more lenient contractual terms (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 etc. 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 macroeconomic scenario for the long-term Probability of Default (PD).

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

## Presentation of financial highlights as well as business areas

The reporting formats of the Management Commentary, including financial highlights, as well as notes 3 and 4 were changed in the Q1-Q3 Interim Report 2017. Comparative figures for H1/2017 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.

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

The most important change is that income will be broken down into several items going forward, differentiating more clearly between relatively stable types of income and 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.

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 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 and in 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 H1/2018.

## 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 etc, the accounting policies are otherwise unchanged compared with the Annual Report for 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](http://nykredit.com/reports).

# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
<b>2. CAPITAL AND CAPITAL ADEQUACY</b>				
<b>19,877</b>	<b>20,460</b>	<b>Equity</b>	<b>20,460</b>	<b>19,877</b>
(30)	(31)	Prudent valuation adjustment	(31)	(30)
(17)	(16)	Intangible assets	(16)	(17)
(43)	-	Deduction for difference between IRB losses and impairments	-	(43)
(4)	-	Other deductions	-	(4)
9	-	Transitional adjustment of deductions	-	9
<b>(86)</b>	<b>(47)</b>	<b>Common Equity Tier 1 capital deductions</b>	<b>(47)</b>	<b>(86)</b>
<b>19,791</b>	<b>20,413</b>	<b>Common Equity Tier 1 capital</b>	<b>20,413</b>	<b>19,791</b>
(4)	-	Transitional adjustment of deductions	-	(4)
4	-	Set-off of excess deductions	-	4
<b>-</b>	<b>-</b>	<b>Total Additional Tier 1 capital after deductions</b>	<b>-</b>	<b>-</b>
<b>19,791</b>	<b>20,413</b>	<b>Tier 1 capital</b>	<b>20,413</b>	<b>19,791</b>
2,000	2,000	Tier 2 capital	2,000	2,000
125	343	Tier 2 capital additions/deductions	343	125
(4)	-	Transitional adjustment of deductions	-	(4)
-	-	Set-off of excess deductions	-	-
<b>21,912</b>	<b>22,758</b>	<b>Own funds</b>	<b>22,757</b>	<b>21,912</b>
85,454	88,742	Credit risk	83,374	80,663
11,235	10,426	Market risk	10,426	11,235
5,300	6,899	Operational risk	7,765	6,112
<b>101,989</b>	<b>106,067</b>	<b>Total risk exposure amount</b>	<b>101,565</b>	<b>98,011</b>
<b>Financial ratios</b>				
19.4	19.2	Common Equity Tier 1 capital ratio, %	20.0	20.1
19.4	19.2	Tier 1 capital ratio, %	20.0	20.1
21.4	21.4	Total capital ratio, %	22.4	22.3

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 1.6%. To this should be added the phase-in of the permanent buffer requirement, currently 1.9%, 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 impact of IFRS 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 H1/2018	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
<b>RESULTS BY BUSINESS AREA</b>									
Net interest income	207	301	508	220	-	220	26	(2)	752
Net fee income	87	80	167	112	-	112	6	(12)	273
Wealth management income	177	72	249	63	-	63	350	8	670
Net interest from capitalisation	(10)	(21)	(30)	(21)	(5)	(26)	(3)	44	(15)
Trading, investment portfolio and other income	44	187	232	84	187	271	18	3	523
<b>Income</b>	<b>506</b>	<b>619</b>	<b>1,125</b>	<b>458</b>	<b>182</b>	<b>640</b>	<b>396</b>	<b>41</b>	<b>2,202</b>
Costs	348	180	527	124	109	233	212	15	988
<b>Business profit before impairment charges</b>	<b>158</b>	<b>440</b>	<b>598</b>	<b>333</b>	<b>73</b>	<b>406</b>	<b>184</b>	<b>26</b>	<b>1,215</b>
Impairment charges for loans and advances	66	33	99	0	-	0	22	9	129
<b>Business profit</b>	<b>92</b>	<b>407</b>	<b>499</b>	<b>334</b>	<b>73</b>	<b>407</b>	<b>163</b>	<b>18</b>	<b>1,086</b>
Legacy derivatives	0	156	157	46	17	63	0	-	219
<b>Profit before tax</b>	<b>92</b>	<b>563</b>	<b>655</b>	<b>379</b>	<b>90</b>	<b>470</b>	<b>162</b>	<b>18</b>	<b>1,305</b>
<b>BALANCE SHEET</b>									
<b>Assets</b>									
Reverse repurchase lending								31,192	31,192
Loans and advances at amortised cost	11,666	20,433	32,099	22,206	-	22,206	3,539	501	58,344
<b>Assets by business area</b>	<b>11,666</b>	<b>20,433</b>	<b>32,099</b>	<b>22,206</b>	<b>-</b>	<b>22,206</b>	<b>3,539</b>	<b>31,693</b>	<b>89,536</b>
Unallocated assets									84,554
<b>Total assets</b>									<b>174,090</b>
<b>Liabilities and equity</b>									
Repo deposits								11,851	11,851
Bank deposits and other payables at amortised cost	29,404	17,797	47,201	10,167	-	10,167	12,060	3,014	72,442
<b>Liabilities by business area</b>	<b>29,404</b>	<b>17,797</b>	<b>47,201</b>	<b>10,167</b>	<b>-</b>	<b>10,167</b>	<b>12,060</b>	<b>14,865</b>	<b>84,293</b>
Unallocated liabilities									69,337
Equity									20,460
<b>Total liabilities and equity</b>									<b>174,090</b>

# NOTES

DKK million

Nykredit Bank Group

## 3. BUSINESS AREAS (CONTINUED)

Results H1/2017	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
<b>RESULTS BY BUSINESS AREA</b>									
Net interest income	229	273	502	220	-	220	23	(1)	744
Net fee income	73	65	137	105	-	105	5	(6)	242
Wealth management income	188	96	284	28	-	28	370	9	691
Net interest from capitalisation	(10)	(20)	(30)	(19)	(4)	(23)	(3)	39	(17)
Trading, investment portfolio and other income	(12)	341	329	155	237	392	14	40	775
<b>Income</b>	<b>469</b>	<b>754</b>	<b>1,223</b>	<b>489</b>	<b>233</b>	<b>722</b>	<b>408</b>	<b>81</b>	<b>2,435</b>
Costs	342	174	516	120	106	226	203	9	953
<b>Business profit before impairment charges</b>	<b>126</b>	<b>581</b>	<b>707</b>	<b>369</b>	<b>127</b>	<b>496</b>	<b>206</b>	<b>72</b>	<b>1,481</b>
Impairment charges for loans and advances	30	(55)	(26)	(182)	-	(182)	1	0	(207)
<b>Business profit</b>	<b>97</b>	<b>636</b>	<b>733</b>	<b>551</b>	<b>127</b>	<b>678</b>	<b>205</b>	<b>72</b>	<b>1,688</b>
Legacy derivatives	0	307	307	1,023	35	1,059	1	-	1,366
<b>Profit before tax</b>	<b>97</b>	<b>942</b>	<b>1,039</b>	<b>1,575</b>	<b>162</b>	<b>1,737</b>	<b>206</b>	<b>72</b>	<b>3,054</b>

## 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
<b>Assets by business area</b>	<b>11,973</b>	<b>20,124</b>	<b>32,097</b>	<b>19,672</b>	<b>-</b>	<b>19,672</b>	<b>3,344</b>	<b>28,236</b>	<b>83,349</b>
Unallocated assets									90,236
<b>Total assets</b>									<b>173,585</b>

### 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
<b>Liabilities by business area</b>	<b>27,214</b>	<b>19,432</b>	<b>46,645</b>	<b>14,164</b>	<b>-</b>	<b>14,164</b>	<b>13,464</b>	<b>10,442</b>	<b>84,715</b>
Unallocated liabilities									68,993
Equity									19,877
<b>Total liabilities and equity</b>									<b>173,585</b>

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	H1/2018			H1/2017		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	752	77	829	744	(1)	743
Dividend on equities etc		4	4		11	11
Fee and commission income, net	273	569	841	242	547	789
<b>Net interest and fee income</b>		<b>650</b>	<b>1,674</b>		<b>558</b>	<b>1,543</b>
Wealth management income	670	(670)	-	691	(691)	-
Net interest from capitalisation	(15)	15	-	(17)	17	-
Trading, investment portfolio and other income	523	(523)	-	775	(775)	-
Value adjustments		732	732		2,241	2,241
Other operating income		14	14		16	16
<b>Total income</b>	<b>2,202</b>			<b>2,435</b>		
Costs	988	-	988	954	-	954
<b>Business profit before impairment charges</b>	<b>1,215</b>			<b>1,481</b>		
Impairment charges for loans and advances etc	129	-	129	(207)	-	(207)
Profit from investments in associates		1	1		-	-
<b>Business profit</b>	<b>1,086</b>			<b>1,688</b>		
Legacy derivatives	219	(219)	-	1,366	(1,366)	-
<b>Profit before tax</b>	<b>1,305</b>	<b>-</b>	<b>1,305</b>	<b>3,054</b>	<b>-</b>	<b>3,054</b>

Note 4 combines the earnings presentation of the Management Commentary (internal presentation), including the financial highlights and presentation of 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.



Nykredit Bank Group

## 5. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2018	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
<b>Financial portfolios at amortised cost</b>						
Receivables from and payables to credit institutions and central banks	3	9	(6)	-	-	(6)
Lending and deposits	987	(16)	1,003	-	7	1,010
Repo transactions and reverse repurchase lending	(81)	(57)	(24)	-	0	(24)
Bonds	-	-	-	-	-	-
Bonds in issue	-	37	(37)	-	-	(37)
Subordinated debt	-	20	(20)	-	-	(20)
Other financial instruments	1	38	(37)	-	-	(37)
<b>Total</b>	<b>910</b>	<b>30</b>	<b>880</b>	<b>-</b>	<b>7</b>	<b>887</b>
<b>Financial portfolios at fair value and financial instruments at fair value</b>						
Bonds	43	-	43	-	10	53
Equities etc	-	-	-	4	17	22
Derivative financial instruments etc	(95)	-	(95)	-	650	555
<b>Total</b>	<b>(51)</b>	<b>-</b>	<b>(51)</b>	<b>4</b>	<b>677</b>	<b>630</b>
Foreign currency translation adjustment					48	48
<b>Net interest income etc and value adjustments</b>	<b>859</b>	<b>30</b>	<b>829</b>	<b>4</b>	<b>732</b>	<b>1,565</b>

## H1/2017

<b>Financial portfolios at amortised cost</b>						
Receivables from and payables to credit institutions and central banks	(13)	(22)	9	-	-	9
Lending and deposits	955	6	949	-	1	950
Bonds in issue	18	36	(18)	-	-	(18)
Subordinated debt	-	21	(21)	-	-	(21)
Other financial instruments	2	31	(29)	-	-	(29)
<b>Total</b>	<b>962</b>	<b>72</b>	<b>890</b>	<b>-</b>	<b>1</b>	<b>891</b>
<b>Financial portfolios at fair value and financial instruments at fair value</b>						
Repo transactions and reverse repurchase lending	(90)	(68)	(23)	-	0	(23)
Bonds	89	-	89	-	161	250
Equities etc	-	-	-	11	12	24
Derivative financial instruments	(214)	-	(214)	-	2,026	1,813
<b>Total</b>	<b>(215)</b>	<b>(68)</b>	<b>(147)</b>	<b>11</b>	<b>2,200</b>	<b>2,087</b>
Foreign currency translation adjustment					40	40
<b>Net interest income etc and value adjustments</b>	<b>747</b>	<b>4</b>	<b>743</b>	<b>11</b>	<b>2,241</b>	<b>3,018</b>

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
H1/2017	H1/2018	H1/2018	H1/2017
<b>6. INTEREST INCOME</b>			
15	12	12	15
915	908	987	985
89	43	43	89
(214)	(95)	(95)	(213)
39	46	46	39
(245)	(139)	(139)	(245)
(7)	(1)	(1)	(7)
(1)	0	0	0
1	0	1	2
<b>806</b>	<b>869</b>	<b>949</b>	<b>878</b>
<b>Of which interest income from reverse repurchase lending entered as:</b>			
	-	-	
13	-	-	13
<b>6A. NEGATIVE INTEREST</b>			
<b>Interest income</b>			
(69)	(20)	(20)	(69)
(62)	(70)	(70)	(62)
<b>(131)</b>	<b>(90)</b>	<b>(90)</b>	<b>(131)</b>
<b>Of which interest income from reverse repurchase lending entered as:</b>			
(53)	(11)	(11)	(53)
(62)	(70)	(70)	(62)
<b>Interest expenses</b>			
(88)	(61)	(61)	(88)
(73)	(69)	(69)	(73)
<b>(161)</b>	<b>(130)</b>	<b>(130)</b>	<b>(161)</b>
<b>Of which repo deposits entered as:</b>			
(35)	(27)	(27)	(35)
(39)	(30)	(30)	(39)
<b>7. INTEREST EXPENSES</b>			
29	44	44	28
49	24	22	49
36	37	37	36
21	20	20	21
30	38	38	31
<b>165</b>	<b>161</b>	<b>160</b>	<b>165</b>
<b>Of which interest expenses from repo transactions entered as:</b>			
0	0	0	0
0	0	0	0

# NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
H1/2017	H1/2018	H1/2018	H1/2017
<b>8. VALUE ADJUSTMENTS</b>			
1	7	7	1
162	11	10	162
12	17	17	12
40	48	48	40
1,287	644	644	1,287
739	6	6	739
<b>2,241</b>	<b>733</b>	<b>732</b>	<b>2,241</b>

# NOTES

DKK million

## 9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC

### 9 A. Impairment charges for loans, advances and receivables etc

	Loans and advances 2018	Loans and advances 2017	Guarantees etc 2018	Guarantees etc 2017	Credit institu- tions and other 2018	Credit institu- tions and other 2017	Total 2018	Total 2017
<b>Nykredit Bank Group</b>								
<b>Total impairment provisions</b>								
<b>Beginning of period</b>	<b>2,290</b>	<b>2,538</b>	<b>58</b>	<b>52</b>	<b>-</b>	<b>23</b>	<b>2,349</b>	<b>2,612</b>
Impact following implementation of IFRS 9	506		62		3		571	-
<b>Balance, 1 January 2018</b>	<b>2,796</b>		<b>120</b>		<b>3</b>		<b>2,920</b>	
 New impairment provisions as a result of additions and change in credit risk	847	303	63	19	19		929	323
Releases as a result of redemptions and change in credit risk	716	504	80	12	3	-	799	516
Change as a result of correction of models and risk parameters	-	-	-		-		-	-
Impairment provisions written off	177	127	-		-		177	127
<b>Total provisions for impairment of loans, advances and receivables, and for guarantees</b>	<b>2,751</b>	<b>2,210</b>	<b>103</b>	<b>59</b>	<b>19</b>	<b>23</b>	<b>2,872</b>	<b>2,291</b>
 <b>Earnings impact</b>								
Change in impairment provisions for loans and advances (individual and collective)		(201)		7		-	-	(194)
Change in impairment provisions for loans and advances (stages 1-3)	131		(17)		16		130	-
Write-offs for the period, not previously provided for	31	34	-		-		31	34
Recoveries on claims previously written off	(30)	(44)					(30)	(44)
<b>Earnings impact, H1</b>	<b>133</b>	<b>(211)</b>	<b>(17)</b>	<b>7</b>	<b>16</b>	<b>-</b>	<b>132</b>	<b>(204)</b>
Value adjustment of assets in temporary possession	-	(4)					-	(4)
Value adjustment of claims previously written off	(3)	1					(3)	1
Losses offset, in accordance with partnership agreement	-	-					-	-
<b>Earnings impact</b>	<b>130</b>	<b>(214)</b>	<b>(17)</b>	<b>7</b>	<b>16</b>	<b>-</b>	<b>129</b>	<b>(207)</b>
 <b>Nykredit Bank A/S</b>								
<b>Total impairment provisions</b>								
<b>Beginning of period</b>	<b>2,214</b>	<b>2,472</b>	<b>58</b>	<b>52</b>	<b>-</b>	<b>23</b>	<b>2,272</b>	<b>2,547</b>
Impact following implementation of IFRS 9	506		62		3		571	
<b>Balance, 1 January 2018</b>	<b>2,720</b>		<b>120</b>		<b>3</b>		<b>2,843</b>	
 New impairment provisions as a result of additions and change in credit risk	815	293	63	19	19		897	312
Releases as a result of redemptions and change in credit risk	688	490	80	12	3	-	771	502
Change as a result of correction of models and risk parameters	-	-	-		-		-	-
Impairment provisions written off	173	127	-		-		173	127
<b>Total provisions for impairment of loans, advances and receivables, and for guarantees</b>	<b>2,675</b>	<b>2,148</b>	<b>103</b>	<b>59</b>	<b>19</b>	<b>23</b>	<b>2,796</b>	<b>2,229</b>
 <b>Earnings impact</b>								
Change in impairment provisions for loans and advances (individual and collective)		(197)		7		-	-	(190)
Change in impairment provisions for loans and advances (stages 1-3)	127		(17)		16		126	-
Write-offs for the period, not previously provided for	31	24	-		-		31	24
Recoveries on claims previously written off	(30)	43					(30)	43
<b>Earnings impact, H1</b>	<b>129</b>	<b>(216)</b>	<b>(17)</b>	<b>7</b>	<b>16</b>	<b>-</b>	<b>126</b>	<b>(209)</b>

Nykredit Bank Group

## 9 B. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (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
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 owing to implementation of IFRS 9				571
<b>Total, 1 January 2018</b>	<b>498</b>	<b>202</b>	<b>2,219</b>	<b>2,919</b>

### Impairments as at 1 January 2018 determined according to the IFRS 9 principles

Transfer of impairments at the beginning of the period to stage 1	8	(1)	(7)	-
Transfer of impairments at the beginning of the period to stage 2	(75)	123	(48)	-
Transfer of impairments at the beginning of the period to stage 3	(8)	(19)	26	-
Impairment provisions for new loans and advances (additions)	71	14	55	140
Additions as a result of change in credit risk	174	134	481	789
Releases as a result of change in credit risk	275	217	307	799
Previously written down for impairment, now written off	-	-	177	177

<b>Total impairment provisions, end of period</b>	<b>393</b>	<b>237</b>	<b>2,241</b>	<b>-</b>	<b>2,872</b>
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<b>Earnings impact, H1/2018</b>	<b>(31)</b>	<b>(69)</b>	<b>230</b>		<b>130</b>
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	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total
<b>2017: Total impairment provisions</b>					
Impairment provisions, beginning of period	2,406	131	23	52	2,612
Additions as a result of new loans and advances and change in credit risk	303	3		19	326
Releases as a result of change in credit risk	507		-	12	519
Other changes	127				127

<b>Total impairment provisions, end of period</b>	<b>2,075</b>	<b>134</b>	<b>23</b>	<b>59</b>	<b>2,291</b>
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<b>Earnings impact, H1/2017</b>	<b>(204)</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>(194)</b>
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Nykredit Bank A/S

## 9 B. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (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
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 owing to implementation of IFRS 9					571
<b>Total, 1 January 2018</b>	<b>482</b>	<b>197</b>	<b>2,165</b>		<b>2,843</b>

### Impairments as at 1 January 2018 determined according to the IFRS 9 principles

Transfer of impairments at the beginning of the period to stage 1	4	(4)	-		-
Transfer of impairments at the beginning of the period to stage 2	(75)	123	(48)		-
Transfer of impairments at the beginning of the period to stage 3	(8)	(18)	26		-
Impairment provisions for new loans and advances (additions)	68	13	51		132
Additions as a result of change in credit risk	174	132	459		765
Releases as a result of change in credit risk	262	211	298		771
Previously written down for impairment, now written off	-	-	173		173

<b>Total impairment provisions, end of period</b>	<b>383</b>	<b>232</b>	<b>2,182</b>	<b>-</b>	<b>2,795</b>
<b>Earnings impact, H1/2018</b>	<b>(20)</b>	<b>(66)</b>	<b>212</b>	<b>-</b>	<b>126</b>

	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total
<b>2017: Total impairment provisions</b>					
Impairment provisions, beginning of period	2,346	126	23	52	2,546
Additions as a result of new loans and advances and change in credit risk	294	(1)		19	312
Releases as a result of change in credit risk	490		-	12	502
Other changes	127				127
<b>Total impairment provisions, end of period</b>	<b>2,023</b>	<b>125</b>	<b>23</b>	<b>59</b>	<b>2,229</b>
<b>Earnings impact, H1/2017</b>	<b>(197)</b>	<b>(1)</b>	<b>-</b>	<b>7</b>	<b>(191)</b>

# NOTES

DKK million

## 9 C. DISTRIBUTION OF PROVISIONS FOR LOAN IMPAIRMENT AND GUARANTEES ETC, 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
<b>H1/2018: Total impairment provisions by loans and advances etc</b>				
<b>Loans and advances etc</b>				
Total, gross	85,175	4,082	3,030	92,287
Total impairment provisions, end of period	337	210	2,204	2,751
<b>Loans and advances, carrying amount</b>	<b>84,838</b>	<b>3,872</b>	<b>826</b>	<b>89,536</b>
<b>Guarantees and loan commitments</b>				
Total, gross	35,162	773	228	36,163
Total impairment provisions, end of period	37	28	38	103
<b>Guarantees and loan commitments, carrying amount</b>	<b>35,125</b>	<b>745</b>	<b>190</b>	<b>36,060</b>

	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Credit institutions	Total
<b>H1/2017: Total impairment provisions by loans and advances etc</b>					
<b>Loans and advances etc</b>					
Total, gross	3,080	56,701	19,568	25	79,374
Total impairment provisions, end of period	2,075	135	59	23	2,292
<b>Loans and advances etc, carrying amount</b>	<b>1,005</b>	<b>56,566</b>	<b>19,509</b>	<b>2</b>	<b>77,082</b>

### Nykredit Bank A/S

	Stage 1 (12-months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
<b>H1/2018: Total impairment provisions by loans and advances etc</b>				
<b>Loans and advances etc</b>				
Total, gross	84,548	3,411	2,832	90,791
Total impairment provisions, end of period	327	205	2,143	2,675
<b>Loans and advances etc, carrying amount</b>	<b>84,221</b>	<b>3,206</b>	<b>689</b>	<b>88,116</b>
<b>Guarantees and loan commitments</b>				
Total, gross	35,308	773	228	36,309
Total impairment provisions, end of period	37	28	38	103
<b>Guarantees and loan commitments, carrying amount</b>	<b>35,271</b>	<b>745</b>	<b>190</b>	<b>36,206</b>

	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Credit institutions	Total
<b>H1/2017: Total impairment provisions by loans and advances etc</b>					
<b>Loans and advances etc</b>					
Total, gross	2,953	55,449	19,568	25	77,995
Total impairment provisions, end of period	2,023	125	59	23	2,230
<b>Loans and advances etc, carrying amount</b>	<b>930</b>	<b>55,324</b>	<b>19,509</b>	<b>2</b>	<b>75,765</b>

# NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
H1/2017	H1/2018	H1/2018	H1/2017
<b>10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>			
0	1	1	-
111	126	-	-
<b>111</b>	<b>127</b>	<b>1</b>	<b>-</b>
<b>11. TAX</b>			
641	246	281	671
<b>641</b>	<b>246</b>	<b>281</b>	<b>671</b>
21.2	19.4	21.5	22.0



# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
<b>12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
6,171	143	Receivables from central banks	143	6,171
11,926	7,630	Receivables from credit institutions	7,631	11,927
<b>18,097</b>	<b>7,773</b>	<b>Total</b>	<b>7,774</b>	<b>18,098</b>
6,141	2,446	Of which reverse repurchase lending	2,446	6,141
<b>13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>				
27,566	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	-	27,566
<b>27,566</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>27,566</b>
<b>14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>				
56,622	90,791	Loans and advances etc	92,286	58,073
<b>56,622</b>	<b>90,791</b>	<b>Balance, end of period</b>	<b>92,286</b>	<b>58,073</b>
<b>Adjustment for credit risk</b>				
(2,214)	(2,675)	Impairment provisions	(2,751)	(2,290)
<b>54,408</b>	<b>88,116</b>	<b>Balance after impairment provisions, end of period</b>	<b>89,536</b>	<b>55,783</b>
-	31,192	Of which reverse repurchase lending	31,192	-
In connection with the implementation of IFRS 9 total impairment provisions increased by DKK 571 million, impacting the accounting balance as at 1 January 2018. Also, reverse repurchase lending previously measured at fair value was reclassified to loans, advances and other receivables at amortised cost.				
<b>15. BONDS AT FAIR VALUE</b>				
37,904	33,610	Covered bonds	34,370	38,539
2,146	4,844	Government bonds	4,844	2,146
3,557	6,425	Other bonds	6,425	3,557
<b>43,607</b>	<b>44,879</b>	<b>Total</b>	<b>45,639</b>	<b>44,242</b>
722	391	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 22	391	722
<b>42,885</b>	<b>44,488</b>	<b>Total</b>	<b>45,248</b>	<b>43,520</b>
372	222	Of which redeemed bonds	330	374
15,758	21,875	Assets sold as part of genuine sale and repurchase transactions	21,875	15,758
<b>16. BONDS AT AMORTISED COST</b>				
3,711	3,627	Covered bonds	3,627	3,711
<b>3,711</b>	<b>3,627</b>	<b>Total</b>	<b>3,627</b>	<b>3,711</b>
The item includes bonds issued by Nykredit Realkredit A/S.				
85	192	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	192	85
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.				

# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
<b>17. EQUITIES ETC</b>				
93	63	Listed on Nasdaq Copenhagen A/S	65	93
2	1	Listed on other stock exchanges	1	2
123	135	Unlisted equities carried at fair value	135	123
<b>217</b>	<b>199</b>	<b>Total</b>	<b>200</b>	<b>218</b>
<b>18. ASSETS IN TEMPORARY POSSESSION</b>				
27	-	Assets, beginning of year	-	27
(27)	-	Disposals	-	(27)
<b>-</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>-</b>
<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>				
<b>19. OTHER ASSETS</b>				
1,055	769	Interest and commission receivable	802	1,086
18,379	18,369	Positive market value of derivative financial instruments etc	18,369	18,379
2,917	3,242	Other	3,251	2,923
<b>22,351</b>	<b>22,379</b>	<b>Total</b>	<b>22,422</b>	<b>22,387</b>

# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
<b>20. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
3,568	3,944	Payables to central banks	3,944	3,568
36,380	38,220	Payables to credit institutions	38,490	36,650
<b>39,948</b>	<b>42,164</b>	<b>Total</b>	<b>42,434</b>	<b>40,218</b>
7,626	10,049	Of which repo transactions	10,049	7,626
<b>21. DEPOSITS AND OTHER PAYABLES</b>				
65,224	64,252	On demand	64,181	65,115
1,286	634	At notice	634	1,286
7,484	4,816	Time deposits	4,816	7,484
2,616	2,811	Special deposits	2,811	2,616
-	11,851	Repo deposits <sup>1</sup>	11,851	-
<b>76,610</b>	<b>84,364</b>	<b>Total</b>	<b>84,293</b>	<b>76,501</b>
<sup>1</sup> Repo deposits are now measured at amortised cost – previously at fair value				
<b>22. BONDS IN ISSUE AT AMORTISED COST</b>				
<b>Issues</b>				
4,624	3,750	EMTN issues*	3,751	4,624
2,513	1,392	ECP issues*	1,392	2,513
58	28	Other issues	28	58
<b>7,195</b>	<b>5,170</b>	<b>Total</b>	<b>5,171</b>	<b>7,196</b>
722	391	Set-off of self-issued corporate bonds	391	722
<b>6,473</b>	<b>4,779</b>	<b>Total</b>	<b>4,779</b>	<b>6,473</b>
No adjustments arising from changes in own credit risk have been made. *Listed on Nasdaq Copenhagen A/S or the Luxembourg Stock Exchange.				
<b>23. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>				
8,214	-	Repo transactions with undertakings other than credit institutions and central banks	-	8,214
5,762	6,059	Negative securities portfolios	6,059	5,762
<b>13,976</b>	<b>6,059</b>	<b>Total</b>	<b>6,059</b>	<b>13,976</b>
<b>24. OTHER LIABILITIES</b>				
1,097	869	Interest and commission payable	870	1,098
11,540	11,483	Negative market value of derivative financial instruments etc	11,483	11,540
1,285	1,058	Other	1,380	1,620
<b>13,922</b>	<b>13,409</b>	<b>Total</b>	<b>13,733</b>	<b>14,258</b>

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2017	30.06.2018	30.06.2018	31.12.2017
<b>25. PROVISIONS</b>			
<b>Provisions for losses under guarantees</b>			
<b>52</b>	<b>58</b>	<b>58</b>	<b>52</b>
-	62	62	-
27	64	64	27
21	80	80	21
-	-	-	-
<b>58</b>	<b>103</b>	<b>103</b>	<b>58</b>
<b>Other provisions</b>			
<b>97</b>	<b>53</b>	<b>53</b>	<b>97</b>
13	6	6	13
22	19	19	22
35	10	10	35
<b>53</b>	<b>31</b>	<b>31</b>	<b>53</b>
<b>Total provisions for losses under guarantees and other provisions</b>			
<b>149</b>	<b>111</b>	<b>111</b>	<b>149</b>
-	62	62	-
40	70	70	40
43	99	99	43
35	10	10	35
<b>111</b>	<b>134</b>	<b>134</b>	<b>111</b>
<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>			
<b>26. SUBORDINATED DEBT</b>			
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.			
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 Cibur.			
2,000	2,000	2,000	2,000
<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
Subordinated debt that may be included in own funds			
2,000	2,000	2,000	2,000

# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
<b>27. OFF-BALANCE SHEET ITEMS</b>				
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.				
<b>Contingent liabilities</b>				
14,100	10,338	Financial guarantees	9,997	13,830
5,665	6,296	Registration and refinancing guarantees	6,296	5,665
5,684	5,498	Other contingent liabilities	5,399	5,585
<b>25,449</b>	<b>22,132</b>	<b>Total</b>	<b>21,692</b>	<b>25,080</b>
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.				
<b>Other commitments</b>				
6,617	6,567	Irrevocable credit commitments	7,081	6,617
109	11	Other	234	218
<b>6,726</b>	<b>6,578</b>	<b>Total</b>	<b>7,315</b>	<b>6,835</b>

A credit commitment of less than one year of DKK 7.3 billion as at 30 June 2018 has been made.

## 27. OFF-BALANCE SHEET ITEMS (CONTINUED)

### Other 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.

## 28. 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 H1/2018.

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 2 billion 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 etc. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

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

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

# NOTES

DKK million

Nykredit Bank Group

## 29. LOANS, ADVANCES, GUARANTEES AND PROVISIONING RATE

Loans, advances, guarantees and provisions by sector

	Carrying amount			Provisions			
	Loans and advances	Guarantees	Total	Proportion, %	Impairment provisions (stages 1-3)	Provisions (stages 1-3)	Total
<b>30 June 2018</b>							
<b>Public sector</b>	<b>582</b>	<b>-</b>	<b>582</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Business customers</b>							
Agriculture, hunting, forestry and fishing	2,597	597	3,194	3	124	3	127
Manufacturing, mining and quarrying	4,499	173	4,672	4	207	1	208
Energy supply	1,932	20	1,952	2	14	-	14
Construction	2,192	580	2,772	2	158	6	164
Trade	4,159	609	4,768	4	254	8	262
Transport, accommodation and food service activities	4,032	231	4,263	4	108	2	110
Information and communication	1,633	245	1,878	2	39	2	41
Finance and insurance	38,073	904	38,977	35	173	4	177
Real estate	8,841	1,857	10,698	10	503	25	528
Other	8,793	1,381	10,174	9	438	6	444
<b>Total business customers</b>	<b>76,751</b>	<b>6,597</b>	<b>83,348</b>	<b>75</b>	<b>2,018</b>	<b>57</b>	<b>2,075</b>
Personal customers	12,203	15,095	27,298	25	732	45	777
<b>Total</b>	<b>89,536</b>	<b>21,692</b>	<b>111,228</b>	<b>100</b>	<b>2,751</b>	<b>102</b>	<b>2,853</b>
Of which reverse repurchase lending	31,192	-	31,192	28	-	-	-
<b>31 December 2017</b>							
<b>Public sector</b>	<b>714</b>	<b>-</b>	<b>714</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Business customers</b>							
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
<b>Total business customers</b>	<b>70,294</b>	<b>9,615</b>	<b>79,909</b>	<b>74</b>	<b>1,730</b>	<b>35</b>	<b>1,765</b>
Personal customers	12,341	15,464	27,805	26	558	23	581
<b>Total</b>	<b>83,349</b>	<b>25,079</b>	<b>108,428</b>	<b>100</b>	<b>2,290</b>	<b>58</b>	<b>2,348</b>
Of which reverse repurchase lending	27,566	-	27,566	25	-	-	-
<b>Provisioning rate</b>	<b>Q4/</b>	<b>Q1/</b>	<b>Q2/</b>	<b>Q3/</b>	<b>Q4/</b>	<b>Q1/</b>	<b>Q2/</b>
<b>Group</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>
Total loans and advances	85,094	79,705	79,055	77,438	83,349	93,854	89,536
Total guarantees	17,152	15,164	19,627	20,572	25,080	22,318	21,692
Impairment provisions for loans and advances at amortised cost	2,537	2,473	2,209	2,177	2,290	2,783	2,751
Provisions for guarantees	51	49	59	55	58	187	103
<b>Total loans, advances, guarantees and provisions</b>	<b>104,834</b>	<b>97,391</b>	<b>100,950</b>	<b>100,242</b>	<b>110,776</b>	<b>119,142</b>	<b>114,082</b>
Provisioning rate, %	2.5	2.6	2.2	2.2	2.1	2.5	2.5
Provisioning rate excluding guarantees	2.9	3.0	2.7	2.7	2.7	2.9	3.0

## 30. FAIR VALUE DISCLOSURES

### Listed prices

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

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

### Observable inputs

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

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

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

FVA may involve both 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 485 million at 30 June 2018 against a negative DKK 366 million 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 etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2018, the non-amortised minimum margin amounted to DKK 150 million against DKK 157 million at end-2017. With regard to liquidity and credit risk, DKK 208 million for 2018 and DKK 216 million 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 etc of the instruments. The Group's unlisted equities are generally classified under this heading, and valuation is based on the IPEV Valuation Guidelines.

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate 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 1,548 million at 30 June 2018 after value adjustment. Credit value adjustments came to DKK 2,560 million at 30 June 2018 (2017: DKK 3,110 million).



## 30. 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 100 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2018, the proportion was thus 2.5% 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 1.6 billion (2017: DKK 1.2 billion) belonged to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 163 million at 30 June 2018 (0.8% of equity at 30 June 2018). The earnings impact for 2017 was estimated at DKK 118 million (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 mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In H1/2018 financial assets of DKK 0.7 billion were transferred from Listed prices to Observable inputs and DKK 1.4 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.1 billion were transferred from Listed prices to Observable inputs and DKK 0.1 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2018 the amount was DKK 0.0 billion against DKK 0.1 billion at end-2017.

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

Nykredit Bank Group

## 30. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
<b>Financial assets:</b>				
- bonds at fair value	24,342	20,906	-	45,248
- equities measured at fair value through profit or loss	121	-	79	200
- positive fair value of derivative financial instruments etc	49	16,772	1,548	18,369
<b>Total</b>	<b>24,512</b>	<b>37,677</b>	<b>1,627</b>	<b>63,816</b>
<b>Percentage</b>	<b>38.4</b>	<b>59.0</b>	<b>2.5</b>	<b>100.0</b>
<b>Financial liabilities:</b>				
- other non-derivative financial liabilities at fair value	4,048	2,011	-	6,059
- negative fair value of derivative financial instruments	44	11,439	-	11,483
<b>Total</b>	<b>4,093</b>	<b>13,449</b>	<b>-</b>	<b>17,542</b>
<b>Percentage</b>	<b>23.3</b>	<b>76.7</b>	<b>-</b>	<b>100.0</b>
<b>Assets and liabilities measured on the basis of unobservable inputs</b>	<b>Bonds</b>	<b>Equities</b>	<b>Derivatives</b>	<b>Total</b>
<b>Fair value, beginning of period, assets</b>	<b>-</b>	<b>79</b>	<b>1,104</b>	<b>1,183</b>
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	4	400	404
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	0	-	0
Purchases for the period	-	0	-	0
Sales for the period	-	(4)	(20)	(24)
Transferred from Listed prices and Observable inputs	-	-	463	463
Transferred to Listed prices and Observable inputs	-	-	(399)	(399)
<b>Fair value, end of period, assets</b>	<b>-</b>	<b>79</b>	<b>1,548</b>	<b>1,627</b>

For 2018, unrealised value adjustments of DKK 82 million relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 30 June 2018 have been recognised in the income statement.

Nykredit Bank Group

## 30. 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
<b>Financial assets:</b>				
- 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 etc	19	17,256	1,104	18,379
<b>Total</b>	<b>26,339</b>	<b>68,302</b>	<b>1,183</b>	<b>95,824</b>
<b>Percentage</b>	<b>27.5</b>	<b>71.3</b>	<b>1.2</b>	<b>100</b>
<b>Financial liabilities:</b>				
- repo transactions with credit institutions and central banks	-	7,626	-	7,626
- other non-derivative financial liabilities at fair value	3,656	10,320	-	13,976
- negative fair value of derivative financial instruments	14	11,526	-	11,540
<b>Total</b>	<b>3,670</b>	<b>29,472</b>	<b>-</b>	<b>33,142</b>
<b>Percentage</b>	<b>11.1</b>	<b>88.9</b>	<b>-</b>	<b>100</b>
<b>Assets and liabilities measured on the basis of unobservable inputs</b>	<b>Bonds</b>	<b>Equities</b>	<b>Derivatives</b>	<b>Total</b>
<b>Fair value, beginning of period, assets</b>	<b>-</b>	<b>123</b>	<b>587</b>	<b>710</b>
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 year	-	21	-	21
Sales for the year	-	(7)	(43)	(50)
Transferred from Listed prices and Observable inputs	-	-	698	698
Transferred to Listed prices and Observable inputs	-	-	(251)	(251)
<b>Fair value, end of period, assets</b>	<b>-</b>	<b>79</b>	<b>1,104</b>	<b>1,183</b>

For 2017 unrealised negative value adjustments of DKK 150 million 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.

# NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2017	30.06.2018	30.06.2018	31.12.2017	
<b>31. CREDIT, CURRENCY, EQUITY AND INTEREST RATE RISK</b>				
				Foreign exchange risk
31,446	39,492			Total foreign exchange assets
		39,492	31,446	Of which
21,758	27,500	27,500	21,758	- receivables with credit institutions, loans and advances and securities etc
9,688	11,992	11,992	9,688	- interest receivable and positive market value of financial instruments
45,537	39,111	39,111	45,537	Total foreign exchange liabilities
				Of which
40,098	33,570	33,570	40,098	- payables to credit institutions, deposits and bond in issue etc
5,439	5,541	5,541	5,439	- interest payable and negative market value of financial instruments
48.5	28.6	28.6	48.5	Exchange rate indicator 1 (DKK million)
0.2	0.1	0.1	0.2	Exchange rate indicator 1 as % of Tier 1 capital after deductions
0.3	0.3	0.3	0.3	Exchange rate indicator 2 (DKK million)
0.0	-	0.0	0.0	- Exchange rate indicator 2 as % of Tier 1 capital after deductions
				Interest rate risk by the currency involving the highest interest rate exposure
116	192	206	122	DKK
6	(119)	(119)	6	EUR
6	(1)	(1)	6	SEK
-	(1)	(1)	-	CHF
3	2	2	3	NOK
(4)	(1)	(1)	(4)	USD
(2)	(1)	(1)	(2)	GBP
(1)	(3)	(3)	(1)	Other currencies
<b>124</b>	<b>68</b>	<b>82</b>	<b>130</b>	<b>Total interest rate exposure of debt instruments etc, end of period</b>

Interest rate risk is the risk of loss as a result of interest rate changes, and Nykredit Bank's interest rate risk is measured as the change in market value caused by a general interest rate rise of 1 percentage point on bonds and other financial instruments. The interest rate exposure ranged between a gain of DKK 16 million and a loss of DKK 148 million on 30 June 2018 compared with a gain of DKK 6 million and a loss of DKK 134 million in 2017. The interest rate exposure was a loss of DKK 68 million at end-H1/2018 against DKK 28 million at end-H1/2017.

## Value-at-Risk

Value-at-Risk (VaR) models are applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models measure the effect and probability of several risks occurring at the same time.

Nykredit's internal VaR model applied in the day-to-day risk management uses a confidence level of 99% and a time horizon of 1 day.

In general, risk factors are calculated for interest rate, foreign exchange, volatility and spread risks. For the daily internal determination of VaR, an add-on for the Bank's position in equities is also calculated.

Nykredit Bank's internal VaR was DKK 12 million at end-H1/2018 against DKK 10 million at end-H1/2017. This means that according to the internal VaR model, Nykredit Bank could potentially, at a 99% probability, lose a maximum of DKK 12 million in one day in consequence of market fluctuations.

# NOTES

DKK million

Nykredit Bank Group

	Ownership interest as %, 30 June 2018	Profit for the period 2018	Equity, 30 June 2018	Profit for 2017	Equity, 31 December 2017
<b>32. GROUP STRUCTURE</b>					
<b>Name and registered office</b>					
Nykredit Bank A/S (Parent), Copenhagen, a)		1,025	20,460	3,134	19,877
<b>Consolidated subsidiaries</b>					
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	75	799	136	725
Nykredit Leasing A/S, Gladsaxe c)	100	51	722	78	671

	Number of staff	Revenue <sup>1</sup>	Profit before tax	Tax	Government aid received
<b>Geographical distribution of activities</b>					
Denmark: Names and activities appear from the Group structure above	1,659	1,887	1,305	281	

<sup>1</sup> 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

# NOTES

DKK million

Nykredit Bank Group	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014
<b>33. FIVE-YEAR FINANCIAL HIGHLIGHTS</b>					
<b>SUMMARY INCOME STATEMENT</b>					
Net interest and fee income	1,674	1,543	1,228	1,375	1,760
Value adjustments	732	2,241	(778)	954	(484)
Other operating income	14	17	14	15	14
Staff and administrative expenses	976	934	953	932	1,019
Other operating expenses, depreciation and amortisation	12	18	21	41	38
Impairment charges for loans, advances and receivables etc	129	(207)	(86)	(89)	39
Profit from investments in associates and Group enterprises	1	-	0	0	0
<b>Profit (loss) before tax</b>	<b>1,305</b>	<b>3,054</b>	<b>(424)</b>	<b>1,460</b>	<b>194</b>
Tax	281	671	(107)	342	43
<b>Profit (loss) for the period</b>	<b>1,025</b>	<b>2,383</b>	<b>(317)</b>	<b>1,118</b>	<b>152</b>
<b>Total comprehensive income (loss)</b>	<b>1,025</b>	<b>2,383</b>	<b>(317)</b>	<b>1,118</b>	<b>152</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>					
	30.06.2018	30.06.2017	30.06.2016	30.06.2015	30.06.2014
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	12,724	25,486	37,410	31,953	27,789
Loans, advances and other receivables at fair value	-	21,511	30,350	29,765	45,328
Loans, advances and other receivables at amortised cost	89,536	57,544	49,554	49,441	46,908
Bonds and equities etc	49,075	36,205	38,144	44,109	79,968
Remaining assets	22,755	25,041	39,558	37,689	36,907
<b>Total assets</b>	<b>174,090</b>	<b>165,787</b>	<b>195,016</b>	<b>192,957</b>	<b>236,900</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	42,434	41,252	40,205	45,693	63,306
Deposits and other payables	84,293	69,716	69,643	66,056	61,918
Bonds in issue at amortised cost	4,779	6,366	14,990	25,763	22,565
Other non-derivative financial liabilities at fair value	6,059	10,149	21,075	8,171	40,857
Remaining payables	13,811	16,958	33,081	31,286	33,268
Provisions	254	219	221	195	236
Subordinated debt	2,000	2,000	-	100	250
Equity	20,460	19,127	15,801	15,693	14,500
<b>Total liabilities and equity</b>	<b>174,090</b>	<b>165,787</b>	<b>195,016</b>	<b>192,957</b>	<b>236,900</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	21,692	19,627	13,689	21,156	12,028
Other commitments	7,315	6,291	6,022	4,671	6,536

# NOTES

	DKK million				
Nykredit Bank Group	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014
<b>33. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)</b>					
<b>FINANCIAL RATIOS</b>					
Total capital ratio, %	22.4	20.8	20.0	18.9	16.0
Tier 1 capital ratio, %	20.0	18.7	19.6	18.5	15.6
Return on equity before tax, %	13.0	34.2	(2.7)	10.3	1.3
Return on equity after tax, %	10.2	26.7	(2.0)	7.9	1.1
Income:cost ratio, DKK	2.17	5.09	0.52	2.65	1.18
Interest rate risk	0.4	0.5	0.5	0.2	0.0
Foreign exchange position, %	0.1	0.4	0.1	0.1	0.3
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.1	1.2	1.2	1.2	1.6
Loans and advances:equity	4.4	4.1	5.1	5.0	6.4
Growth in loans and advances excluding repo transactions for the period, %	60.5	4.6	6.0	5.1	(0.2)
Excess coverage:statutory liquidity requirements, %	225.3	263.5	247.7	306.5	219.3
Total large exposures, %	0.0	0.0	0.0	24.2	14.0
Impairment charges for the period, %	0.1	(0.2)	(0.1)	(0.1)	0.0
Return on capital employed, %	0.6	1.4	(0.2)	0.6	0.1
Average number of staff, full-time equivalent	830	827	791	761	852

<sup>1</sup> Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 52 in the Annual Report for 2017.

## 34. CLASSIFICATIONS AND VALUE ADJUSTMENTS AS AT 1 JANUARY 2018

	Amortised cost	Fair value adjusted through profit or loss	Fair value adjusted through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
<b>NYKREDIT BANK GROUP</b>							
<b>Assets</b>							
Cash balances etc and receivables from credit institutions and central banks	X a)			13,850	6,141	(3)	19,988
Cash balances etc 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 etc		X		218			218
Other balance sheet items				4,417			4,417
Positive market value of derivatives		X		18,379			18,379
<b>Balance sheet total</b>				<b>173,585</b>	<b>-</b>	<b>(504)</b>	<b>173,081</b>
a) Reclassification of repo transactions					33,707		
b) Impairment charges (IFRS 9) for loans and advances measured at amortised cost						(501)	
<b>Liabilities and equity</b>							
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
<b>Balance sheet total</b>				<b>173,585</b>	<b>-</b>	<b>(504)</b>	<b>173,081</b>
a) Reclassification of repo transactions					15,840		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(125)	
c) Change in impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(441)	



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

	Amortised cost	Fair value adjusted through profit or loss	Fair value adjusted through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
<b>Assets</b>							
Cash balances etc and receivables from credit institutions and central banks	X a)			13,850	6,141	(3)	19,987
Cash balances etc 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	27,566	(501)	81,473
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
<b>Balance sheet total</b>				<b>172,925</b>	<b>-</b>	<b>(504)</b>	<b>172,421</b>
a) Reclassification of repo transactions					33,707		
b) Change in equity in Nykredit Bank A/S as a consequence of new impairment charges for loans and advances						(504)	
<b>Liabilities and equity</b>							
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 c)				19,877		(441)	19,436
<b>Balance sheet total</b>				<b>172,925</b>	<b>-</b>	<b>(504)</b>	<b>172,421</b>
a) Reclassification of repo transactions					15,840		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(125)	
c) Change in equity as a consequence of new impairment charges for loans and advances etc						(441)	

# NOTES

Nykredit Bank Group

## FINANCIAL RATIOS, DEFINITIONS

### Financial ratios

Return on equity before tax, %

### Definition

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, %

20 largest exposures divided by Common Equity Tier 1 capital

Impairment charges for the period, %

Impairment charges for the period divided by loans and advances + guarantees + impairment provisions

Return on capital employed, %

Profit (loss) for the period divided by total assets

### Financial ratios – capital and capital adequacy

### Definition

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.*