9 May 2018

Q1 Interim Report 2018 – Nykredit Group

Michael Rasmussen, Group Chief Executive, comments on the Q1 Interim Report 2018

- Today we are presenting satisfactory financial results, which, in the light of our outlook, are quite favourable. It is very satisfactory that we continue the positive trends of recent years with customer and lending growth and a significant rise in assets under management. Totalkredit and Nykredit Bank are both expanding their market positions.

- At Nykredit Bank we welcome new customers every single day. It has been three years since we launched our homeowner banking programme, Nykredit BoligBank, and targeted our banking propositions to homeowners. Since then, the number of full-service homeowner and wealth customers has grown by more than 1,000 every month (net). This trend is indeed starting to show in lending and assets under management.

- Totalkredit, too, is experiencing customer growth. The customer base has increased by close to 2,000 customers per month (net) in the last three years, and today, more than 750,000 Danish homeowners have a Totalkredit loan. A substantial portion of the new customers come from rural districts, where two in three new mortgage loans to homeowners are Totalkredit loans. Extending loans in regions of Denmark where other lenders tend to hold back is one of Nykredit's strategic priorities.

The Group's overarching focus in coming years is to continue to improve our competitiveness and ensure that all our customers – new and old – see a Nykredit that insists on making their next experience with us even better than the last.

Highlights from the Q1 Interim Report 2018

- Business profit of DKK 2.0bn is satisfactory in the light of our outlook. Compared with our exceptionally good performance in Q1/2017, profit decreased. This decrease was mainly driven by significantly lower investment portfolio income and the development in swaps currently offered.
- In the Annual Report for 2017, our full-year guidance for 2018 was a business profit of DKK 6.5bn-7.5bn. We maintain this guidance.
- The Group's efficiency and profitability continue to be at a competitive level with a cost:income ratio of 37.1%, a return on business capital after tax of 11.9% and a return on equity after tax of 8.8%.
- Nykredit Bank's loans and advances, deposits and assets under management rose by 7%, 3.5% and 16%, respectively, from Q1/2017 to Q1/2018.
- Totalkredit's loans and advances at nominal value increased by 7.4% from Q1

			DKK million
Nykredit Group	Q1/ 2018	Q1/ 2017	Change
Income	3,222	3,808	-586
Costs	1,196	1,181	-15
Impairment charges for loans and advances	(8)	(21)	-14
Business profit	**2,033**	**2,648**	**-616**
Legacy derivatives	24	337	-313
Profit before tax for the period	**2,057**	**2,985**	**-928**
Tax	395	639	244
Profit for the period	**1,662**	**2,346**	**-684**

Contact

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GROUP CHIEF EXECUTIVE'S STATEMENT

Nykredit's financial performance in Q1 was satisfactory. Totalkredit and Nykredit Bank both recorded growth. Assets under management are increasing substantially. We continue to have one of the lowest cost:income ratios in the market.

Combined, this resulted in a business profit of DKK 2.0bn, which, in the light of our full-year guidance of DKK 6.5bn-7.5bn, is a favourable result.

Compared with our exceptionally good performance in Q1/2017, profit decreased. This decrease was mainly driven by lower investment portfolio income and the development in swaps currently offered, two factors over which we have limited control and which are rather influenced by general economic trends, not least interest rates.

Totalkredit reaches new milestone

What I note in particular is the strength of our core business, which again this quarter serves as proof of the effectiveness of our strategy, Winning the Double.

In Totalkredit, which is one of our main strategic priorities, we have together with our partners welcomed close to 2,000 new customers every single month since 2015. We have just reached a record high of 750,000 customers.

In the same period, lending has grown by DKK 90bn, and today, Totalkredit's loan portfolio amounts to DKK 640bn. This bears witness of our strong alliance with the Totalkredit partner banks, which takes positive leaps forward every quarter.

A large number of Totalkredit's customers live in the rural districts of Denmark. In Q1/2018 two in three new mortgage loans granted to customers in the rural districts were Nykredit Group loans. Extending loans in regions of Denmark where other lenders tend to hold back is one of Nykredit's strategic priorities.

Nykredit Bank grows its loan portfolio

In Nykredit Bank, another of the Group's main strategic priorities, we have in the past three years welcomed more than 1,000 new homeowner and private banking customers who have entrusted Nykredit with their personal finances. This is reflected in Nykredit Bank's lending, which is up 7% on Q1/2017.

It is also evidenced by the significant 16% increase in assets under management. This increase was partly driven by the fact that Nykredit is also becoming the preferred financial partner of institutional customers.

We are quite pleased to note the customer and business growth of both Totalkredit and Nykredit Bank – thanks also to our improved image. The Group's overarching focus in coming years is to continue to improve our competitiveness and ensure that all our customers, new and old, see a Nykredit that insists on making their next experience with us even better than the last. Customer satisfaction among our prioritised customer segments is currently developing favourably according to our regular surveys. We want this to continue going forward.

Cash discounts of DKK 233m

I am extremely pleased that the Committee of Representatives of Forenet Kredit made a total contribution in March to Nykredit and Totalkredit of DKK 2.4bn to the benefit of our customers.

Our customers have already benefited from this contribution in the form of a KundeKroner discount on their administration margin payments in March, equal to 0.15% of their debt outstanding. This means that after deduction of the KundeKroner discount, Totalkredit homeowners having fully mortgaged homes are currently enjoying the lowest administration margins in the market on our main products. So far, a total of DKK 233m in KundeKroner discounts have been awarded to homeowners in Totalkredit. 2018 will be the first full calendar year when homeowners in Totalkredit can look forward to being awarded customer discounts.

More discounts underway

As from 1 July 2018, the Group's business customers will also be awarded an administration margin discount corresponding to 0.15% of their debt outstanding. Customers with loans in excess of DKK 20m will be awarded administration margin discounts for the first DKK 20m of their debt outstanding. We are also aiming to expand Nykredit Bank's customer benefits programmes to ensure that the customers feel the benefits of having a financial provider that is owned by its customers.

In addition to the above, we are fully committed to helping our customers future-proof their financial position. We are currently witnessing significant migration towards fixed-rate repayment loans. Since Q1/2017 Totalkredit's lending has risen by more than DKK 40bn. More than half of this increase was derived from customers who raise fixed-rate repayment loans. This makes Danish homeowners less vulnerable to interest rate rises and falling housing prices. Of all Totalkredit's products, the fixed-rate repayment loan is the loan with the lowest administration margin. Customers are making a sensible choice in choosing this product, and it is in full accord with the advice we offer our customers.

Continued high efficiency

In recent years, we have been committed to creating a more efficient, profitable and customer-centric business. The financial results presented today are yet another up-to-the-minute snapshot showing us that our work has the intended effect. We must maintain our efficiency drive, and costs will continue to decrease in 2018. However, in 2018 we will also boost our endeavours to improve the customer experience even more. This Interim Report is clear proof of our good progress against this goal.

Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Group	Q1/ 2018	Q1/ 2017	Q4/ 2017	2017
BUSINESS PROFIT AND PROFIT FOR THE PERIOD				
Net interest income	2,214	2,239	2,232	9,006
Net fee income	524	582	664	2,470
Wealth management income	313	342	355	1,402
Net interest from capitalisation	(90)	(107)	(87)	(360)
Trading, investment portfolio and other income	261	752	(202)	1,492
Income	**3,222**	**3,808**	**2,961**	**14,010**
Costs	1,196	1,181	1,477	5,067
Business profit before impairment charges	**2,025**	**2,627**	**1,484**	**8,944**
Impairment charges for loans and advances	(8)	(21)	930	379
Business profit	**2,033**	**2,648**	**555**	**8,564**
Legacy derivatives	24	337	29	1,517
Profit before tax for the period	**2,057**	**2,985**	**584**	**10,080**
Tax	395	639	135	2,077
Profit for the period	**1,662**	**2,346**	**449**	**8,004**
Other comprehensive income, value adjustment of strategic equities	-	(2)	(78)	(6)
Other comprehensive income, remaining items	(17)	(1)	3	1
Comprehensive income for the period	**1,646**	**2,344**	**375**	**7,998**
Interest on Additional Tier 1 capital charged against equity	58	57	59	233
SUMMARY BALANCE SHEET	31.03.2018	31.03.2017	31.12.2017	31.12.2017
Assets				
Receivables from credit institutions and central banks	37,589	40,240	48,031	48,031
Mortgage loans at fair value	1,168,690	1,133,497	1,163,879	1,163,879
Bank loans excluding reverse repurchase lending	57,128	56,254	55,744	55,744
Bonds and equities	88,272	103,043	102,125	102,125
Remaining assets	66,386	57,185	56,967	56,967
Total assets	**1,418,065**	**1,390,219**	**1,426,746**	**1,426,746**
Liabilities and equity				
Payables to credit institutions and central banks	24,630	17,885	13,319	13,319
Deposits excluding repo deposits	69,922	67,733	75,914	75,914
Bonds in issue at fair value	1,169,922	1,146,919	1,179,093	1,179,093
Subordinated debt	10,944	11,010	10,942	10,942
Remaining liabilities	66,673	73,379	68,707	68,707
Equity	75,974	73,293	78,770	78,770
Total liabilities and equity	**1,418,065**	**1,390,219**	**1,426,746**	**1,426,746**
FINANCIAL RATIOS				
Profit for the period as % pa of average business capital (ROAC)[1]	11.9	16.8	2.4	14.4
Profit for the period as % pa of average equity[2]	8.8	13.5	1.7	10.9
Costs as % of income	37.1	31.0	49.9	36.2
Total provisions for loan impairment and guarantees	8,214	8,099	7,915	7,915
Impairment charges for the period, %	(0.00)	(0.00)	0.08	0.03
Total capital ratio, %	22.6	22.6	23.9	23.9
Common Equity Tier 1 capital ratio, %	20.1	19.4	20.6	20.6
Internal capital adequacy requirement, %	10.3	10.2	10.2	10.2
Average number of staff, full-time equivalent	3,376	3,560	3,469	3,505

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

[2] For the purpose of return on equity, the AT1 capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the period. Moreover, the addition of value adjustment of strategic equities is recognised in "Other comprehensive income".

Q1/2018 – OVERVIEW

FINANCIAL PERFORMANCE IN Q1/2018

The Nykredit Realkredit Group delivered a satisfactory financial performance in Q1/2018, but the level was not as high as in Q1/2017. We continued to record growth, both in the number of full-service customers with mortgage and bank lending and in assets under management. Profit before tax was DKK 2,057m in Q1/2018, down from DKK 2,985m in Q1/2017. Of the total profit decline of DKK 928m, DKK 491m was attributable to lower trading, investment portfolio and other income and DKK 313m resulted from lower positive value adjustment of legacy derivatives.

Profit after tax was DKK 1,662m, corresponding to profit as a percentage of business capital (ROAC) of 11.9% and a return on equity of 8.8%.

In Q1 the Group strengthened its focus on creating the best customer experience, and Nykredit's customer concepts continued to generate satisfactory growth in the number of full-service BoligBank customers and increasing business volumes.

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

The Group has also intensified its efforts on large regulatory projects (for instance the General Data Protection Regulation (GDPR) and money laundering), the transition to the BEC IT platform and the project where Nykredit and its partner banks are developing a new future-proof mortgage lending platform. Despite these large projects and generally high customer activity, costs for the year are still expected to trend down.

Income

Total income remains high but dropped 15% to DKK 3,222m relative to the very high level in Q1/2017.

Net interest income rose slightly by DKK 26m, excluding the KundeKroner discounts. KundeKroner discounts were awarded in Q1/2018 in the net amount of DKK 51m against DKK 0 in Q1/2017.

Net fee income, which chiefly relates to lending activity, including the refinancing of mortgage lending and various other services, saw a total decrease of DKK 58m to DKK 524m, driven by lower activity in Retail and Wholesale Clients compared with a high activity level in Q1/2017.

Wealth Management generated income of DKK 313m, corresponding to a drop of 8% on Q1/2017, which reflected lower customer activity in Nykredit Markets compared with the high level in Q1/2017. The income stems from activities carried out by the Group's entities in Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S.

Net interest expenses from capitalisation, which includes interest on subordinated debt, totalled DKK 90m against DKK 107m in Q1/2017.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 491m to DKK 261m on the same period last year. In Q1/2018 investment portfolio income was somewhat below the high level in the same period last year, as the market was impacted by falling equity prices and widening yield spreads.

Costs

The Group maintains a strong focus on building organisational efficiency, while also running several large projects, of which some are regulatory (such as GDPR and money laundering), whereas others will drive additional efficiencies over time, for instance the development of a new future-proof mortgage lending platform and broader collaboration with BEC, an IT provider.

Due to these large projects, total costs have risen to DKK 1,196m from DKK 1,181m in Q1/2017. However, a decline in costs for the full year is expected. Costs as a percentage of income totalled 37.1% in Q1/2018.

The average headcount declined by 184 persons, or 5%, to 3,376 compared with Q1/2017.

Impairment charges for loans and advances

Impairment charges for loans and advances remained low, resulting in a net reversal of DKK 8m compared with a net reversal of DKK 21m in Q1/2017.

The low impairment level was due to favourable economic trends, benefitting most of Nykredit's customer segments. Following the implementation of IFRS 9, Nykredit recognised additional impairment provisions for bank lending of DKK 566m directly in equity in Q1/2018. To this should be added the impact of a changed estimate of DKK 1,039m required to comply with the rules on impairment of mortgage lending (IFRS 9) that was recognised in the Annual Report for 2017. Reference is also made to note 1.

Impairment charges for mortgage lending reduced from DKK 32m to a net reversal of DKK 146m.

Provisions for bank loan impairment and guarantees changed from a net reversal of DKK 55m in Q1/2017 to provisions of DKK 138m in Q1/2018.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 8,214m at end-Q1/2018.

Write-offs on mortgage and bank lending for the period were DKK 321m against DKK 316m in Q1/2017.

Legacy derivatives

Legacy derivatives, which are not included in business profit, went down by DKK 313m to DKK 24m on Q1/2017 partly as a result of interest rate movements. Legacy derivatives are a number of derivatives which we no longer offer to our customers.

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

Tax

Tax calculated on profit for the period was DKK 395m, corresponding to 19.2% of profit before tax.

Balance sheet

Nominal mortgage lending was DKK 1,144bn at end-March 2018, up DKK 6bn compared with end-2017 and DKK 31bn compared with Q1/2017. Totalkredit Partners and the Wholesale Clients and Wealth Management divisions recorded lending growth, whereas Retail lending dropped by DKK 3.6bn following run-off of customers exclusively having mortgage products and no banking relationship with Nykredit. Nykredit's lending growth was recorded all across the country.

The Group's market share of total Danish private residential mortgage lending was 41.1% at end-March 2018, which was unchanged on end-2017.

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

Deposits, excluding repo deposits, fell back by DKK 6.0bn to DKK 69.9bn from DKK 75.9bn at end-2017. This resulted from a reduction in demand and fixed-term deposits, particularly due to one large client. Compared with Q1/2017 deposits rose by DKK 2.2bn.

Nykredit Bank's deposits exceeded lending by DKK 13.3bn at end-March 2018 compared with DKK 20.1bn at end-2017.

Equity

The Nykredit Group's equity stood at DKK 76.0bn at end-March 2018 against DKK 78.8bn at end-2017. The decrease was due to the distribution of dividend in March.

Equity includes Additional Tier 1 capital of EUR 500m (DKK 3.8bn). Calculated interest, which is treated as dividend for accounting purposes, totalled DKK 58m for Q1/2018, which was unchanged on the same period last year.

RESULTS FOR Q1/2018 RELATIVE TO Q4/2017

The Group recorded a profit before tax of DKK 2,057m in Q1/2018 against DKK 584m in Q4/2017. The rise primarily resulted from a changed estimate (IFRS 9) of mortgage loan impairment in Q4/2017, reducing profit by DKK 1,039m.

Business profit rose to DKK 2,033m from DKK 555m in Q4/2017. Q4 profit was also affected by the changed estimate (IFRS 9) relating to impairment.

Income went up by 9% on Q4/2017 to DKK 3,222m, owing to higher trading, investment portfolio and other income, primarily related to positive value adjustments of swaps currently offered and higher income in Nykredit Markets.

Costs totalled DKK 1,196m, down 19% on Q4 last year. The decline was due to extraordinary amortisation of IT intangibles, costs of a shared sector-wide IT solution and higher marketing costs in Q4/2017.

Impairment charges for loans and advances reduced compared with the previous quarter and came to a net reversal of DKK 8m compared with an impairment charge of DKK 930m in Q4/2017. The impairment charge for Q4/2017 was impacted by a changed estimate of DKK 1,039m relating to impairment of mortgage lending (IFRS 9).

Legacy derivatives amounted to DKK 24m, down DKK 5m on Q4/2017.

OUTLOOK FOR 2018

In connection with the presentation of the Annual Report for 2017, our guidance for business profit for 2018 was at around DKK 6.5bn-7.5bn. Profit before tax is expected to be in the same region, as there are no specific expectations for the development in legacy derivatives. In light of the performance in Q1/2018, we maintain our guidance.

For 2018 we do not expect the same gains on derivatives and investment portfolio income as in 2017, which combined with continued low interest rate levels means that income is expected to be lower than in 2017.

We expect a minor reduction in costs as a result of our efficiency and restructuring initiatives.

Impairment charges for loans and advances are expected to have an adverse earnings impact. The reason is generally rising impairment levels compared with 2017, which was affected by reversals of impairment provisions made in previous years.

The most significant uncertainty factors in respect of our outlook for 2018 relate to movements in interest rate markets and uncertainty about loan impairments. Another uncertainty factor is price movements in the portfolio of strategic equities.

SPECIAL ACCOUNTING CIRCUMSTANCES

IFRS 9 was 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.

An important feature of IFRS 9 is the new principles for calculation of impairment of loans and advances and provisions, which have prompted a DKK 566m rise in total impairment provisions for bank lending at 1 January 2018. To this should be added the impact of a changed estimate of DKK 1,039m relating to impairment of mortgage lending that was recognised in the Annual Report for 2017.

Refer to note 1 to the Financial Statements for further information.

OTHER

Changes in the Board of Directors

At the Company's annual general meeting held on 22 March 2018, Hans-Ole Jochumsen was elected a new member of the Board of Directors. Hans-Ole Jochumsen has had a long executive career in BRFkredit, BG Bank, the Copenhagen Stock Exchange and the Nasdaq Group. Hans-Ole Jochumsen contributes both Nordic and international experience from various executive positions at Nasdaq.

Hans Bang-Hansen and Erling Bech-Poulsen both resigned from the Board of Directors.

KundeKroner benefits programme

The Committee of Representatives of Forenet Kredit decided on 22 March to make a total capital contribution of DKK 2.4bn to be paid out in 2018 and 2019 to the companies of the Nykredit Group. Totalkredit A/S will receive DKK 1.7bn and Nykredit Realkredit A/S DKK 0.7bn.

In Totalkredit A/S, the contribution of DKK 1.7bn will go towards the customer benefits programme, KundeKroner. This contribution will secure the funding of discounts initially to personal customers having a mortgage loan with Totalkredit, corresponding to an annual discount of DKK 1,500 on their administration margin payments for each million kroner borrowed in 2018 and 2019. In the course of 2018 business customers will also receive annual discounts under the KundeKroner programme of DKK 1,500 for each million kroner borrowed.

The DKK 0.7bn contribution to Nykredit Realkredit A/S is expected to be used to expand Nykredit's customer programmes, offering primarily business customers and homeowner customers even more benefits. This amount will secure the funding of discounts to business customers of Nykredit Realkredit A/S, corresponding to an annual discount of DKK 1,500 on their administration margin payments for each million kroner borrowed in 2018 and 2019. Business customer discounts will be introduced as from 1 July 2018. Part of the contribution is earmarked for expanding the customer programmes of Nykredit Bank A/S.

The Nykredit Group's business customers with loans exceeding DKK 20m will only get a discount on their administration margin payments for the first DKK 20m of their debt outstanding.

This means that after deduction of the KundeKroner discount, Totalkredit homeowners with fully mortgaged homes are currently enjoying the lowest administration margins in the market on our main products, including fixed-rate repayment loans, which is Totalkredit's most popular loan.

The idea behind the customer discounts is to ensure that the Group's customers feel the benefits of having a financial provider that is owned by its customers. Together with our majority shareholder, Forenet Kredit, we want to share our progress with customers, so when Nykredit performs well, our customers share in the success.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

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

MATERIAL RISKS

The Group's most material risks are described in detail in note 48 to the Annual Report for 2017, to which reference is made.

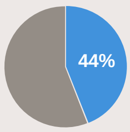
EVENTS SINCE THE BALANCE SHEET DATE

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

BUSINESS AREAS

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

Retail



Retail Personal Banking and Retail Business Banking, provide mortgage and banking services to personal customers and SMEs, including agricultural customers and residential rental customers. Retail also includes estate agency business and leasing.

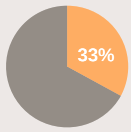
Business profit: DKK 898m

Income: DKK 1,643m

Impairment charges for loans and advances: net reversal of DKK 15m

Total loans and advances: DKK 441bn

Totalkredit Partners



Mortgage loans to personal and business customers of Totalkredit arranged via Danish local and regional banks.

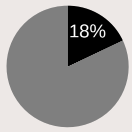
Business profit: DKK 678m

Income: DKK 726m

Impairment charges for loans and advances: net reversal of DKK 86m

Total loans and advances: DKK 546bn

Wholesale Clients



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

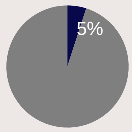
Business profit: DKK 361m

Income: DKK 613m

Impairment charges for loans and advances: DKK 98m

Total loans and advances: DKK 208bn

Wealth Management



Asset and wealth management, including the business units Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite.

Business profit: DKK 102m

Income: DKK 207m

Total loans and advances: DKK 11.3bn

Assets under management: DKK 194bn

Assets under administration: DKK 735bn

Percentages show the share of the business areas' business profit for 2018 excluding Group Items.

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

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

The Group's profit before tax by business area is described in more detail on the following pages.

RETAIL

Results – Retail	Q1/ 2018	Q1/ 2017
		DKK million
Net interest income	1,184	1,192
Net fee income	280	312
Wealth management income	122	145
Net interest from capitalisation	(63)	(69)
Trading, investment portfolio and other income	120	185
Income	**1,643**	**1,766**
Costs	760	769
Business profit before impairment charges	**883**	**997**
Impairment charges for mortgage lending	(99)	52
Impairment charges for bank lending	85	(3)
Business profit	**898**	**948**
Legacy derivatives	9	161
Profit before tax	**907**	**1,109**

Selected balance sheet items and financial ratios, Retail	Q1/ 2018	2017
		DKK million
Personal Banking		
Loans and advances	186,885	188,566
- of which mortgage lending, nominal value	170,893	172,901
- of which secured homeowner loans	6,127	5,548
- of which bank lending	9,865	10,117
Deposits	27,719	27,214
Gross new mortgage lending[1]	6,036	5,959
Impairment charges for the period as % of loans and advances[1]	0.03	(0.00)
Business Banking		
Loans and advances	253,734	255,672
- of which mortgage lending, nominal value	233,423	235,548
- of which bank lending	20,311	20,124
Deposits	17,498	19,432
Gross new mortgage lending[1]	7,043	8,386
Impairment charges for the period as % of loans and advances[1]	(0.05)	0.02
Total impairment provisions, end of period		
Total impairment provisions	5,548	5,603
Total impairment provisions as % of loans and advances	1.26	1.26
Provisions for guarantees	167	55

[1] For Q1/2018 and Q1/2017.
Other data from end-Q1/2018 and end-2017.

Retail consists of the business units Retail Personal Banking and Retail Business Banking and provides mortgage and banking services to personal customers and SMEs, including agricultural customers, residential rental customers and the wealth clients of Private Banking. Mortgage loans granted via Totalkredit to Nykredit's personal customers also form part of Retail. The activities of Nykredit Mægler A/S and Nykredit Leasing A/S are also included.

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

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

Q1 – summary

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

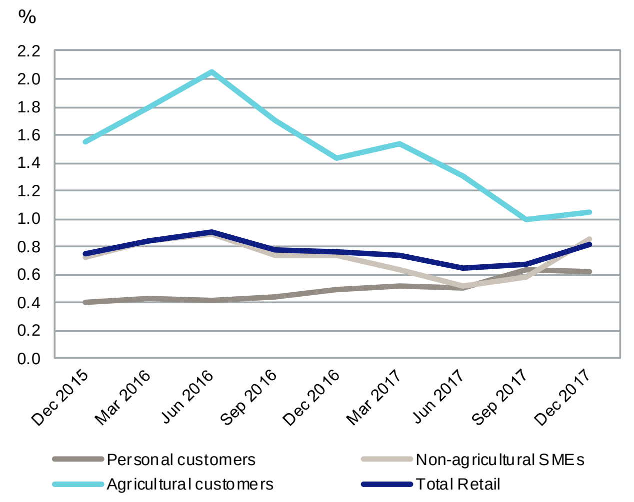
The number of new Private Banking customers and full-service BoligBank customers grew satisfactorily during Q1. Similarly the increase in business customers within the prioritised customer segments has been satisfactory.

In Q1 Retail Personal Banking lowered the interest rate on selected housing loans to strengthen Nykredit's market position and competitiveness. In addition, the KundeKroner discount will be raised annually to 0.15% in 2018 and 2019 from 0.10% in 2017. It is given to retail customers with loans in Totalkredit.

Retail Business Banking launched a new self-service solution in Q1 for all types of business customers in Nykredit, which in addition to improving the customers' digital experience, contributes to faster assessment and onboarding of new customers. We are also working on a KundeKroner benefits model for our business customers.

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

Arrears ratio, mortgage lending – Retail
75 days past due



Activities

Retail Personal Banking continued to grow its portfolio of secured homeowner loans (lending), corresponding to a volume of DKK 6.1bn in Q1/2018 against DKK 5.5bn at end-2017.

Bank loans and advances, other than secured homeowner loans, provided by Retail Personal Banking were DKK 9.9bn against DKK 10.1bn at end-2017. Bank deposits rose by DKK 0.5bn in the same period to DKK 27.7bn.

Gross new lending in Retail Personal Banking increased by DKK 0.1bn to DKK 6.0bn, and nominal mortgage lending fell by DKK 2.0bn to DKK 171bn.

Gross new lending in Retail Business Banking was DKK 7.0bn, whereas nominal mortgage lending was down DKK 2.1bn to DKK 233.4bn.

Bank lending in Retail Business Banking increased by DKK 0.2bn to DKK 20.3bn, and deposits fell by DKK 1.9bn to DKK 17.5bn.

Results

Retail's business profit fell by DKK 203m year-on-year to DKK 907m in Q1.

Compared with the same period last year, income dropped by 7% to DKK 1,643m, driven primarily by lower trading, investment portfolio and other income. Investment portfolio income was somewhat lower in Q1/2018 than the high level in the same period last year when it was high. Q1/2018 the market was partly impacted by widening yield spreads.

Impairment charges for loans and advances resulted in a net reversal of DKK 15m compared with an impairment charge of DKK 49m in Q1/2017.

Legacy derivatives generated a gain of DKK 9m against DKK 161m in Q1/2017.

Arrears

At the December due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.82% against 0.76% at the same date in 2017.

TOTALKREDIT PARTNERS

Results – Totalkredit Partners	Q1/ 2018	Q1/ 2017
		DKK million
Net interest income	632	668
Net fee income	134	134
Net interest from capitalisation	(41)	(48)
Trading, investment portfolio and other income	1	(5)
Income	**726**	**749**
Costs	133	151
Business profit before impairment charges	**593**	**598**
Impairment charges for mortgage lending	(86)	11
Business profit	**678**	**587**

Selected balance sheet items and financial ratios, Totalkredit Partners	Q1/ 2018	2017
		DKK million
Personal Banking		
Loans and advances	537,734	530,741
- of which mortgage lending, nominal value	526,263	519,818
- of which secured homeowner loans	11,471	10,923
Gross new mortgage lending[1]	29,820	22,972
Impairment charges for the period as % of loans and advances[1]	(0.02)	0.00
Business Banking		
Loans and advances	2,668	2,056
- of which mortgage lending, nominal value	2,668	2,056
Gross new mortgage lending[1]	626	373
Impairment charges for the period as % of loans and advances[1]	-	-
Total impairment provisions, end of period		
Total impairment provisions	1,334	1,382
Total impairment provisions as % of loans and advances	0.24	0.26

[1] For Q1/2018 and Q1/2017.
Other data from end-Q1/2018 and end-2017.

Under the Totalkredit brand, Totalkredit Partners provides mortgage loans to personal and business customers arranged via 56 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Retail.

Totalkredit Partners's business concept is based on partner banks being responsible for customer services and covering a proportion of the risk of loss on the loan portfolio. The banks' share of the realised losses is offset against their future commission payments from Totalkredit and is recognised in the income statement as a reduction in impairment charges for loans and advances.

Q1 – summary

Totalkredit Partners recorded lending growth all across the country – which testifies to a strong alliance with our partner banks. The personal mortgage loan portfolio stood at DKK 537.7bn compared with DKK 530.7bn at end-2017. The business loan portfolio accounted for DKK 2,668m against DKK 2,056m at end-2017.

KundeKroner is Nykredit's customer benefits programme. The Committee of Representatives of Forenet Kredit has decided to make capital contributions to the Nykredit Group. A contribution of DKK 1.7bn is expected to be used to expand Nykredit's customer benefits programmes giving primarily business customers and homeowner customers even more advantages. This amount will secure the funding of discounts to business customers of Nykredit Realkredit A/S, corresponding to an annual discount of DKK 1,500 on their administration margin payments in 2018 and 2019 for each million kroner borrowed. The Nykredit Group's business customers with loans exceeding DKK 20m will only get a discount on their administration margin payments for the first DKK 20m of their debt outstanding. Business customer discounts will be introduced as from 1 July 2018.

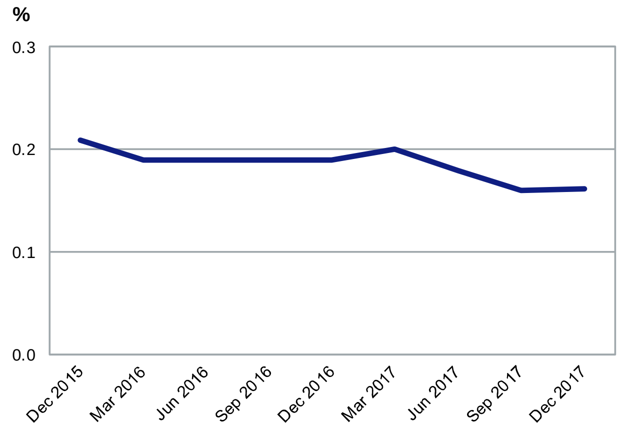
The Totalkredit alliance is developing a joint future-proof IT platform, which will ensure that the alliance as a whole is better positioned to offer customers the best home financing options in the coming years. All three of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, including also Totalkredit mortgage loans.

Totalkredit's partnership with local and regional partner banks also includes secured homeowner loans and business mortgages. The concept of secured homeowner loans allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans. Totalkredit business mortgages are offered to the segments office and retail, residential rental as well as industry and trades. 40 banks, representing the majority of partner banks having business customers with mortgage needs, have started offering business mortgages.

Activities

The Totalkredit Partners loan portfolio continued to grow, from nominally DKK 532.8bn at end-2017 to DKK 540.4bn at end-Q1/2018.

Arrears ratio, mortgage lending – Totalkredit Partners
75 days past due



In Q1/2018 Totalkredit Partners recorded gross new lending at DKK 30.4bn against DKK 23.3bn in Q1/2017. Mortgage lending to personal customers increased by DKK 6.4bn to DKK 526.3bn, and secured homeowner loans grew by DKK 0.5bn to DKK 11.5bn. Business loans rose by DKK 0.6bn to DKK 2.7bn.

Loans distributed through former business partners, which are now managed directly by Totalkredit, amounted to DKK 25bn at end-Q1/2018 against DKK 26bn at end-Q1/2017.

Results

Totalkredit Partners's business profit rose to DKK 678m against DKK 587m in Q1/2017.

The underlying trend in income was satisfactory, but income dropped by DKK 23m to DKK 726m compared with Q1/2017, reflecting the KundeKroner discounts awarded in Q1/2018.

Impairment charges for loans and advances went down from DKK 11m to a net reversal of DKK 86m.

Arrears

At the December due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.16% against 0.19% at the same date in 2017.

WHOLESALE CLIENTS

Results – Wholesale Clients	Q1/ 2018	Q1/ 2017
		DKK million
Net interest income	372	357
Net fee income	113	135
Wealth management income	14	8
Net interest from capitalisation	(25)	(23)
Trading, investment portfolio and other income	139	203
Income	**613**	**681**
Costs	154	135
Business profit before impairment charges	**459**	**546**
Impairment charges for mortgage lending	42	(29)
Impairment charges for bank lending	56	(49)
Business profit	**361**	**624**
Legacy derivatives	16	175
Profit before tax	**377**	**799**

Selected balance sheet items and financial ratios, Wholesale Clients	Q1/ 2018	2017
		DKK million
Lending/deposits		
Loans and advances	207,618	205,407
- of which mortgage lending, nominal value	187,275	185,734
- of which bank lending	20,343	19,672
Deposits	9,422	14,164
Gross new mortgage lending[1]	7,252	9,605
Impairment charges for the period as % of loans and advances[1]	0.05	(0.04)
Total impairment provisions, end of period		
Total impairment provisions	1,074	829
Total impairment provisions as % of loans and advances	0.52	0.40
Provisions for guarantees	7	3

[1] For Q1/2018 and Q1/2017.
Other data from end-Q1/2018 and end-2017.

Wholesale Clients consists of the business units Corporate & Institutional Banking and Nykredit Markets and comprises activities with Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading.

Q1 – summary

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

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

Activities

Mortgage lending amounted to DKK 187.3bn at end-Q1/2018, up DKK 1.5bn on end-2017.

Bank lending was up DKK 0.6bn on end-2017 to DKK 20.3bn. Bank deposits dropped by DKK 4.7bn to DKK 9.4bn.

Results

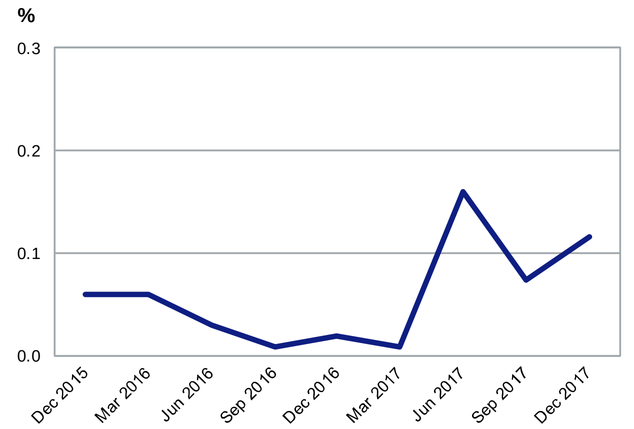
Compared with Q1/2017, Wholesale Clients's business profit fell by DKK 263m to DKK 361m.

Income remained high at DKK 613m, albeit lower than the high level of DKK 681m recorded in Q1/2017, which saw a high activity level. The decline was driven primarily by reduced fee income due to a lower activity level compared with the high activity level in Q1/2017 in addition to lower trading, investment portfolio and other income. At the same time, investment portfolio income was somewhat lower in Q1/2018 than the high level recorded in the same period last year. In Q1/2018 the market was impacted by falling equity prices and widening yield spreads.

Impairment charges for loans and advances increased from a net reversal of DKK 78m to an impairment charge of DKK 98m due to impairment charges on a few large CIB customers in Q1/2018.

Legacy derivatives amounted to DKK 16m against DKK 175m in Q1/2017. A high level of income was recorded in Q1/2017.

Arrears ratio, mortgage lending – Wholesale Clients
75 days past due



Arrears

At the December due date, Wholesale Clients's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.12%. The arrears ratio was 0.02% at the same date in 2017. This increase was attributable to one specific exposure in arrears and does not reflect a general trend.

WEALTH MANAGEMENT

Results – Wealth Management	Q1/ 2018	Q1/ 2017
		DKK million
Net interest income	28	22
Net fee income	5	4
Wealth management income	172	184
Net interest from capitalisation	(2)	(2)
Trading, investment portfolio and other income	3	4
Income	**207**	**212**
Costs	110	110
Business profit before impairment charges	**97**	**103**
Impairment charges for mortgage lending	(3)	(2)
Impairment charges for bank lending	(3)	(3)
Business profit	**102**	**107**
Legacy derivatives	(0)	0
Profit before tax	**102**	**108**

Selected balance sheet items and financial ratios, Wealth Management	Q1/ 2018	2017
		DKK million
Lending/deposits		
Loans and advances	11,320	10,779
- of which mortgage lending, nominal value	7,313	6,958
- of which secured homeowner loans	954	837
- of which bank lending	3,053	2,984
Deposits	12,663	13,464
Gross new mortgage lending[1]	532	330
Impairment charges for the period as % of loans and advances[1]	(0.06)	(0.05)
Total impairment provisions, end of period		
Total impairment provisions	57	44
Total impairment provisions as % of loans and advances	0.51	0.40
Provisions for guarantees	10	0
Assets under management	194,365	178,906
- of which Nykredit Group investment funds	63,867	61,472
Assets under administration[2]	734,761	792,710

[1] For Q1/2018 and Q1/2017.
Other data from end-Q1/2018 and end-2017.

[2] The method of determination for assets under administration has been changed on the basis of MiFID II. Comparative figures for 2017 have also been restated.

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

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

Award-winning private banking

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

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

Q1 – summary

Once again Private Banking Elite saw a quarter with satisfactory results and impressive client growth.

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

51% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1/2018, and 89% generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1/2018 especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed well.

Activities
Private Banking Elite, which is behind part of total assets under management, recorded satisfactory net growth in assets under management in Q1.

Total assets under management went up by DKK 15.5bn to DKK 194.4bn at end-Q1/2018. The increase was attributable to positive net sales of DKK 16.1bn as well as negative value adjustments of DKK 0.6bn.

Total assets under administration fell by DKK 57.9bn to DKK 734.8bn at end-Q1/2018. The decrease comprised net outflows of DKK 30.6bn primarily from one large customer and positive value adjustments as well as other returns of DKK 50.6bn.

Results
Wealth Management's business profit came to DKK 102m in Q1/2018, which is marginally lower than in Q1/2017.

Income was DKK 207m against DKK 212m in Q1/2017. The decline was due to reduced wealth management income driven by lower activity compared with the high level in Q1/2017.

GROUP ITEMS

Results – Group Items	Q1/ 2018	Q1/ 2017
		DKK million
Net interest income	(2)	(0)
Net fee income	(7)	(3)
Wealth management income	5	4
Net interest from capitalisation	39	34
Trading, investment portfolio and other income	(2)	365
Income	**32**	**400**
Costs	39	18
Business profit (loss) before impairment charges	**(7)**	**383**
Impairment charges for mortgage lending	0	(0)
Impairment charges for bank lending	(0)	0
Business profit (loss)	**(6)**	**382**

Selected balance sheet items and financial ratios, Group Items	Q1/ 2018	2017
		DKK million
Lending/deposits		
Loans and advances	1,228	670
- of which bank lending	1,228	670
Deposits	2,791	1,640

Some income statement and balance sheet items are not allocated to the business divisions but are included in Group Items.

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

Results

The business results of Group Items decreased by DKK 388m to a loss of DKK 6m relative to Q1/2017.

This development was chiefly due to lower investment portfolio income compared with the high level in Q1/2017. Q1/2018 was characterised by falling equity prices and widening yield spreads.

Unallocated costs rose by DKK 18m on Q1/2017 to DKK 33m.

CAPITAL, LIQUIDITY AND FUNDING

DKK million		
Nykredit Group		
Equity (incl Additional Tier 1 capital)	31.03.2018	31.12.2017
Equity, beginning of year	78,770	70,955
Profit for the period	1,662	8,004
Fair value adjustment of equities available for sale	-	(6)
Other adjustments	(4,459)	(183)
Equity, end of period	**75,974**	**78,770**

DKK million			
Nykredit Group			
Capital and capital adequacy	31.03.2018	31.03.2017	31.12.2017
Credit risk	294,326	292,826	289,684
Market risk	21,354	22,193	24,724
Operational risk	25,709	21,246	21,246
Total risk exposure amount	**341,390**	**336,265**	**335,655**
Equity (incl AT1 capital)	75,974	73,293	78,770
AT1 capital	(5,472)	(5,465)	(5,411)
Deduction, profit for Q1 (excluding AT1 interest)[1]	(1,532)	(2,227)	-
Proposed dividend	-	-	(4,000)
CET1 capital additions/ deductions	(141)	(91)	44
CET1 capital	**68,829**	**65,510**	**69,404**
AT1 capital	1,971	2,323	2,240
AT1 capital deductions	(86)	(63)	(127)
Tier 1 capital	**70,714**	**67,770**	**71,518**
Tier 2 capital	6,589	8,232	8,300
Tier 2 capital additions/ deductions	168	48	477
Own funds	**77,471**	**76,050**	**80,295**
CET1 capital ratio, %[2]	20.1	19.4	20.6
Tier 1 capital ratio, %	20.7	20.1	21.3
Total capital ratio, %	22.6	22.6	23.9
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.3	10.2	10.2

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

1 Capital in Q1/2018 and Q1/2017 has been determined exclusive of profit for the period. Capital and capital adequacy are specified further in note 2.

2 At 1 January 2018, the Nykredit Group's CET1 capital ratio was 20.5% after recognition of the net impact of IFRS as at 1 January 2018 in Nykredit Bank. Nykredit does not apply the transitional arrangements set out in Article 473a (4).

The determination includes a deduction of DKK 843m, cf the mention in note 2 to the Financial Statements.

EQUITY AND OWN FUNDS

Equity

Nykredit's equity was DKK 76.0bn at end-March 2018, down DKK 2.9bn on end-2017. The decrease was due to the distribution of dividend in March.

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

Capital and capital adequacy

Nykredit's own funds include CET1 capital, AT1 capital and Tier 2 capital after deductions.

The risk exposure amount (REA) totalled DKK 341bn at end-Q1/2018, which was higher than at end-2017. With own funds at DKK 77bn, this corresponds to a total capital ratio of 22.6% against 23.9% at end-2017. The CET1 capital ratio was 20.1% against 20.6% at end-2017.

Nykredit's Tier 1 capital consists mainly of CET1 capital. Tier 1 capital totalled DKK 70.7bn, CET1 capital totalled DKK 68.8bn, and AT1 capital totalled DKK 5.5bn. CET1 capital is the most important capital measure as this is the type of capital required to comply with most of the regulatory capital requirements.

Capital target

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

In accordance with its business model, Nykredit aims to have robust earnings, a strong capital structure and competitive ratings. Based on a structured capital management framework, the Group aims to be able to maintain its business activities regardless of significant fluctuations in economic trends. This implies having adequate access to capital to withstand an economic downturn and losses, and thus being able to maintain active lending also during and after a crisis.

In 2017 Nykredit achieved considerable funding flexibility as a result of the investor solution comprising a number of Danish pension companies. Nykredit thus has access to new CET1 capital through Forenet Kredit's liquid assets and through an investment commitment from the pension companies.

In consultation with the Danish FSA, the Board of Directors has thus determined a CET1 capital requirement of 15.5-16.5% of REA. To this will be added the further build-up of capital to meet the upcoming Basel requirements, which may still lead to an increase in REA of around DKK 100bn.

FUNDING AND LIQUIDITY

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

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

Bank lending is chiefly funded by deposits. At end-Q1/2018 Nykredit Bank's deposits equalled 127% of lending against 137% at end-2017.

Liquidity

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

The Bank's stock of liquid assets was DKK 38.3bn against DKK 43.5bn at end-2017 determined under the LCR.

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior debt in issue, totalled DKK 80bn at end-Q1/2018 against DKK 83bn at end-2017.

Nykredit's liquidity reserves meet the requirements of the Danish FSA by a comfortable margin, as illustrated in the table below:

Nykredit Group
LCR determination

(%)	31.03.2018	31.12.2017
Nykredit Realkredit Group	250	383
Nykredit Realkredit Group LCR in EUR	686	326
Total for mortgage banks	2,030	1,502
Mortgage banks including minimum liquidity requirement	179	186
Nykredit Bank	129	148

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has therefore set a minimum liquidity requirement. In practice, this requirement means that Nykredit must hold a stock of liquid assets of DKK 29.2bn, corresponding to at least 2.5% of total mortgage lending. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 52.4bn at end-Q1/2018.

In June 2016, the Danish FSA introduced an additional liquidity requirement for Danish SIFIs. Danish SIFIs must fulfil the LCR requirement not only in DKK but also in significant currencies except for SEK and NOK. The requirement only concerns EUR in Nykredit's case.

Benchmark bond series

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

With the adoption of the European Commission's legal act by the Council and Parliament in Q4/2017, the joint funding model became permanent, ensuring that Totalkredit may continue to issue bonds through Nykredit Realkredit.

Liquidity is further underpinned by Nykredit's large market share. Nykredit has concluded primary dealer agreements with a number of securities brokers. The agreements are intended to:

- Underpin the liquidity of Nykredit's bonds in the primary and secondary markets.
- Minimise price fluctuations in Nykredit's bonds.
- Ensure that the participants offer consistent market making in Nykredit's bonds.
- Ensure efficient pricing of the bonds.

With the introduction of the LCR (Liquidity Coverage Ratio), banks increasingly prefer bonds with outstanding amounts of more than EUR 500m and high ratings. As much as 87% of the outstanding amounts in Nykredit's active bond series is today classified in the top LCR category, while 7% is in the second-best category.

Nykredit strives to have a product range that best suits our customers' needs and investors' increased preference for very liquid bond series.

Bail-inable senior debt

In 2016 Nykredit Realkredit was the first financial business in Europe to issue so-called Senior Resolution Notes (SRNs) – a special form of bail-inable senior debt.

SRNs are eligible to meet the regulatory debt buffer requirements as well as S&P's additional loss-absorbing capacity (ALAC) criteria. Nykredit has indicated that the Group will meet the ALAC criteria of S&P Global Ratings in order to maintain its long-term rating of A.

The Danish Ministry of Industry, Business and Financial Affairs has introduced a bill to enable credit institutions to issue statutory bail-inable senior debt instruments. The Act is expected to enter into force on 1 July 2018 and Nykredit expects new issues after that date to be made in the statutory format.

An amendment has been proposed to change the debt buffer requirement to 2% of lending or, together with the capital and bail-in (MREL) requirements, at least 8% of the consolidated balance sheet. The Act is expected to enter into force on 1 July 2018 and the requirement is proposed to be implemented towards 2022. Implementation of the Act in its current form will lead to an increase in the Group's liabilities eligible for bail-in from about DKK 100bn to around DKK 120bn. In this connection, Nykredit expects to refinance maturing junior covered bonds/senior secured bonds with bail-inable bonds.

		DKK million
Nykredit Group		
Bonds in issue	31.03.2018	31.12.2017
Covered bonds (ROs), cf note 22 a	154,459	183,226
Covered bonds (SDOs), cf note 22 b	1,081,958	1,078,747
Senior secured debt, cf notes 22 c and 23	8,422	8,425
Senior unsecured debt, cf notes 22 d and 23 to the financial statements of Nykredit Bank A/S	5,725	8,406
Senior Resolution Notes (SRNs), cf note 23	13,341	13,314
Subordinate loan capital, cf note 26	10,947	10,942
Additional Tier 1 capital, cf note 2	3,725	3,723
ECP issues, cf note 23 to the financial statements of Nykredit Bank A/S	1,943	2,513

In Q1/2018 Nykredit issued SRNs of approximately DKK 0bn, bringing total SRN in issue to DKK 13.3bn at end-Q1/2018.

Issuance plan for 2018

Nykredit Realkredit will continue to issue covered bonds on tap and at refinancing auctions. Nykredit expects to refinance bonds worth DKK 54bn at the auctions in June 2018, and DKK 47bn and DKK 32bn at the auctions in September and December 2018.

Because of the low interest rate levels, borrowers increasingly refinance into bonds with maturities from 5 to 30 years. This has reduced the refinancing volumes. Nykredit expects this trend to continue.

Nykredit must meet the debt buffer requirements towards 2020, amounting to at least 2% of total mortgage lending when fully phased in. In light of the debt buffer requirement and S&P's ALAC criteria, Nykredit expects to issue another DKK 0bn-5bn of SRNs in 2018. Nykredit does not expect the proposal for amending the debt buffer legislation to change the issuance plan for 2018. Going forward, SRNs will replace most of the issuance of senior secured and senior unsecured debt.

Altogether this will result in a new funding structure that offers better protection for ordinary senior creditors.

On the back of rising house prices, which reduce the requirement for supplementary collateral, and the expected issuance plan, Nykredit Realkredit does not expect to issue senior secured or unsecured debt in 2018.

Nykredit Bank is expected to be subject to the minimum requirement for own funds and eligible liabilities (MREL). Nykredit Bank has concluded an agreement on long-term intercompany funding for the purpose of meeting the MREL requirement.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	31 March 2018	Limit value
Lending growth in segment	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential property, agriculture and other business.		
Private residential		3.8%	15.0%
Commercial residential properties		2.6%	15.0%
Agricultural properties		(4.3)%	15.0%
Other business		0.4%	15.0%
Borrower's interest rate risk	The proportion of lending where the LTV ratio exceeds 75% of the LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio.		
Private residential and residential rental		14.9%	25.0%
Interest-only period	The proportion of IO loans for owner-occupied and holiday housing with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending.		
Private residential		9.4%	10.0%
Loans with short-term funding	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.		
Refinancing (annually)		15.2P%	25.0%
Refinancing (quarterly)		3.3%	12.5%
Large exposures	The sum of the 20 largest exposures must be less than equity.		
Loans and advances:equity		37.9%	100.0%

Total run-off under Nykredit Bank's EMTN programme in 2018 will be DKK 2.1bn. Going forward, EMTN issuance in Nykredit Bank will be concentrated in Nykredit Realkredit. Nykredit Bank will continue to issue ECP. The total EMTN and ECP issuance requirement depends on the development in customer deposit and lending levels as well as the Bank's other business activities.

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 a long-term rating of A and a short-term rating of A-1 with S&P. The rating outlook is stable.

Senior Resolution Notes (SRNs) have a BBB+ rating with S&P.

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

Fitch Ratings

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

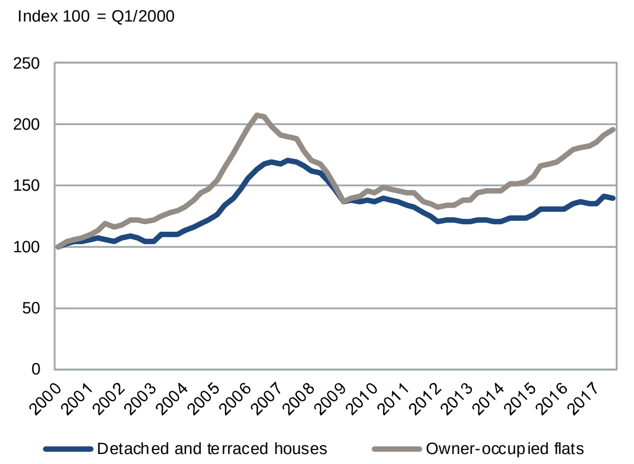
Senior Resolution Notes (SRNs) have an A rating with Fitch ratings.

Listing of ratings

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

LENDING

Housing prices in Denmark – inflation-adjusted



The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of a nominal amount of DKK 1,201bn against DKK 1,194bn at end-2017.

Mortgage lending at fair value was DKK 1,169bn compared with DKK 1,164bn at end-2017.

Bank loans and advances were DKK 57.1bn at end-Q1/2018, equal to an increase of 2%.

Guarantees provided by Nykredit amounted to DKK 6.4bn at end-Q1/2018 against DKK 7.1bn at end-2017.

Impairment provisions for mortgage and bank lending totalled DKK 8.0bn against DKK 7.9bn at end-2017.

Write-offs totalled DKK 321m in Q1/2018, of which DKK 229m on mortgage lending and DKK 92m on bank lending.

Nykredit Group

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

	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
DKK million	31.03.2018	31.12.2017	31.03.2018	31.12.2017	Q1/2018	FY 2017
Mortgage lending, nominal value						
Nykredit Realkredit	504,451	508,606	3,712	4,004	(143)	(143)
Totalkredit	639,608	629,502	1,531	1,563	(5)	645
Total	**1,144,059**	1,138,109	**5,242**	5,567	**(148)**	502
Bank lending						
Nykredit Bank	57,128	55,744	2,783	2,290	71	(85)
Total	**57,128**	55,744	**2,783**	2,290	**71**	(85)
Receivables from credit institutions	-	-	2	-	(1)	(44)
Total	**-**	-	**2**	-	**(1)**	(44)
Reverse repurchase lending	36,726	27,566	-	-	-	-
Guarantees	6,376	7,055	187	58	67	6
Loan impairment, %[1]						
Nykredit Realkredit	-	-	0.74	0.78	(0.03)	(0.03)
Totalkredit	-	-	0.24	0.25	(0.00)	0.11
Total	**-**	-	**0.46**	0.49	**(0.01)**	0.04
Nykredit Bank	-	-	2.88	3.95	0.07	(0.15)
Total	**-**	-	**2.88**	3.95	**0.07**	(0.15)

MORTGAGE LENDING

At end-Q1/2018, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,144bn, up DKK 6.0bn on end-2017.

The security underlying mortgage lending is substantial. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset part of the losses incurred on mortgage loans against future commission payments to the partner banks which have distributed the loans.

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-Q1/2018.

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.46% of total mortgage lending compared with 0.49% at end-2017.

Total impairment provisions were down by DKK 325m compared with end-2017 representing DKK 5,242m at end-Q1/2018. The decline was mainly due to write-offs.

Of the reduction in Q1/2018, DKK 121m stemmed from owner-occupied dwellings and DKK 204m from business property.

Earnings impact

Mortgage loan impairment was a gain of DKK 148m against a charge of DKK 33m in Q1/2017. Of reversed loan impairment for the period, DKK 39m was attributable to owner-occupied dwellings and DKK 62m related to agricultural property.

Nykredit Group

Debt outstanding relative to estimated property values

Total	LTV (loan-to-value)							LTV
DKK million/%	0-40	40-60	60-80	80-90	90-100	>100	Total	average, %[1]
Owner-occupied dwellings	453,670	169,999	94,119	8,004	2,950	2,344	731,085	68
Private rental	80,770	28,335	12,954	1,388	735	3,092	127,274	66
Industry and trades	18,567	2,873	224	48	25	45	21,782	46
Office and retail	85,538	23,147	3,006	553	346	601	113,189	54
Agriculture	60,496	19,908	7,803	1,120	483	541	90,352	63
Public housing	-	-	-	-	-	-	69,970	-
Other	12,001	2,398	540	37	20	42	15,038	49
Total, end-Q1/2018	**711,041**	**246,660**	**118,646**	**11,149**	**4,560**	**6,665**	**1,168,690**	**64**
Total end-2017	718,351	238,377	116,266	12,109	4,633	4,310	1,163,879	63

[1] Determined as the top part of the debt outstanding relative to estimated property values.

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

Nykredit Group

Provisions for mortgage loan impairment by property type[1]

	31.03.2018		31.12.2017	
DKK million	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Owner-occupied dwellings	2,456	(39)	2,577	762
Private rental	345	(14)	366	(108)
Industry and trades	77	(6)	88	(56)
Office and retail	471	11	493	21
Agriculture	1,294	(62)	1,353	99
Public housing	69	30	39	(0)
Cooperative housing	459	(50)	531	(250)
Other	73	(19)	121	34
Total	**5,242**	**(148)**	**5,567**	**502**

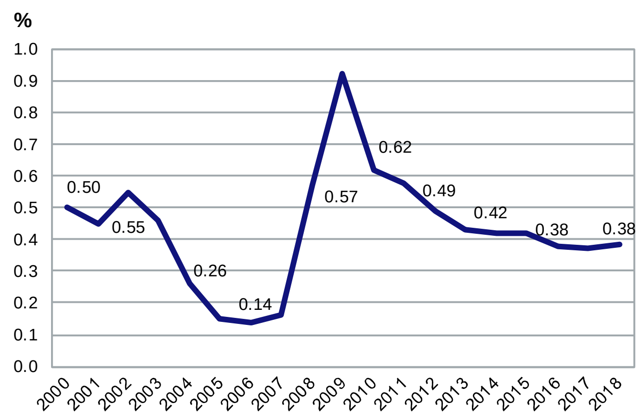
[1] The breakdown by property type is not directly comparable with the Group's business areas.

Nykredit Group

Arrears ratio – 75 days past due

	Arrears relative to total mortgage payments	Debt outstanding affected by arrears relative to total debt outstanding	Debt outstanding affected by arrears
Due dates	%	%	DKK billion
2017			
- December	0.38	0.27	3.10
- September	0.30	0.29	3.10
- June	0.35	0.33	3.80
- March	0.38	0.39	4.40
2016			
- December	0.37	0.48	5.30
- September	0.39	0.40	4.50

Nykredit Group
Arrears ratio, mortgage lending – 75 days past due



Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears represented 0.38% of total mortgage payments due 75 days past the December due date against 0.37% at the same time the year before.

Correspondingly, bond debt outstanding affected by arrears as a percentage of total bond debt outstanding decreased from 0.48% to 0.27% compared with the same time the year before.

Properties acquired by foreclosure

In Q1/2018 the Group acquired 20 properties by foreclosure and sold 30. The property portfolio counted 53 properties at end-Q1/2018 against 63 at end-2017.

BANK LENDING

Bank lending at amortised cost amounted to DKK 57.1bn against DKK 55.7bn at end-2017. Bank lending before impairment charges was DKK 59.9bn against DKK 58.1bn at end-2017.

Reverse repurchase lending stood at DKK 36.7bn compared with DKK 27.6bn at end-2017. Guarantees provided were DKK 6.4bn against DKK 7.1bn at end-2017.

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

Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 2,783m against DKK 2,290m at end-2017. The increase was primarily due to the implementation of IFRS 9.

Guarantees

Guarantees provided were DKK 6,376m, down 9.6%, against DKK 7,055m at end-2017.

At end-Q1/2018, provisions for guarantees amounted to DKK 187m against DKK 58m at end-2017.

Earnings impact

Provisions for bank loan impairment and guarantees for the period were DKK 138m. In comparison, impairment charges for loans and advances and provisions for guarantees were a reversal of DKK 102m net in 2017.

Nykredit Group

Provisions for bank loan impairment and guarantees by sector[1]

	Q1/2018		31.12.2017	
DKK million	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	2	(2)	2	2
Agriculture, hunting, forestry and fishing	137	2	104	10
Manufacturing, mining and quarrying	193	(31)	195	24
Energy supply	20	(15)	14	12
Construction	165	(7)	177	(22)
Trade	229	(6)	176	125
Transport, accommodation and food service activities	123	(1)	100	33
Information and communication	36	5	25	12
Finance and insurance	154	36	72	(42)
Real estate	757	(3)	663	(321)
Other	398	119	239	58
Total business customers	**2,212**	**98**	**1,765**	**(111)**
Personal customers	755	44	581	30
Total	**2,969**	**140**	**2,348**	**(79)**
- of which provisions for losses under guarantees	187	68	58	6
Impairment provisions for credit institutions	2	(2)	-	(23)
Total including impairment provisions for credit institutions	**2,971**	**138**	**2,348**	**(102)**

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

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 reporting, which forms part of financial governance. Readers of the financial report are thus provided with information that is relevant to their assessment of the financial performance.

This information is also provided in the Management Commentary as well as in note 3 to the Financial Statements for the business areas included in the internal reporting.

Supplementary financial ratios

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

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

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

Profit for the period as % pa of average business capital (ROAC). The return target in the financial highlights shows profit for the period relative to average business capital. Profit corresponds to net profit or loss less interest expenses for AT1 capital, which is treated as dividend in the Financial Statements. Profit also includes value adjustment of strategic equities, which is recognised in "Other comprehensive income" in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount.

Profit for the period as % pa of average equity. Profit for the period is calculated as stated above. Average equity is calculated on the basis of the value at the beginning of the period and at the end of all quarters of the period.

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

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 the period 1 January – 31 March 2018 of Nykredit A/S and the Nykredit Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 March 2018 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 31 March 2018.

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

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

Copenhagen, 9 May 2018

Executive Board	**Board of Directors**	
Michael Rasmussen Group Chief Executive	Steffen Kragh Chairman	Hans-Ole Jochumsen
Kim Duus Group Managing Director	Merete Eldrup Deputy Chairman	Vibeke Krag
David Hellemann Group Managing Director	Nina Smith Deputy Chairman	Allan Kristiansen*
Søren Holm Group Managing Director	Helge Leiro Baastad	Lasse Nyby
Anders Jensen Group Managing Director	Olav Bredgaard Brusen*	Claus E. Petersen
	Michael Demsitz	Inge Sand*
	Per W. Hallgren	Lars Peter Skaarup*
	Marlene Holm*	Leif Vinther*

* Staff-elected member

INCOME STATEMENT AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S				Nykredit Group	
Q1/2017	Q1/2018			Q1/2018	Q1/2017
		INCOME STATEMENT			
-	-	Interest income	6	6,447	6,966
0	0	Interest expenses	7	3,766	4,060
(0)	**(0)**	**Net interest income**		**2,682**	**2,905**
-	-	Dividend on equities		22	32
-	-	Fee and commission income		631	620
-	-	Fee and commission expenses		750	702
(0)	**(0)**	**Net interest and fee income**		**2,585**	**2,855**
-	-	Value adjustments	8	442	1,242
-	-	Value adjustments relating to sale of branch		1	-
-	-	Other operating income		217	44
3	6	Staff and administrative expenses	9	1,134	1,095
-	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	10	26	46
-	-	Other operating expenses		37	40
-	-	Impairment charges for loans, advances and receivables	11	(8)	(21)
2,289	1,625	Profit from investments in associates and Group enterprises	12	1	4
2,286	**1,619**	**Profit before tax**		**2,057**	**2,985**
(0)	(1)	Tax	13	395	639
2,287	**1,620**	**Profit for the period**		**1,662**	**2,346**
		Distribution of profit for the period			
2,287	1,620	Shareholders of Nykredit A/S		1,605	2,289
-	-	Holders of Additional Tier 1 capital notes		58	57
2,287	**1,620**	**Profit for the period**		**1,662**	**2,346**
		COMPREHENSIVE INCOME			
2,287	**1,620**	**Profit for the period**		**1,662**	**2,346**
		Other comprehensive income			
		Items that cannot be reclassified to profit or loss:			
-	-	Actuarial gains/losses on defined benefit plans		(21)	(1)
-	-	Tax on actuarial gains/losses on defined benefit plans		5	
(1)	(17)	Share of comprehensive income in associates and Group enterprises		-	-
(1)	**(17)**	**Total items that cannot be reclassified to profit or loss**		**(17)**	**(1)**
		Items that can be reclassified to profit or loss:			
-	-	Fair value adjustment of equities available for sale		-	6
-	-	Tax on fair value adjustment of equities available for sale		-	(8)
-	**-**	**Total items that can be reclassified to profit or loss**		**-**	**(2)**
(1)	**(17)**	**Other comprehensive income**		**(17)**	**(3)**
2,286	**1,604**	**Comprehensive income for the period**		**1,646**	**2,344**
		Distribution of comprehensive income			
2,286	1,604	Shareholders of Nykredit A/S		1,588	2,286
-	-	Holders of Additional Tier 1 capital notes		58	57
2,286	**1,604**	**Comprehensive income for the period**		**1,646**	**2,344**

BALANCE SHEETS

					DKK million
Nykredit A/S					Nykredit Group
31.12.2017	31.03.2018		Note	31.03.2018	31.12.2017
		ASSETS			
-	-	Cash balances and demand deposits with central banks		6,239	2,070
-	85	Receivables from credit institutions and central banks	14	31,349	45,961
-	-	Loans, advances and other receivables at fair value	15	1,168,665	1,191,378
-	-	Loans, advances and other receivables at fair value relating to sold foreign portfolio		491	499
-	**-**	**Loans, advances and other receivables at fair value**	18	**1,169,156**	**1,191,877**
-	-	Loans, advances and other receivables at amortised cost	16	94,182	56,087
-	-	Bonds at fair value	17	83,082	97,149
		Equities	18		
-	-	Equities measured at fair value through profit or loss		5,190	2,526
-	-	Equities available for sale		-	2,450
-	**-**	**Total**		**5,190**	**4,977**
-	-	Investments in associates		151	150
75,082	72,145	Investments in Group enterprises		-	-
-	-	Intangible assets		235	227
		Land and buildings			
-	-	Investment properties		-	50
-	-	Owner-occupied properties		209	223
-	**-**	**Total**		**209**	**273**
-	-	Other property, plant and equipment		108	117
3	3	Current tax assets		980	552
10	11	Deferred tax assets		128	153
-	-	Assets in temporary possession		246	184
0	1	Other assets	19	26,255	26,437
2	1	Prepayments		554	533
75,096	**72,246**	**Total assets**		**1,418,065**	**1,426,746**

BALANCE SHEETS

					DKK million
Nykredit A/S					Nykredit Group
31.12.2017	31.03.2018		Note	31.03.2018	31.12.2017
		LIABILITIES AND EQUITY			
79	43	Payables to credit institutions and central banks	20	24,630	13,319
-	-	Deposits and other payables	21	87,390	75,914
-	-	Bonds in issue at fair value	22	1,169,227	1,178,372
-	-	Bonds in issue at fair value relating to sold foreign portfolio		695	721
-	**-**	**Bonds in issue at fair value**	31	**1,169,922**	**1,179,093**
-	-	Bonds in issue at amortised cost	23	22,486	23,532
-	-	Other non-derivative financial liabilities at fair value	24	1,490	19,021
-	31	Current tax liabilities		93	43
13	9	Other liabilities	25	24,198	25,260
-	-	Deferred income		15	9
91	**83**	**Total payables**		**1,330,224**	**1,336,191**
		Provisions			
-	-	Provisions for pensions and similar obligations		141	141
-	-	Provisions for deferred tax		406	439
-	-	Repayable reserves in pre-1972 series		50	51
-	-	Provisions for losses under guarantees		187	58
-	-	Other provisions		138	153
-	**-**	**Total provisions**		**923**	**842**
-	-	Subordinated debt	26	10,944	10,942
		Equity			
1,327	1,327	Share capital		1,327	1,327
		Accumulated value adjustments			
-	-	- revaluation reserves		5	19
-	-	- value adjustment of equities available for sale		-	973
		Other reserves			
56,901	53,964	- statutory reserves		-	-
-	-	- series reserves		38,038	38,038
-	-	- non-distributable reserve fund		1,646	1,646
12,777	16,872	- retained earnings		31,132	29,003
4,000	-	- proposed dividend		-	4,000
75,005	**72,163**	**Shareholders of Nykredit A/S**		**72,148**	**75,005**
-	-	Holders of Additional Tier 1 capital		3,826	3,765
75,005	**72,163**	**Total equity**		**75,974**	**78,770**
75,096	**72,246**	**Total liabilities and equity**		**1,418,065**	**1,426,746**
		OFF-BALANCE SHEET ITEMS	27		
-	-	Contingent liabilities		6,376	7,055
-	-	Other commitments		8,381	8,443
-	**-**	**Total**		**14,757**	**15,498**

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

2018	Share capital[1]	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund[2]	Retained earnings	Proposed dividend	Shareholders of Nykredit A/S	Minority interests	Additional Tier 1 capital[3]	Total equity
Equity, end-2017, cf the Annual Report	1,327	19	973	38,038	1,646	29,003	4,000	75,005	-	3,765	78,770
Transferred to equities measured at fair value through profit or loss	-	-	(973)	-	-	973	-	-	-	-	-
Changes in impairment charges owing to implementation of IFRS 9	-	-	-	-	-	(566)	-	(566)	-	-	(566)
Changes in taxes due owing to implementation of IFRS 9	-	-	-	-	-	125	-	125	-	-	125
Equity, 1 January	**1,327**	**19**	**-**	**38,038**	**1,646**	**29,534**	**4,000**	**74,564**	**-**	**3,765**	**78,329**
Profit for the period	-	-	-	-	-	1,605	-	1,605	-	58	1,662
Total other comprehensive income	-	-	-	-	-	(17)	-	(17)	-	-	(17)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,588**	**-**	**1,588**	**-**	**58**	**1,646**
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(3)	-	(3)	-	3	-
Tax on Additional Tier 1 capital	-	-	-	-	-	(1)	-	(1)	-	-	(1)
Distributed dividend	-	-	-	-	-	-	(4,000)	(4,000)	-	-	(4,000)
Realised from the sale of properties	-	(14)	-	-	-	14	-	-	-	-	-
Equity, 31 March	**1,327**	**5**	**-**	**38,038**	**1,646**	**31,132**	**-**	**72,148**	**-**	**3,826**	**75,974**
2017											
Equity, 1 January	**1,327**	**26**	**979**	**35,198**	**1,646**	**28,016**	**-**	**67,192**	**3**	**3,760**	**70,955**
Profit for the period	-	-	-	-	-	2,289	-	2,289	-	57	2,346
Total other comprehensive income	-	-	(2)	-	-	(1)	-	(3)	-	-	(3)
Total comprehensive income	**-**	**-**	**(2)**	**-**	**-**	**2,288**	**-**	**2,286**	**-**	**57**	**2,344**
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(2)	-	(2)	-	2	-
Tax on Additional Tier 1 capital	-	-	-	-	-	(3)	-	(3)	-	-	(3)
Other adjustments	-	-	-	-	-	-	-	-	(3)	-	(3)
Equity, 31 March	**1,327**	**26**	**976**	**35,198**	**1,646**	**30,300**	**-**	**69,474**	**-**	**3,819**	**73,293**

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

[2] A non-distributable reserve fund in Totalkredit A/S.

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

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit A/S

2018	Share capital[1]	Statutory reserves[2]	Retained earnings	Proposed dividend	Total equity
Equity, end-2017, cf the Annual Report	1,327	56,901	12,777	4,000	75,005
Changes in impairment charges owing to implementation of IFRS 9	-	(566)	-	-	(566)
Changes in taxes due owing to implementation of IFRS 9	-	125	-	-	125
Equity, 1 January	**1,327**	**56,460**	**12,777**	**4,000**	**74,564**
Profit (loss) for the period	-	1,625	(5)	-	1,620
Total other comprehensive income	-	(17)	-	-	(17)
Total comprehensive income	**-**	**1,609**	**(5)**	**-**	**1,604**
Distributed dividend	-	-	-	(4,000)	(4,000)
Dividend received from subsidiaries	-	(4,100)	4,100	-	-
Adjustment relating to subsidiary	-	(4)	-	-	(4)
Equity, 31 March	**1,327**	**53,964**	**16,872**	**-**	**72,163**
2017					
Equity, 1 January	**1,327**	**49,013**	**16,852**	**-**	**67,192**
Profit (loss) for the period	-	2,289	(2)	-	2,287
Total other comprehensive income	-	(1)	-	-	(1)
Total comprehensive income	**-**	**2,289**	**(2)**	**-**	**2,286**
Adjustment relating to subsidiary	-	(4)	-	-	(4)
Equity, 31 March	**1,327**	**51,297**	**16,850**	**-**	**69,474**

[1] The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.
[2] The item relates to a transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646m in Totalkredit.

CASH FLOW STATEMENT

DKK million

Nykredit Group	Q1/2018	Q1/2017
Profit for the period	**1,662**	**2,346**
Adjustments		
Interest income, net	(2,682)	(2,905)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	26	46
Loss from investments in associates	(1)	(4)
Impairment charges for loans, advances and receivables	(8)	(21)
Prepayments/deferred income, net	(15)	(55)
Tax on profit for the period	395	639
Other adjustments	(186)	(281)
Total	**(809)**	**(236)**
Change in operating capital		
Loans, advances and other receivables	(15,366)	(3,361)
Deposits and payables to credit institutions	22,788	(1,478)
Bonds in issue	(10,218)	(2,650)
Other operating capital	(18,400)	(2,667)
Total	**(22,004)**	**(10,391)**
Interest income received	7,440	8,090
Interest expenses paid	(5,252)	(5,993)
Corporation tax paid, net	(671)	(171)
Cash flows from operating activities	**(20,487)**	**(8,465)**
Cash flows from investing activities		
Acquisition of associates	-	(5)
Dividend received from associates	-	3
Purchase and sale of bonds and equities, net	13,921	13,603
Purchase of intangible assets	(24)	(1)
Purchase of property, plant and equipment	(2)	(10)
Sale of property, plant and equipment	50	161
Total	**13,944**	**13,751**
Cash flows from financing activities		
Distributed dividend	(4,000)	-
Purchase and sale of self-issued subordinated debt instruments	(3)	(1)
Total	**(4,003)**	**(1)**
Total cash flows for the period	**(10,546)**	**5,285**
Cash and cash equivalents, beginning of period	**48,031**	**34,829**
Foreign currency translation adjustment of cash	104	126
Cash and cash equivalents, end of period	**37,589**	**40,240**
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	6,239	2,993
Receivables from credit institutions and central banks	31,349	37,248
Total	**37,589**	**40,240**

NOTES

Nykredit Group

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1/2018 are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

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

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

As mentioned in the Annual Report for 2017 (notes 1 and 52), IFRS 9 has been implemented with effect from 1 January 2018. The standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

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

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

For the Group, an important feature of IFRS 9 is the new principles for calculation of impairment charges for loans, advances and other receivables as well as provisions, which have prompted a DKK 566m rise in total impairment provisions at 1 January 2018 in the Nykredit Bank Group and the Nykredit Group.

For mortgage lending in Nykredit Realkredit A/S and in the subsidiary Totalkredit A/S, total impairment provisions and the balance sheet were not adjusted at 1 January 2018 following implementation of IFRS 9.

This is due to the fact that impairment of mortgage lending measured at fair value is not covered by IFRS 9, cf "Accounting policies" in the Annual Report for 2017 (notes 1 and 52). Consequently, value adjustment of financial assets measured at fair value is still determined within the framework of the provisions set out in IFRS 13, which remain unchanged, and the Danish Executive Order on Financial Reports.

Measurement of the credit risk relating to mortgage lending at fair value was previously based on the same fundamental principles as applied to loans and advances measured at amortised cost.

In accordance with amendments to the Danish Executive Order on Financial Reports issued by the Danish FSA, in future, Nykredit will continue to record impairments of mortgage lending applying the same principles as are used for impairment of loans and advances at amortised cost (cf IFRS 9) and within the framework of IFRS 13. Therefore, already in the Financial Statements for 2017, Nykredit made a new accounting estimate of the impairment impact on mortgage lending and resolved that it would be appropriate to recognise the earnings impact in 2017. As this is an accounting estimate and not a change in accounting policies, the amount was charged to the income statement. The impact led to increased impairment provisions for mortgage lending of approx DKK 1.0bn, which was charged to the income statement. The earnings impact after tax totalled about DKK 0.8bn in 2017.

Calculations of mortgage loan impairment measured at fair value involve some adjustments relative to loans and advances measured at amortised cost. For loans and advances measured at fair value, the probability of increased credit losses will thus be assessed, even if the loans are not credit impaired at the date of measurement. Furthermore, loans are not subject to impairment in stage 1 (12-month expected losses) already at the time of initial recognition, as this would go against the principles of fair value measurement.

Group impairment charges, including Nykredit Bank's, also 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. The increase has been offset against loans and advances at amortised cost by DKK 501m and balances with credit institutions by DKK 3m. In addition, provisions for guarantees and loan commitments increased by DKK 62m, respectively. Reference is also made to note 32.

Classification and measurement

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

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

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

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

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

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

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

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

Receivables from credit institutions as well as bank loans and advances previously measured at amortised cost are still measured according to this principle.

Mortgage loans are still measured at fair value (FVPL). The same applies to the liabilities that are issued for the purpose of funding these loans. Generally, mortgage loans are not transferred during their term, and the business model is based on holding the portfolio in order to collect the cash flows. However, both IFRS 9 and IAS 39 allows measurement at fair value through profit or loss. Mortgage loans granted in accordance with Danish mortgage legislation are funded by issuing listed covered bonds of uniform terms.

Such mortgage loans may be prepaid by delivering the underlying bonds, and the Group buys and sells self-issued covered bonds on a continuing basis as they constitute a significant part of the Danish money market.

If mortgage loans and covered bonds in issue were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a timing difference between the recognition of gains and losses in the Financial Statements. Thus, the purchase price of the portfolio would not equal the amortised cost of the bonds in issue. If the portfolio of self-issued covered bonds was subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining term-to-maturity.

In order to avoid the consequently inconsistent earnings impact, mortgage loans are measured at fair value involving an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the impairment need.

In connection with the implementation of IFRS 9, the following reclassifications were made:

- Repo lending, which was previously included in "Loans, advances and other receivables at amortised cost", are at 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.
- At 31 December 2017, the Nykredit Group held a portfolio of strategic equities that are value adjusted through other comprehensive income. At 1 January 2018, the portfolio was reclassified to the effect that value adjustment will be recognised through profit or loss in line with other equities and be included in "Equities measured at fair value through profit or loss". The portfolio totalled approximately DKK 2.5bn at 31 December 2017.

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

Other financial assets, including securities in the form of bonds and equities, will be measured at fair value through profit or loss after initial recognition. In relation to the bond portfolio, this should in Nykredit's assessment not be subject to the two business models that form the basis for measurement at amortised cost or measurement at fair value and value adjusted through other comprehensive income. The reason is that the business model behind the portfolio is not intrinsically based on collecting cash flows from payments of principal and interest but is based on, for example, short-term trading activity and investments focused on cost minimisation, where contractual cash flows do not constitute a central element but follow solely from the investment.

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

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

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

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

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

Impairment for expected credit losses

For the Nykredit Group, an important feature of IFRS 9 is the new principles for calculation of impairment of mortgage lending at fair value, loans, advances and receivables as well as provisions for guarantees and loan commitments, including unutilised credit facilities 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 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. Mortgage lending measured at fair value is not subject to impairment for credit losses already at initial recognition, cf the above.

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

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

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

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

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

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

- For assets/facilities with 12-month PD <1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% and an increase in 12-month PD of 0.5pp.
- For assets/facilities with 12-month PD >1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% or an increase in 12-month PD of 2.0pp.
- The Group considers that a significant increase in credit risk has occurred no later than when an asset is more than 30 days past due, unless special circumstances apply.

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

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

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

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

Stage 3 includes loans and advances/facilities where observations indicate that the asset is credit impaired. Most often, this is where
- a borrower is experiencing considerable financial difficulties of owing to eg changes in income, financial assets and wealth, leading to the assumption that the customer is unable to fulfil their obligations
- a borrowers fails to meet their payment obligations
- there is an increased probability of bankruptcy or similar associated with a borrower
- a borrower is offered reduced payment arrangements (for example, interest rate and loan term) due to deterioration in the borrower's financial circumstances.

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

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

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

Changed presentation of financial highlights and business areas

Earnings presentation in Management Commentary and business areas

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

The change followed from a number of adjustments made by Management in 2017 to the internal reporting that forms an integral part of the governance of the Company.

The presentation has been changed primarily to present a more varied picture of the Group's income.

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

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

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

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

Implementation of IFRS 15 "Revenue from contracts with customers"

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

Significant accounting estimates and assessments

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and provisions of the Annual Report for 2017.

Other information

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

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

NOTES

DKK million

Nykredit A/S			Nykredit Group	
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		2. CAPITAL AND CAPITAL ADEQUACY		
75,005	72,163	Equity for accounting purposes	75,974	78,770
-	-	Minority interests not included	(1,646)	(1,646)
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,826)	(3,765)
-	(1,620)	Profit for the period not included	(1,532)	-
75,005	**70,543**	**Equity excluding Additional Tier 1 capital and minority interests**	**68,970**	**73,359**
(4,000)	-	Proposed dividend	-	(4,000)
-	-	Prudent valuation adjustment	(68)	(65)
-	-	Minority interests	685	815
-	-	Intangible assets excluding deferred tax liabilities	(190)	(184)
-	-	Other additions/deductions	(309)	(327)
-	-	Deduction for treasury shares	(260)	(260)
-	-	Transitional adjustment of deductions	-	65
(4,000)	**-**	**Common Equity Tier 1 capital deductions**	**(141)**	**(3,955)**
71,005	**70,543**	**Common Equity Tier 1 capital**	**68,829**	**69,404**
-	-	Additional Tier 1 capital	1,971	2,240
-	-	Additional Tier 1 capital deductions	(86)	(159)
-	-	Transitional adjustment of deductions	-	32
-	**-**	**Total Additional Tier 1 capital after deductions**	**1,885**	**2,113**
71,005	**70,543**	**Tier 1 capital**	**70,714**	**71,518**
-	-	Tier 2 capital	6,589	8,300
-	-	Tier 2 capital additions/deductions	168	461
-	-	Transitional adjustment of deductions	-	16
71,005	**70,543**	**Own funds**	**77,471**	**80,295**
277,805	266,940	Credit risk	294,326	289,684
-	-	Market risk	21,354	24,724
0	0	Operational risk	25,709	21,246
277,806	**266,940**	**Total risk exposure amount**	**341,390**	**335,655**
		Financial ratios		
25.5	26.4	Common Equity Tier 1 capital ratio, %	20.1	20.6
25.5	26.4	Tier 1 capital ratio, %	20.7	21.3
25.5	26.4	Total capital ratio, %	22.6	23.9

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the Nykredit Realkredit 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 1.88%, applicable to all financial institutions.

In the Group's capital determination, a deduction has been made for parts of Totalkredit's non-distributable reserve fund. The deduction is based on the assessment of the Danish FSA that the non-distributable reserve fund cannot be recognised fully according to a decision made by the Danish FSA concerning the non-distributable reserve fund of another financial undertaking. Nykredit does not agree with the assessment of the Danish FSA and expects to discuss the issue with the Danish FSA from a legal perspective in the course of 2018 with a view to reaching a formal decision concerning the treatment of Totalkredit's non-distributable reserve fund for capital adequacy purposes. The deduction totals DKK 843m, consisting of a CET1 capital deduction of DKK 961m and additions to Tier 1 capital and own funds of DKK 18m and DKK 100m, respectively.

DKK million

Nykredit Group

3. BUSINESS AREAS

The business areas reflect Nykredit's organisation and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale Clients comprises activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Please refer to the Management Commentary.

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

Results Q1/2018	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA										
Net interest income	466	718	1,184	632	372	-	372	28	(2)	2,214
Net fee income	159	121	280	134	113	-	113	5	(7)	524
Wealth management income	86	36	122	-	14	-	14	172	5	313
Net interest from capitalisation	(19)	(43)	(63)	(41)	(22)	(2)	(25)	(2)	39	(90)
Trading, investment portfolio and other income	9	111	120	1	27	112	139	3	(2)	261
Income	**702**	**942**	**1,643**	**726**	**503**	**110**	**613**	**207**	**32**	**3,222**
Costs	488	272	760	133	100	54	154	110	39	1,196
Business profit (loss) before impairment charges	**214**	**670**	**883**	**593**	**403**	**56**	**459**	**97**	**(7)**	**2,025**
Impairment charges for loans and advances	112	(127)	(15)	(86)	98	-	98	(5)	(0)	(8)
Business profit	**101**	**797**	**898**	**678**	**305**	**56**	**361**	**102**	**(6)**	**2,033**
Legacy derivatives	0	8	9	-	10	5	16	(0)	-	24
Profit (loss) before tax	**101**	**805**	**907**	**678**	**315**	**61**	**377**	**102**	**(6)**	**2,057**
BALANCE SHEET										
Assets										
Mortgage loans at fair value	179,557	237,747	417,303	552,037	191,307	-	191,307	8,043	-	1,168,690
Reverse repurchase lending	¤	¤	¤	¤	¤	¤	¤	¤	44,717	44,717
Loans and advances at amortised cost	11,800	20,311	32,111	-	20,343	-	20,343	3,446	1,228	57,128
Assets by business area	**191,356**	**258,058**	**449,414**	**552,037**	**211,650**	**-**	**211,650**	**11,489**	**45,944**	**1,270,534**
Unallocated assets										147,530
Total assets										**1,418,065**
Liabilities and equity										¤
Repo deposits									17,468	17,468
Bank deposits and other payables at amortised cost	27,719	17,498	45,217	-	9,422	-	9,422	12,663	2,621	69,923
Liabilities by business area	**27,719**	**17,498**	**45,217**	**-**	**9,422**	**-**	**9,422**	**12,663**	**20,089**	**87,390**
Unallocated liabilities										1,254,700
Equity										75,974
Total liabilities and equity										**1,418,065**

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

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

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

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

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

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

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

Results Q1/2017	Personal Banking	Business Banking	**Total Retail**	**Totalkredit Partners**	Corporate & Institutional Banking	Markets	**Total Wholesale Clients**	**Wealth Management**	**Group Items**	**Total**
RESULTS BY BUSINESS AREA										
Net interest income	479	713	1,192	668	357	-	357	22	(0)	2,239
Net fee income	173	139	312	134	135	-	135	4	(3)	582
Wealth management income	94	52	145	-	8	-	8	184	4	342
Net interest from capitalisation	(22)	(47)	(69)	(48)	(21)	(2)	(23)	(2)	34	(107)
Trading, investment portfolio and other income	2	183	185	(5)	56	147	203	4	365	752
Income	**726**	**1,040**	**1,766**	**749**	**535**	**146**	**681**	**212**	**400**	**3,808**
Costs	489	280	769	151	93	41	135	110	18	1,181
Business profit before impairment charges	**237**	**760**	**997**	**598**	**442**	**104**	**546**	**103**	**383**	**2,627**
Impairment charges for loans and advances	(7)	56	49	11	(78)	-	(78)	(5)	0	(21)
Business profit	**244**	**704**	**948**	**587**	**520**	**104**	**624**	**107**	**382**	**2,648**
Legacy derivatives	-	161	161	-	151	24	175	0	-	337
Profit before tax	**244**	**865**	**1,109**	**587**	**671**	**128**	**799**	**108**	**382**	**2,985**
BALANCE SHEET										
Assets										
Mortgage loans at fair value	184,564	243,758	428,322	516,496	182,687	-	182,687	5,992	-	1,133,497
Reverse repurchase lending									23,449	23,449
Loans and advances at amortised cost	12,362	18,785	31,147	-	21,981	-	21,981	3,001	493	56,622
Assets by business area	**196,926**	**262,543**	**459,469**	**516,496**	**204,668**	**-**	**204,668**	**8,993**	**23,943**	**1,213,568**
Unallocated assets										176,650
Total assets										**1,390,219**
Liabilities and equity										
Repo deposits									6,021	6,021
Bank deposits and other payables at amortised cost	26,085	17,861	43,945	-	12,887	15	12,902	9,751	1,135	67,733
Liabilities by business area	**26,085**	**17,861**	**43,945**	**-**	**12,887**	**15**	**12,902**	**9,751**	**7,156**	**73,753**
Unallocated liabilities										1,243,172
Equity										73,293
Total liabilities and equity										**1,390,219**

DKK million

Nykredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1/2018			Q1/2017		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	2,214	468	2,682	2,239	666	2,905
Dividend on equities		22	22		32	32
Fee and commission income, net	524	(643)	(118)	582	(665)	(82)
Net interest and fee income		**(153)**	**2,585**		**34**	**2,855**
Wealth management income	313	(313)	-	342	(342)	-
Net interest from capitalisation	(90)	90	-	(107)	107	-
Trading, investment portfolio and other income	261	(261)	-	752	(752)	-
Value adjustments		442	442		1,242	1,242
Other operating income		217	217		44	44
Total income	**3,222**			**3,808**		
Costs	1,196	-	1,196	1,181	-	1,181
Business profit before impairment charges	**2,025**			**2,627**		
Impairment charges for loans and advances	(8)	-	(8)	(21)	-	(21)
Profit from investments in associates		1	1		4	4
Business profit	**2,033**			**2,648**		
Legacy derivatives	24	(24)	-	337	(337)	-
Profit before tax	**2,057**	**-**	**2,057**	**2,985**	**-**	**2,985**

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

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

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

Impairment charges for loans and advances correspond to the presentation in the income statement.

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

DKK million

Nykredit Group

5. NET INTEREST INCOME AND VALUE ADJUSTMENTS

Q1/2018	Interest income	Interest expenses	Net interest income	Dividend of equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(9)	8	(18)	-	-	(18)
Lending and deposits	490	(11)	501	-	-	501
Repo transactions and reverse repurchase lending	(43)	(34)	(9)	-	3	(6)
Subordinated debt	-	89	(89)	-	-	(89)
Other financial instruments	22	25	(3)	-	-	(3)
Total	**460**	**77**	**383**	**-**	**3**	**386**
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue	5,963	3,689	2,274	-	30	2,304
Bonds	121	-	121	-	10	131
Equities	-	-	-	22	73	95
Derivative financial instruments	(97)	-	(97)	-	301	204
Total	**5,987**	**3,689**	**2,298**	**22**	**414**	**2,734**
Foreign currency translation adjustment					27	27
Net interest income and value adjustments	**6,447**	**3,766**	**2,682**	**22**	**443**	**3,147**

Q1/2017	Interest income	Interest expenses	Net interest income	Dividend of equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(9)	5	(14)	-	-	(14)
Lending and deposits	468	2	465	-	-	465
Subordinated debt	-	90	(90)	-	-	(90)
Other financial instruments	25	14	11	-	-	11
Total	**484**	**112**	**372**	**-**	**-**	**372**
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue	6,396	3,980	2,417	-	100	2,517
Repo transactions and reverse repurchase lending	(25)	(31)	6	-	(0)	6
Bonds	205	-	205	-	407	612
Equities	-	-	-	32	91	123
Investment properties	-	-	-	-	(1)	(1)
Derivative financial instruments	(95)	-	(95)	-	625	531
Total	**6,481**	**3,948**	**2,533**	**32**	**1,223**	**3,788**
Foreign currency translation adjustment					20	20
Net interest income and value adjustments	**6,966**	**4,060**	**2,905**	**32**	**1,242**	**4,180**

NOTES

DKK million

Nykredit A/S Q1/2017	Nykredit A/S Q1/2018		Nykredit Group Q1/2018	Nykredit Group Q1/2017
		6. INTEREST INCOME		
-	-	Receivables from credit institutions and central banks	(16)	(11)
-	-	Loans, advances and other receivables	4,158	4,403
-	-	Administration margin income	2,259	2,438
		Bonds		
-	-	- self-issued covered bonds (SDOs, ROs)	65	78
-	-	- other covered bonds	75	149
-	-	- government bonds	14	20
-	-	- other bonds	30	41
		Derivative financial instruments		
-	-	- foreign exchange contracts	12	17
-	-	- interest rate contracts	(108)	(108)
-	-	- equity contracts	(1)	(3)
-	-	- other contracts	(0)	(0)
-	-	Other interest income	22	25
-	**-**	**Total**	**6,509**	**7,048**
-	-	Set-off of interest from self-issued covered bonds – note 7	(65)	(78)
-	-	Set-off of interest from self-issued other bonds – note 7	3	(4)
-	**-**	**Total**	**6,447**	**6,966**
		Of which interest income from reverse repurchase lending entered as:		
-	-	Receivables from credit institutions and central banks	(7)	(2)
-	-	Loans, advances and other receivables	(36)	(23)
		7. INTEREST EXPENSES		
0	0	Credit institutions and central banks	0	(3)
-	-	Deposits and other payables	(38)	(21)
-	-	Bonds in issue	3,751	4,062
-	-	Subordinated debt	89	90
-	-	Other interest expenses	25	14
0	**0**	**Total**	**3,827**	**4,143**
-	-	Set-off of interest from self-issued covered bonds – note 6	(65)	(78)
-	-	Set-off of interest from self-issued other bonds – note 6	3	(4)
0	**0**	**Total**	**3,766**	**4,060**
		Of which interest expenses from repo transactions entered as:		
-	-	Credit institutions and central banks	(8)	(8)
-	-	Deposits and other payables	(26)	(23)

DKK million

Nykredit A/S			Nykredit Group	
Q1/2017	Q1/2018		Q1/2018	Q1/2017
		8. VALUE ADJUSTMENTS		
		Assets measured at fair value through profit or loss		
-	-	Mortgage loans, a)	(886)	2,625
-	-	Totalkredit mortgage loan funding, a)	(0)	0
-	-	Other loans, advances and receivables at fair value, b)	3	(0)
-	-	Bonds, b)	10	407
-	-	Equities, b)	73	91
-	-	Investment properties	-	(1)
-	-	Foreign exchange	27	20
-	-	Foreign exchange, interest rate and other contracts as well as derivative financial instruments, b)	301	625
		Liabilities measured at fair value through profit or loss		
-	-	Bonds in issue, a)	916	(2,525)
-	-	Other liabilities	-	-
-	**-**	**Total**	**443**	**1,242**

a) Financial assets and liabilities classified at fair value on initial recognition.
b) Financial assets and liabilities classified under the trading book.

Q1/2017	Q1/2018		Q1/2018	Q1/2017
		9. STAFF AND ADMINISTRATIVE EXPENSES		
1	2	Remuneration of Board of Directors and Executive Board	15	15
-	0	Staff expenses	724	664
2	4	Other administrative expenses	394	415
3	**6**	**Total**	**1,134**	**1,095**
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
1	1	Fees	3	2
		Executive Board		
-	-	Base salaries	10	10
-	1	Variable remuneration	1	-
-	-	Pensions	2	4
1	**2**	**Total**	**15**	**15**
		Staff expenses		
-	-	Salaries	561	508
-	-	Pensions	63	62
-	-	Payroll tax	96	89
-	-	Other social security expenses	4	6
-	**-**	**Total**	**724**	**664**
		Number of staff		
-	-	Average number of staff for the financial period, full-time equivalent	3,376	3,560
		10. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
		Intangible assets		
-	-	- amortisation	16	25
		Property, plant and equipment		
-	-	- depreciation	10	21
-	**-**	**Total**	**26**	**46**

DKK million

Nykredit Group

11. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES

	Loans and advances 2018	Loans and advances 2017	Guarantees 2018	Guarantees 2017	Credit institutions and other 2018	Credit institutions and other 2017	Total 2018	Total 2017
Total impairment provisions								
Beginning of period	**7,857**	**8,288**	**58**	**52**	**-**	**44**	**7,916**	**8,384**
Impact following implementation of IFRS 9	506		62		3		571	
Balance, 1 January 2018	**8,363**		**120**		**3**		**8,487**	
New impairment provisions as a result of additions and change in credit risk	2,636	1,655	85	8	1		2,723	1,663
Releases as a result of prepayments and change in credit risk	2,727	1,562	18	10	2	-	2,747	1,572
Impairment provisions written off	241	282	-		-		241	282
Transferred to "Impairment provisions for properties acquired by foreclosure"	7	49	-		-	-	7	49
Total provisions for impairment of loans, advances and receivables, and for guarantees	**8,025**	**8,051**	**187**	**49**	**2**	**44**	**8,214**	**8,144**
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		94		(2)		-		91
Change in impairment provisions for loans and advances (stages 1-3)	(90)		67		(1)		(23)	-
Write-offs for the period, not previously provided for	80	34	-		-		80	34
Recoveries on claims previously written off	13	67					13	67
Total	**(23)**	**61**	**67**	**(2)**	**(1)**	**-**	**44**	**58**
Value adjustment of assets in temporary possession	(17)	(4)					(17)	(4)
Value adjustment of claims previously written off	15	(19)					15	(19)
Losses offset, cf partnership agreement concluded	(49)	(57)					(49)	(57)
Earnings impact, Q1	**(73)**	**(19)**	**67**	**(2)**	**(1)**	**-**	**(8)**	**(21)**

DKK million

Nykredit Group

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

2018: Total impairment provisions by stage

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Total impairment provisions, end-2017 (Annual Report for 2017)				7,857
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January from implementation of IFRS 9				571
Total, 1 January 2018	**1,474**	**1,993**	**5,020**	**8,486**
Impairment provisions for new loans and advances (additions)	22	64	140	226
Additions as a result of change in credit risk	1,027	701	769	2,497
Releases as a result of change in credit risk	951	943	853	2,747
Previously written down for impairment, now written off	-	-	248	248
Total impairment provisions, end of period	**1,572**	**1,814**	**4,828**	**8,214**
Impairment provisions, end of period, are attributable to:				
Mortgage lending	1,097	1,610	2,536	5,242
Bank lending	475	205	2,292	2,971
Earnings impact, Q1/2018	**99**	**(179)**	**56**	**(23)**

2018: Total impairment provisions by stages regarding loans and advances at fair value through profit or loss

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Total, 1 January 2018	**975**	**1,791**	**2,801**	**5,567**
Impairment provisions for new loans and advances (additions)	1	5	96	103
Additions as a result of change in credit risk	797	654	471	1,922
Releases as a result of change in credit risk	677	841	668	2,185
Previously written down for impairment, now written off	-	-	164	164
Total impairment provisions, end of period	**1,097**	**1,610**	**2,536**	**5,242**
Impairment provisions, end of period, are attributable to:				
Mortgage lending	1,097	1,610	2,536	5,242
Earnings impact, Q1/2018	**121**	**(182)**	**(100)**	**(161)**

DKK million

Nykredit Group

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

2018: Provisions by stage regarding loans and advances at amortised cost	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)		Total impairment provisions
Total impairment provisions, end-2017 (Annual Report for 2017)					2,290
Provisions for guarantees, end-2017 (Annual Report for 2017)					58
Adjustment at 1 January from implementation of IFRS 9					571
Total, 1 January 2018	**499**	**202**	**2,219**		**2,919**
Impairment provisions for new loans and advances (additions)	20	59	44		124
Additions as a result of change in credit risk	230	46	298		575
Releases as a result of change in credit risk	274	103	186		562
Previously written down for impairment, now written off	-	-	84		84
Total impairment provisions, end of period	**475**	**205**	**2,292**		**2,971**
Impairment provisions, end of period, are attributable to:					
Earnings impact, Q1/2018	**(22)**	**3**	**157**		**137**

2017: Impairment provisions	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total impairment provisions
Impairment provisions, beginning of period	**6,003**	**2,285**	**44**	**52**	**8,384**
Additions as a result of change in credit risk	616			8	624
Releases as a result of change in credit risk	(535)	13	-	(10)	(533)
Previously written down for impairment, now written off	(49)				(49)
Other changes	(282)				(282)
Total impairment provisions, 31 March 2017	**5,753**	**2,298**	**44**	**49**	**8,144**
Earnings impact, Q1/2017	**81**	**13**	**-**	**(2)**	**91**

DKK million

Nykredit Group

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

Q1/2018: Total impairment provisions by loans and advances	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Loans and advances				
Bank and mortgage lending, gross	1,215,423	37,938	9,528	1,262,890
Impairment provisions, end of period	1,499	1,776	4,752	8,026
Loans and advances, carrying amount	**1,213,924**	**36,163**	**4,776**	**1,254,864**
Guarantees and loan commitments				
Bank lending	18,511	390	191	19,093
Impairment provisions, end of period	73	39	76	187
Guarantees and loan commitments, carrying amount	**18,439**	**351**	**116**	**18,906**

Q1/2017: Total impairment provisions by loans and advances	Individual impairment provisions	Collective impairment provisions	Guarantees	Total impairment provisions
Loans and advances				
Bank and mortgage lending, gross	20,482	128,679	7,135	156,297
Impairment provisions, end of period	5,753	2,298	49	8,100
Loans and advances, carrying amount	**14,729**	**126,382**	**7,086**	**148,197**

Nykredit A/S Q1/2017	Nykredit A/S Q1/2018	DKK million	Nykredit Group Q1/2018	Nykredit Group Q1/2017
		11. IMPAIRMENT PROVISIONS FOR LOANS, ADVANCES AND RECEIVABLES (CONTINUED)		
		11 d. Impairment provisions for properties acquired by foreclosure		
-	-	**Impairment provisions, beginning of period**	139	272
-	-	Transfer from impairment provisions for loans and advances	7	49
-	-	Impairment provisions for the period	16	15
-	-	Impairment provisions reversed	(23)	(19)
-	-	Impairment provisions written off	(23)	(86)
-	**-**	**Impairment provisions, end of period**	**117**	**232**
		Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".		
		12. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
-	-	Profit from investments in associates	1	4
2,289	1,625	Profit from investments in Group enterprises	-	-
2,289	**1,625**	**Total**	**1**	**4**
		13. TAX		
22.0	22.0	Current tax rates, %	22.0	22.0
13.6	22.1	Permanent deviations	2.8	0.6
8.4	**(0.1)**	**Effective tax rate, %**	**19.2**	**21.4**
		Permanent deviations are driven by investments in Group enterprises and associates as well as equities available for sale in Q1/2017.		

				DKK million
Nykredit A/S				Nykredit Group
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		14. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
-	-	Receivables from central banks	13,645	34,058
-	85	Receivables from credit institutions	9,714	9,671
-	-	Reverse transactions with central banks	-	231
-	-	Reverse repurchase lending to credit institutions	7,991	2,002
-	**85**	**Total**	**31,349**	**45,961**
		15. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
-	-	Mortgage loans	1,168,690	1,163,879
-	-	Arrears and outlays	466	432
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	-	27,566
-	**-**	**Total**	**1,169,156**	**1,191,877**
		On implementation of IFRS 9 reverse repurchase lending to undertakings other than credit institutions and central banks was reclassified to loans and advances and other receivables at amortised cost.		
		15 a. Mortgage loans		
-	**-**	**Balance, beginning of period, nominal value**	**1,138,109**	**1,107,135**
-	-	New loans	51,888	217,933
-	-	Indexation	102	120
-	-	Foreign currency translation adjustment	(1,011)	(428)
-	-	Ordinary principal payments	(6,224)	(25,394)
-	-	Prepayments and extraordinary principal payments	(38,805)	(161,257)
-	**-**	**Balance, end of period, nominal value**	**1,144,059**	**1,138,109**
-	-	Loans transferred relating to properties in temporary possession	(25)	(36)
-	-	Loans assumed by the Danish Agency for Governmental Management	(0)	(0)
-	**-**	**Total**	**1,144,034**	**1,138,073**
-	-	Adjustment for interest rate risk	29,715	31,117
-	-	- of which adjustment relating to sold foreign portfolio	(200)	(200)
		Adjustment for credit risk		
-	-	Impairment provisions	(5,059)	(5,311)
-	**-**	**Balance, end of period, fair value**	**1,168,690**	**1,163,879**
		As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
-	-	Supplementary guarantees totalling	63,776	63,479
-	-	Interim loan guarantees totalling	18,302	18,776
-	-	Mortgage registration guarantees totalling	22,090	25,792

DKK million				
Nykredit A/S				Nykredit Group
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		15. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)		
		15 b. Arrears and outlays		
-	-	Arrears before impairment provisions	422	340
-	-	Outlays before impairment provisions	227	348
-	-	Individual impairment provisions for arrears and outlays	(183)	(256)
-	**-**	**Total**	**466**	**432**
		16. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	-	Bank lending	59,910	58,034
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	36,726	-
-	-	Mortgage loans	16	16
-	-	Other loans and advances	330	345
-	**-**	**Balance, end of period**	**96,982**	**58,395**
		Adjustment for credit risk		
-	-	Impairment provisions	(2,783)	(2,290)
-	**-**	**Balance after impairment, end of period**	**94,200**	**56,105**
-	-	Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 23	(18)	(18)
-	**-**	**Total**	**94,182**	**56,087**

In connection with the implementation of IFRS 9 total impairment provisions increased by DKK 566m, impacting the accounting balance as at 1 January 2018. Also, reverse repurchase lending previously measured at fair value is reclassified to loans, advances and other receivables at amortised cost.

NOTES

DKK million

Nykredit A/S			Nykredit Group	
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		17. BONDS AT FAIR VALUE		
-	-	Self-issued SDOs	75,187	88,418
-	-	Self-issued RO's	25,757	34,324
-	-	Self-issued corporate bonds	391	722
-	-	Self-issued senior debt	199	200
-	-	Other covered bonds	68,411	80,094
-	-	Government bonds	9,642	12,031
-	-	Other bonds	5,028	5,023
-	**-**	**Total**	**184,616**	**220,812**
-	-	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 22	(75,171)	(88,402)
-	-	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 23	(16)	(16)
-	-	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 22	(25,757)	(34,324)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 23	(391)	(722)
-	-	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 22	(199)	(200)
-	**-**	**Total**	**83,082**	**97,149**
-	-	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	14,692	28,736
		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.		
		Collateral security was provided on an arm's length basis.		
		18. EQUITIES		
-	-	Equities measured at fair value through profit or loss, cf the Annual Report for 2017	2,526	2,526
-	-	Transferred from equities available for sale	2,450	-
-	**-**	**Total**	**4,977**	**2,526**
-	-	Equities available for sale, cf the Annual Report for 2017	2,450	2,450
-	-	Transferred to equities measured at fair value through profit or loss	(2,450)	-
-	**-**	**Total**	**-**	**2,450**
		In connection with the implementation of IFRS 9 equities available for sale" were reclassified as equities measured at fair value through profit or loss in the Nykredit Realkredit Group's financial statements. The change will not affect the balance sheet.		
		19. OTHER ASSETS		
-	-	Interest and commission receivable	3,397	3,489
-	-	Positive market value of derivative financial instruments	18,733	19,269
-	-	Defined benefit plans	309	327
0	1	Other assets	3,817	3,352
0	**1**	**Total**	**26,255**	**26,437**

DKK million

Nykredit A/S			Nykredit Group	
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		20. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
79	43	Payables to credit institutions	6,592	6,353
-	-	Payables to central banks	4,368	3,337
-	-	Repo transactions with credit institutions	13,671	3,398
-	-	Repo transactions with central banks	-	231
79	**43**	**Total**	**24,630**	**13,319**
		21. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	61,954	64,528
-	-	At notice	810	1,286
-	-	Time deposits	4,368	7,484
-	-	Special deposits	2,790	2,616
-	-	Repo deposits	17,468	-
-	**-**	**Total**	**87,390**	**75,914**
		22. BONDS IN ISSUE AT FAIR VALUE		
-	-	ROs	163,289	192,360
-	-	SDOs	1,103,025	1,100,930
-	-	Senior secured debt	4,957	4,981
-	-	Senior unsecured debt	3,749	3,748
-	**-**	**Total**	**1,275,021**	**1,302,019**
-	-	Self-issued bonds transferred from "Bonds at fair value" – note 17	(105,099)	(122,926)
-	**-**	**Total**	**1,169,922**	**1,179,093**
		22 a. ROs		
-	-	ROs at nominal value	154,459	183,226
-	-	Fair value adjustment	8,831	9,134
-	**-**	**ROs at fair value**	**163,289**	**192,360**
-	-	Self-issued ROs transferred from "Bonds at fair value" – note 17	(25,757)	(34,324)
-	**-**	**Total**	**137,532**	**158,035**
-	-	Of which pre-issuance	1	44
-	-	ROs redeemed and maturing at next creditor payment date	11,528	34,354
		22 b. SDOs		
-	-	SDOs at nominal value	1,081,958	1,078,747
-	-	Fair value adjustment	21,067	22,183
-	**-**	**SDOs at fair value**	**1,103,025**	**1,100,930**
-	-	Self-issued SDOs transferred from "Bonds at fair value" – note 17	(79,143)	(88,402)
-	**-**	**Total**	**1,023,882**	**1,012,528**
-	-	Of which pre-issuance	4,899	4,544
-	-	SDOs redeemed and maturing at next creditor payment date	61,127	71,305

			DKK million	
Nykredit A/S			Nykredit Group	
31.12.2017	31.03.2018		31.03.2018	31.12.2017
		22. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)		
		22 c. Senior secured debt		
-	-	Senior secured debt at nominal value	4,694	4,690
-	-	Fair value adjustment	263	291
-	**-**	**Senior secured debt at fair value**	**4,957**	**4,981**
-	-	Self-issued senior secured debt transferred from "Bonds at fair value" – note 17	(199)	(200)
-	**-**	**Total**	**4,759**	**4,781**
-	-	Senior secured debt maturing at next creditor payment date	-	-
		22 d. Senior unsecured debt		
-	-	Senior unsecured debt at nominal value	3,725	3,723
-	-	Fair value adjustment	23	26
-	**-**	**Total**	**3,749**	**3,748**
		23. BONDS IN ISSUE AT AMORTISED COST		
-	-	Corporate bonds	5,798	7,196
-	-	SDOs	16	16
-	-	Senior secured debt	3,728	3,735
-	-	Senior unsecured debt	13,341	13,314
-	-	Other securities	27	27
-	**-**	**Total**	**22,911**	**24,288**
-	-	Self-issued corporate bonds transferred from "Bonds at fair value" – note 17	(391)	(722)
-	-	Self-issued SDOs transferred from "Bonds at fair value" – note 17	(16)	(16)
-	-	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 16	(18)	(18)
-	**-**	**Total**	**22,486**	**23,532**
		24. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	-	Repo transactions with undertakings other than credit institutions and central banks	-	16,714
-	-	Negative securities portfolios	1,490	2,307
-	**-**	**Total**	**1,490**	**19,021**
		25. OTHER LIABILITIES		
-	-	Interest and commission payable	7,746	8,457
-	-	Negative market value of derivative financial instruments	12,728	12,905
13	9	Other	3,723	3,898
13	**9**	**Total**	**24,198**	**25,260**

Nykredit A/S 31.12.2017	Nykredit A/S 31.03.2018	DKK million	Nykredit Group 31.03.2018	Nykredit Group 31.12.2017
		26. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.		
		Subordinate loan capital		
-	-	Nom EUR 600m. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down	4,585	4,584
-	-	Nom EUR 800m. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years.	5,990	5,986
-	-	Nom EUR 50m. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months	373	372
-	**-**	**Total subordinate loan capital**	**10,947**	**10,942**
-	-	Portfolio of self-issued bonds	(3)	-
-	**-**	**Total subordinated debt**	**10,944**	**10,942**
-	-	Subordinated debt that may be included in own funds	6,589	8,300
		27. OFF-BALANCE SHEET ITEMS		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
-	-	Contingent liabilities	6,376	7,055
-	-	Other commitments	8,381	8,443
-	**-**	**Total**	**14,757**	**15,498**
		27 a. Contingent liabilities		
-	-	Financial guarantees	768	1,362
-	-	Registration and refinancing guarantees	94	108
-	-	Other contingent liabilities	5,513	5,585
-	**-**	**Total**	**6,376**	**7,055**
		"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
		27 b. Other commitments		
-	-	Irrevocable credit commitments	6,488	6,617
-	-	Other	1,893	1,826
-	**-**	**Total**	**8,381**	**8,443**

27. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

Owing to its size and business scope, the Nykredit Group is continuously involved 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 Group's financial position.

Nykredit 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.

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 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.

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.

Nykredit Realkredit A/S is jointly taxed in Denmark with Forenet Kredit as the administration company. This company has unlimited liability and is jointly and severally liable for Danish corporation taxes and taxes at source payable on dividends, interest and royalties by the jointly taxed companies. The total known net liability with respect to corporation tax and tax at source payable by the jointly taxed companies appears from the financial statements of Forenet Kredit. As a result of any later corrections to the income subject to joint taxation, tax at source etc, the company may be liable for a larger amount.

Nykredit Realkredit A/S is liable for the obligations of the pension fund Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1/2018.

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, 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 Q1/2018 include:

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

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

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, no later than when Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, cf section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 1.7bn as at 31 March 2018. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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

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

Nykredit Realkredit A/S has granted loans of DKK 2.0bn to Totalkredit A/S in the form of subordinated debt and DKK 4.0bn in the form of Additional Tier 1 capital.

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.

Nykredit Realkredit contributed DKK 2.0bn to Nykredit Bank A/S in the form of Tier 2 capital.

Transaction between Nykredit Ejendomme A/S and the Kalvebod II Group

In Q1/2018 Nykredit Ejendomme A/S sold properties to a company in the Kalvebod II Group at a market value of DKK 218m. Both companies are wholly owned by Nykredit Realkredit A/S.

29. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

Bonds not traded in the past three trading days belong to this category. The valuation is based on the most recent observed price, and adjustments are made for subsequent changes in market conditions, eg by including transactions in similar instruments (matrix pricing). Redeemed bonds belong 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.

Funding Valuation Adjustment (FVA) for the valuation of derivatives is thus 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 441m at 31 March 2018 against a negative DKK 366m at end-2017.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 31 March 2018, the non-amortised minimum margin amounted to DKK 156m against DKK 157m at end-2017. With regard to liquidity and credit risk, DKK 214m for end-March 2018 and DKK 216m for 2017 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

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

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

29. FAIR VALUE DISCLOSURES (CONTINUED)

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 110m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 March 2018, the proportion was thus 2.2% compared with 1.2% at end-2017. The proportion of financial liabilities was 0.0% against 0.0% at end-2017.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets, DKK 4.1bn (2017: DKK 4.0bn) belong to this category, thus accounting for a limited part of 0.3% (end-2017: 0.3%). Of financial liabilities, DKK 0.0bn (2017: DKK 0.0bn) is attributable to this category, thus accounting for 0.0% (end-2017: 0.0%).

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 415m at 31 March 2018 (0.56% of equity at 31 March 2018). The earnings impact for 2017 was estimated at DKK 402m (0.65% 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 resulted from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In Q1/2018 financial assets of DKK 13.4bn were transferred from Listed prices to Observable inputs and DKK 5.7bn from Observable inputs to Listed prices. Financial liabilities of DKK 0.2bn were transferred from Listed prices to Observable inputs and DKK 0.0bn from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by "Listed prices") are transferred to "Observable inputs" on the last day before the coupon date, as there is no access to official prices in active markets. At 31 March 2018 the amount was DKK 0.0bn against DKK 2.3bn at end-2017.

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

DKK million

Nykredit Group

29. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 March 2018

Financial assets:	Listed prices	Observable inputs	Unobserva-ble inputs	Total fair value
- bonds at fair value	37,539	45,543	-	83,082
- equities measured at fair value through profit or loss	2,458	-	2,732	5,190
- positive fair value of derivative financial instruments	78	17,449	1,205	18,733
- mortgage loans, arrears and outlays	-	1,169,156	-	1,169,156
- owner-occupied properties	-	-	209	209
Total	**40,076**	**1,232,147**	**4,146**	**1,276,369**
Percentage	**3.1**	**96.5**	**0.3**	**100.0**
Financial liabilities:				
- other non-derivative financial liabilities at fair value including negative securities portfolios	1,103	387	-	1,490
- negative fair value of derivative financial instruments	67	12,661	-	12,728
- bonds in issue at fair value	1,166,102	3,820	-	1,169,922
Total	**1,167,271**	**16,869**	**-**	**1,184,140**
Percentage	**98.6**	**1.4**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	**273**	**22**	**2,623**	**1,104**	**4,022**
Value adjustment recognised through profit or loss	(14)	-	98	52	136
Purchases for the period	-	-	36	-	36
Sales for the period	(50)	-	(25)	(5)	(80)
Transferred from Listed prices and Observable inputs[1]	-	-	-	(66)	(66)
Transferred to Listed prices and Observable inputs[2]	-	(22)	-	121	99
Fair value, end of period, assets	**209**	**-**	**2,732**	**1,205**	**4,146**

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

DKK million

Nykredit Group

29. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2017

Financial assets:	Listed prices	Observable inputs	Unobserva-ble inputs	Total fair value
- bonds at fair value	47,883	49,243	22	97,149
- equities measured at fair value through profit or loss	918	-	1,608	2,526
- positive fair value of derivative financial instruments	48	18,117	1,104	19,269
- reverse repurchase lending to credit institutions and central banks	-	2,233	-	2,233
- other reverse repurchase lending	-	27,566	-	27,566
- mortgage loans, arrears and outlays	-	1,164,311	-	1,164,311
- equities available for sale	1,435	-	1,015	2,450
- owner-occupied properties	-	-	223	223
- investment properties	-	-	50	50
Total	**50,284**	**1,261,470**	**4,022**	**1,315,777**
Percentage	**3.8**	**95.9**	**0.3**	**100**
Financial liabilities:				
- other non-derivative financial liabilities at fair value including negative securities portfolios	200	2,107	-	2,307
- negative fair value of derivative financial instruments	31	12,874	-	12,905
- repo transactions with credit institutions and central banks	-	3,629	-	3,629
- other repo transactions	-	16,714	-	16,714
- bonds in issue at fair value	1,178,585	4,219	-	1,182,804
Total	**1,178,816**	**39,543**	**-**	**1,218,360**
Percentage	**96.8**	**3.2**	**-**	**100**

Assets and liabilities measured on the basis of unobservable inputs	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	**664**	**242**	**2,492**	**587**	**3,986**
Value adjustment recognised through profit or loss	7	3	197	112	319
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	72	-	72
Purchases for the year	-	0	226	(43)	184
Sales for the year	(399)	(149)	(365)	-	(913)
Transferred from Listed prices and Observable inputs[1]	-	-	-	698	698
Transferred to Listed prices and Observable inputs[2]	-	(74)	-	(251)	(325)
Fair value, end of period, assets	**273**	**22**	**2,623**	**1,104**	**4,022**

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

NOTES

Nykredit Group	Q1/ 2018	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014
					DKK million
30. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	2,682	2,905	2,827	3,054	2,859
Net fee income	(97)	(51)	(50)	57	(81)
Net interest and fee income	**2,585**	**2,855**	**2,777**	**3,111**	**2,778**
Value adjustments	443	1,242	(774)	(724)	(153)
Other operating income	217	44	40	47	43
Staff and administrative expenses	1,134	1,095	1,114	1,140	1,195
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	26	46	48	66	53
Other operating expenses	37	40	40	18	27
Impairment charges for loans, advances and receivables	(8)	(21)	(51)	329	515
Profit (loss) from investments in associates and Group enterprises	1	4	(0)	(0)	(0)
Profit before tax	**2,057**	**2,985**	**894**	**881**	**881**
Tax	395	639	191	196	198
Profit for the period	**1,662**	**2,346**	**703**	**685**	**683**
Value adjustment and reclassification of strategic equities against equity	-	(2)	(16)	157	157
SUMMARY BALANCE SHEET, END OF PERIOD	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Assets					
Cash balances and receivables from credit institutions and central banks	37,589	40,240	28,798	70,932	38,690
Mortgage loans at fair value	1,168,690	1,133,497	1,122,218	1,137,833	1,142,380
Bank loans excluding reverse repurchase lending	57,128	56,254	48,972	49,404	48,078
Bonds and equities	88,272	103,043	116,892	104,795	110,300
Remaining assets	66,386	57,185	83,287	97,691	88,307
Total assets	**1,418,065**	**1,390,219**	**1,400,166**	**1,460,655**	**1,427,755**
Liabilities and equity					
Payables to credit institutions and central banks	24,630	17,885	44,015	38,860	49,174
Deposits and other payables	87,390	67,733	59,571	67,716	68,575
Bonds in issue at fair value	1,169,922	1,146,919	1,135,251	1,181,483	1,130,708
Subordinated debt	10,944	11,010	11,240	11,417	10,913
Remaining liabilities	49,205	73,379	83,932	97,953	108,805
Equity	75,974	73,293	66,157	63,227	59,581
Total liabilities and equity	**1,418,065**	**1,390,219**	**1,400,166**	**1,460,655**	**1,427,755**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,376	7,185	6,391	8,768	7,420
Other commitments	8,381	5,901	6,969	5,580	7,847
FINANCIAL RATIOS[1]					
Total capital ratio, %	22.6	23.9	24.0	18.9	18.3
Tier 1 capital ratio, %	20.7	20.6	20.6	17.6	18.3
Return on equity before tax, %	2.7	4.1	1.4	1.7	1.8
Return on equity after tax, %	2.1	3.3	1.1	1.4	1.4
Income:cost ratio	2.7	3.6	1.8	1.7	1.6
Foreign exchange position, %	0.4	0.2	0.6	0.1	1.8
Loans and advances:equity (loan gearing)	16.6	16.6	18.2	19.3	20.7
Growth in loans and advances for the period, %	1.4	0.1	(0.6)	(0.7)	(1.3)
Total impairment provisions, %	0.64	0.66	0.68	0.75	0.68
Impairment charges for the period, %	0.00	0.00	0.00	0.03	0.04
Return on capital employed, %	0.12	0.17	0.05	0.05	0.05

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 53 in the Annual Report for 2017.

DKK million

Nykredit A/S	Q1/ 2018	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014
30. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	(0)	-	-	-
Net fee income	-	-	-	-	-
Net interest and fee income	**(0)**	**(0)**	**-**	**-**	**-**
Staff and administrative expenses	6	3	2	1	1
Profit from investments in associates	1,625	2,289	630	821	834
Profit before tax	**1,619**	**2,286**	**629**	**819**	**833**
Tax	(1)	(0)	-	(0)	(0)
Profit for the period	**1,620**	**2,287**	**629**	**820**	**834**
SUMMARY BALANCE SHEET, END OF PERIOD	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Assets					
Cash balances and receivables from credit institutions and central banks	85	-	12	17	23
Remaining assets	16	5	9	8	5
Investments in Group enterprises	72,145	69,478	62,311	59,446	59,553
Total assets	**72,246**	**69,483**	**62,331**	**59,471**	**59,581**
Liabilities and equity					
Payables to credit institutions and central banks	43	2	-	-	-
Remaining liabilities	40	7	-	1	1
Equity	72,163	69,474	62,331	59,470	59,581
Total liabilities and equity	**72,246**	**69,483**	**62,331**	**59,471**	**59,581**
OFF-BALANCE SHEET ITEMS					
Other commitments	-	-	-	-	-
FINANCIAL RATIOS[1]					
Total capital ratio, %	26.4	26.1	27.0	27.0	26.9
Tier 1 capital ratio, %	26.4	26.1	27.0	27.0	26.9
Return on equity before tax, %	2.2	3.3	1.0	1.4	1.4
Return on equity after tax, %	2.2	3.3	0.8	1.4	1.4
Income:cost ratio	254.1	810.0	407.3	679.5	800.5
Return on capital employed, %	2.24	3.29	1.01	1.38	1.40

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 53 in the Annual Report for 2017.

DKK million

Nykredit Group

31. GROUP STRUCTURE Name and registered office	Ownership interest as %, 31 March 2018	Profit (loss) for the period in 2018	Equity, 31 March 2018	Profit (loss) for 2017	Equity, 31 December 2017
Nykredit A/S (Parent), (Copenhagen, h)	-	1,620	72,163	7,766	75,005
Nykredit Realkredit A/S, Copenhagen, a)	100	1,683	75,971	8,074	78,847
Totalkredit A/S, Copenhagen, a)	100	575	26,838	1,752	26,300
Nykredit Bank A/S, Copenhagen, b)	100	382	19,818	3,134	19,877
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	35	760	136	725
Nykredit Leasing A/S, Gladsaxe, e)	100	(26)	697	78	671
Nykredit Mægler A/S, Copenhagen, c)	100	18	44	110	137
Nykredit Ejendomme A/S, Copenhagen, d)	100	23	535	65	512
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	1	232	(3)	231
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	1	114	(6)	112
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	0	114	3	115
Nykredit Adm. V A/S, Copenhagen, f)	100	-	1	-	1

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

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

Geographical distribution of activities	Number of staff	Revenue[1]	Profit (loss) before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,364	7,371	2,066	396	-
Poland: Nykredit Realkredit A/S S.A. Oddzial w Polsce, branch, a)	12	3	(2)	-	-

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

a) Mortgage bank

b) Bank

c) Estate agency business

d) Property company

e) Leasing business

f) No activity

g) Investment management company

h) Holding company, no independent activities

Nykredit A/S is consolidated with Forenet Kredit. The financial statements of Nykredit Realkredit A/S and Forenet Kredit are available from:

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

DKK million

Nykredit Group

32. CLASSIFICATIONS AND VALUE ADJUSTMENTS AS AT 1 JANUARY 2018

	Amortised cost	Fair value with value adjustment through profit or loss	Fair value with value adjustment through other comprehensive in-come	**Balance sheet, 31 December 2017**	Reclassification	Value adjustment	**Balance sheet, 1 January 2018**
Assets							
Cash balances and receivables from credit institutions and central banks	X a)			45,798	2,233	(3)	48,028
Cash balances and receivables from credit institutions and central banks		X a)		2,233	(2,233)		-
Loans, advances and other receivables at fair value		X a)		1,191,877	(27,566)		1,164,311
Loans, advances and other receivables at amortised cost	X a) b)			56,087	27,566	(501)	83,152
Bonds at fair value		X		97,149			97,149
Equities measured at fair value through profit or loss		X		2,526	2,450		4,977
Equities available for sale			X	2,450	(2,450)		-
Other balance sheet items				9,357			9,357
Positive market value of derivatives		X		19,269			19,269
Balance sheet total				**1,426,746**	**-**	**(504)**	**1,426,242**
a) Reclassification of repo transactions					29,799		
b) Impairment charges (IFRS 9) for loans and advances measured at amortised cost						(501)	
Liabilities and equity							
Payables to credit institutions and central banks	X a)			9,689	3,629	-	13,319
Payables to credit institutions and central banks		X a)		3,629	(3,629)		-
Deposits and other payables	X a)			75,914	16,714		92,628
Bonds in issue at fair value		X		1,179,093			1,179,093
Bonds in issue at amortised cost	X			23,532			23,532
Other non-derivative financial liabilities at fair value		X a)		19,021	(16,714)		2,307
Other balance sheet items b)				24,133		(125)	24,009
Negative market value of derivatives		X		12,905			12,905
Provisions for guarantees and other liabilities				58		62	120
Equity c)				78,770		(441)	78,329
Balance sheet total				**1,426,746**	**-**	**(504)**	**1,426,242**
a) Reclassification of repo transactions					20,343		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost						(125)	
c) Change to impairment charges (IFRS 9) for loans and advances measured at amortised cost						(441)	

DKK million

Nykredit A/S

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

	Amortised cost	Fair value with value adjustment through profit or loss	Fair value with value adjustment through other comprehensive income	**Balance sheet, 31 December 2017**	Reclassification	Value adjustment	**Balance sheet, 1 January 2018**
Assets							
Cash balances and receivables from credit institutions and central banks	X a)			-	-		-
Cash balances and receivables from credit institutions and central banks		X a)		-	-		-
Loans, advances and other receivables at fair value		X a)		-	-		-
Loans, advances and other receivables at amortised cost	X a) b)			-	-	-	-
Bonds at fair value		X		-			-
Equities measured at fair value through profit or loss		X		-			-
Investments in Group enterprises b)				75,082		(441)	74,641
Other balance sheet items				14			14
Positive market value of derivatives		X		-			-
Balance sheet total				**75,096**	**-**	**(441)**	**74,655**
a) Reclassification of repo transactions					-		
b) Change in equity in Nykredit Bank A/S as a consequence of new impairment charges for loans and advances						(441)	
Liabilities and equity							
Payables to credit institutions and central banks	X a)			79	-	-	79
Payables to credit institutions and central banks		X a)		-	-		-
Deposits and other payables	X a)			-	-		-
Bonds in issue at fair value		X		-			-
Bonds in issue at amortised cost	X			-			-
Other non-derivative financial liabilities at fair value		X a)		-	-		-
Other balance sheet items				13			13
Negative market value of derivatives		X		-			-
Provisions for guarantees and other liabilities				-			-
Equity b)				75,005		(441)	74,564
Balance sheet total				**75,096**	**-**	**(441)**	**74,655**
a) Reclassification of repo transactions					-		
b) Change in equity as a consequence of new impairment charges for loans and advances						(441)	

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.