

23 August 2018

Interim Report – Nykredit Group 1 January – 30 June 2018

Michael Rasmussen, Group Chief Executive, comments on Nykredit's H1 Interim Report 2018

- Nykredit has had a successful half-year. The half-year results presented today may not quite match last year's record level, but relative to our expectations they are very satisfactory. It is particularly positive that Nykredit continues recording strong business growth. Both Nykredit Bank and Totalkredit deliver customer and lending growth, and assets under management continue to grow significantly.
- At Nykredit, we go the extra mile for homeowners – all across the country. It is therefore particularly gratifying that Nykredit Bank's homeowner customer satisfaction is rising for the fifth consecutive half-year and that Totalkredit has recorded lending growth in 94 out of 98 municipalities this year. I am also extremely pleased that with our customer benefits programme KundeKroner we now offer the lowest administration margins on the loan types most popular among Danish homeowners.

Highlights from the H1 Interim Report 2018:

- In the Annual Report for 2017, our guidance for business profit and profit before tax for 2018 was DKK 6.5-7.5 billion. We maintain our guidance, but based on events in H1/2018 we expect profit to be at the high end of the range.
- The business profit for H1/2018 declined compared with the exceptionally high profit for H1/2017, driven partly by high investment portfolio income and considerable reversals of impairment provisions.
- The Group's efficiency and profitability remain at a competitive level with a cost:income ratio of 38.1%, a return on business capital (ROAC) of 11.6% and a return on equity of 8.6%.
- Nykredit Bank's lending* and assets under management grew by 6.5% and 32.8%, respectively, from H1/2017 to H1/2018.
- Totalkredit's lending at nominal value went up by 7.4% from H1/2017 to H1/2018.

* Including secured homeowner loans transferred to Totalkredit

	DKK million		
Nykredit Group	H1/ 2018	H1/ 2017	Change
Income	6,337	7,419	-1,082
Costs	2,414	2,373	-41
Impairment charges for loans and advances	103	(448)	-551
Business profit	3,821	5,494	-1,673
Legacy derivatives	219	1,366	-1,147
Profit before tax for the period	4,040	6,860	-2,820
Tax	781	1,433	652
Profit for the period	3,259	5,427	-2,168

Contact

For further comments, please contact Jens Theil, Head of Nykredit Press Relations, at tel +45 44 55 14 50.

Nykredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Tel +45 44 55 10 00
www.nykredit.com
CVR no 12 71 92 48

CONTENTS

Group Chief Executive's Statement	3
Financial highlights	4
H1/2018 – summary	5
Financial performance in H1/2018	5
Results for Q2/2018 relative to Q1/2018	6
Outlook for 2018	7
Special accounting circumstances	7
Other	7
Uncertainty as to recognition and measurement	7
Material risks	8
Events since the balance sheet date	8
Business areas	9
Retail	10
Totalkredit Partners	12
Wholesale	14
Wealth Management	16
Group Items	17
Capital, liquidity and funding	18
Equity and own funds	18
Funding and liquidity	19
Credit ratings	21
Lending	22
Mortgage lending	23
Bank lending	25
Alternative performance measures	26
MANAGEMENT STATEMENT	27
Statement by the Board of Directors and the Executive Board on the Interim Report	27
Financial statements	28
Statements of income and comprehensive income	28
Balance sheets	30
Statement of changes in equity	32
Cash flow statement	34
Notes	35

GROUP CHIEF EXECUTIVE'S STATEMENT

The half-year results presented today are satisfactory. They may not quite match last year's record level, but are in line with expectations. 2017 was characterised by some extraordinary conditions – for example very high investment portfolio income and significant reversals of impairment provisions. This changed in 2018 but the strong business growth did not. And that is what is most important to us. All across the country, more and more customers are choosing us. Totalkredit and Nykredit Bank are both recording growth in lending.

At the same time, our costs have stabilised. In fact, we expect costs in 2018 to be lower than in 2017, a trend we find satisfactory, especially in light of the business growth recorded and our investments in development projects and compliance.

Nykredit Bank's customer satisfaction on the rise

Three years ago, Nykredit Bank launched a new banking programme, Nykredit BoligBank, specifically tailored to Danish homeowners. Since then the number of homeowners using Nykredit Bank as their everyday bank has gone up.

In recent years, the satisfaction of these very homeowner customers has but increased. Their satisfaction with Nykredit is now quite high. And the number of customers likely to recommend us is growing.

The Bank has also within the last few years renewed its propositions to business customers and wealth clients. Both areas are attracting new customers. We have recorded growth particularly in the number of wealth clients choosing to become private banking clients with Nykredit. This is evident from the strong uptrend in our assets under management.

Totalkredit provides loans all across the country

Totalkredit is continuing recent years' lending growth. In 2018 alone, lending has increased by DKK 20 billion, and now more than 750,000 homeowners have Totalkredit loans. This is naturally quite satisfactory and is especially thanks to our strong alliance with our business partners and their hard work.

We are particularly pleased that we are welcoming new customers from all parts of Denmark. Totalkredit has recorded lending growth in 94 out of 98 municipalities this year. It makes us proud to know that, in concert with our business partners, we extend loans all across Denmark – also in regions where other lenders tend to hold back.

Lowest administration margin for three years

For a year now, all homeowners with a Totalkredit mortgage loan have received discounts under our customer benefits programme KundeKroner. This has had a significant effect on their average administration margin payments, which are the lowest seen for more than three years. The programme also means that Nykredit currently offers the lowest administration margin payments on most types of mortgage loans, such as fixed-rate mortgages and ARMs with 5-year interest reset, which have the largest uptake among homeowners.

This year we have awarded discounts worth DKK 470 million. From 1 July this year, businesses with mortgage loans will receive administration margin discounts under ErhvervsKroner, a business customer benefits programme. This also includes our agricultural customers, who will receive discounts worth more than DKK 50 million in H2. Their average administration margin payments will reduce in line with those of Totalkredit's homeowner customers.

We are acutely aware of the exceptional situation in the agricultural sector after the long drought, and we are prepared to go a long way to offer solutions that are responsible and sustainable for the individual customer. The current situation does not change the fact that we have confidence in the agricultural sector. We are pleased that more farmers have become customers of Nykredit Bank, and we would be happy to welcome even more.

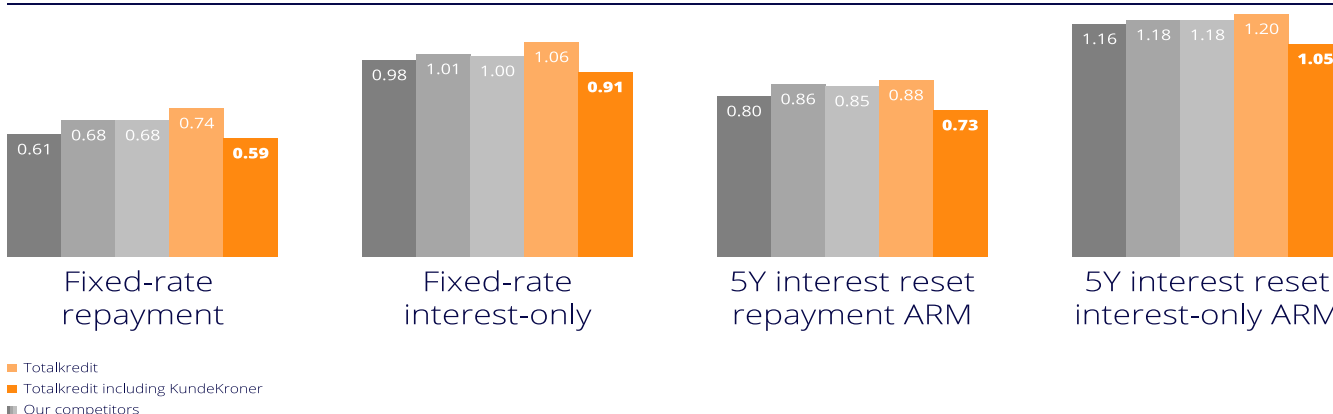
Benefits of being owned by customers

In total, we are awarding customer discounts of more than DKK 1 billion this year. Both our customer benefits programmes, guaranteed up to and including 2019, are funded by the capital contributions received from Forenet Kredit this year. We are pleased that homeowners, businesses and farmers alike feel the cash benefits of having a financial provider that is owned by its customers. We aim for the discounts to continue after 2019 and to make up a key element of our continued efforts to strengthen 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.



Michael Rasmussen
Group Chief Executive

Current prices of a new loan



All rates are listing prices of homeowner loans subject to an LTV limit of 0-80%.

So far, the current KundeKroner discount level has been guaranteed up to and including 2019. We aim for the KundeKroner discounts to continue after this time.

FINANCIAL HIGHLIGHTS


DKK million


Nykredit Group	H1/ 2018	H1/ 2017	Q2/ 2018	Q1/ 2018	2017
BUSINESS PROFIT AND PROFIT FOR THE PERIOD					
Net interest income	4,454	4,498	2,241	2,214	9,006
Net fee income	1,027	1,166	503	524	2,470
Wealth management income	670	691	357	313	1,402
Net interest from capitalisation	(176)	(204)	(86)	(90)	(360)
Trading, investment portfolio and other income	363	1,269	102	261	1,492
Income	6,337	7,419	3,116	3,222	14,010
Costs	2,414	2,373	1,218	1,196	5,067
Business profit before impairment charges	3,923	5,046	1,898	2,025	8,944
Impairment charges for loans and advances	103	(448)	110	(8)	379
Business profit	3,821	5,494	1,788	2,033	8,564
Legacy derivatives	219	1,366	195	24	1,517
Profit before tax for the period	4,040	6,860	1,983	2,057	10,080
Tax	781	1,433	386	395	2,077
Profit for the period	3,259	5,427	1,597	1,662	8,004
Other comprehensive income, value adjustment of strategic equities	-	125	-	-	(6)
Other comprehensive income, remaining items	(12)	(10)	5	(17)	1
Comprehensive income for the period	3,247	5,542	1,601	1,646	7,998
Interest on Additional Tier 1 capital charged against equity	116	115	58	58	233
SUMMARY BALANCE SHEET					
Assets	30.06.2018	30.06.2017	30.06.2018	31.03.2018	31.12.2017
Receivables from credit institutions and central banks	29,003	33,704	29,003	37,589	48,031
Mortgage loans at fair value	1,178,370	1,140,548	1,178,370	1,168,690	1,163,879
Bank loans excluding reverse repurchase lending	58,344	57,534	58,344	57,128	55,744
Bonds and equities	96,434	95,088	96,434	88,272	102,125
Remaining assets	60,131	52,823	60,131	66,386	56,967
Total assets	1,422,282	1,379,697	1,422,282	1,418,065	1,426,746
Liabilities and equity					
Payables to credit institutions and central banks	17,541	14,420	17,541	24,630	13,319
Deposits excluding repo deposits	72,314	69,442	72,314	69,922	75,914
Bonds in issue at fair value	1,179,842	1,140,474	1,179,842	1,169,922	1,179,093
Subordinated debt	10,982	10,956	10,982	10,944	10,942
Remaining liabilities	64,147	68,004	64,147	66,673	68,707
Equity	77,456	76,401	77,456	75,974	78,770
Total liabilities and equity	1,422,282	1,379,697	1,422,282	1,418,065	1,426,746
FINANCIAL RATIOS					
Profit for the period as % pa of average business capital (ROAC) ¹	11.6	20.0	11.3	11.9	14.4
Profit for the period as % pa of average equity ²	8.6	15.7	8.5	8.8	10.9
Costs as % of income	38.1	32.0	39.1	37.1	36.2
Total provisions for loan impairment and guarantees	8,058	7,434	8,058	8,214	7,915
Impairment charges for the period, %	0.01	(0.04)	0.02	(0.00)	0.03
Total capital ratio, %	23.0	23.9	23.0	22.6	23.9
Common Equity Tier 1 capital ratio, %	20.5	20.9	20.5	20.1	20.6
Internal capital adequacy requirement, %	10.1	10.1	10.1	10.3	10.2
Average number of staff, full-time equivalent	3,376	3,537	3,376	3,376	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, value adjustment of strategic equities recognised in "Other comprehensive income" has been added.

H1/2018 – SUMMARY

	Business profit, H1/2018	Earnings impact, H1/2018	Income, H1/2018
	DKK 3,821 million	DKK 3,259 million	DKK 6,337 million
	Business profit	Profit for the period	Income

	ROAC	Return on equity	Cost:income ratio
	11.6% pa	8.6% pa	38.1%
	Profit for the period as % pa of average business capital	Profit for the period as % pa of average equity	Costs as % of income

FINANCIAL PERFORMANCE IN H1/2018

The Nykredit Group delivered a satisfactory financial performance in H1/2018 with a 11.6% profit as % of business capital (ROAC).

Nykredit wants to be customers' preferred bank, always aiming to improve customer experience. This has led to a continued positive trend in the number of full-service homeowner banking (BoligBank) customers and increasing business volumes.

The Totalkredit alliance remains strong, and we saw good growth in new customers as well as loan volumes. Lending was up DKK 17 billion to DKK 549 billion, corresponding to a 3% increase since end-2017.

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

Wholesale continued to record strong demand for strategic financial advisory services and capital market transactions.

As at 13 July 2018 S&P Global Ratings revised its outlook from stable to positive on Nykredit's long-term and short-term issuer credit ratings. As at 1 August 2018 Fitch Ratings upgraded Nykredit Realkredit's and Nykredit Bank's rating on long-term senior unsecured preferred debt from A to A+. Fitch has also assigned Nykredit Bank long-term and short-term deposit ratings of A+/F1.

Profit for the period came to DKK 3,259 million against DKK 5,427 million in H1/2017, which is satisfactory and matches our expectations for 2018. The decline in profit is primarily attributable to reduced income from the investment portfolio and legacy derivatives.

Income

Total income came to DKK 6,337 million in H1/2018 against DKK 7,419 million in H1/2017.

Net interest income stood at DKK 4,454 million against DKK 4,498 million in H1/2017. Net interest income generally reflected underlying business growth, thus the decline should be seen on the back of KundeKroner discounts of DKK 470 million in H1/2018. Excluding discounts awarded under the KundeKroner benefits programme, net interest income would have risen to DKK 4,557 million.

Net fee income, chiefly from lending, including mortgage loan refinancing and other services, saw a total decrease of DKK 139 million to DKK 1,027 million. The decline should be seen in light of a high activity level in H1/2017, but also lower income from the refinancing flow.

Wealth management income amounted to DKK 670 million against DKK 691 million in H1/2017, which reflected lower client activity in Nykredit Markets compared with the high level in H1/2017, particularly in Q1.

Net interest expenses from capitalisation, which includes interest on subordinated debt, totalled DKK 176 million against DKK 204 million in H1/2017.

Trading, investment portfolio and other income, including value adjustments of investment portfolios reflected falling prices and widening interest rate spreads in H1/2018. Thus, income fell by DKK 906 million to DKK 363 million relative to a very high level in H1/2017.

Costs

The Group maintains a strong focus on building organisational efficiency, while investing significant resources in compliance and implementation of new regulatory requirements, as well as in the development of a new future-proof mortgage lending platform and broader collaboration with BEC.

Due to these large projects, total costs have risen slightly to DKK 2,414 million from DKK 2,373 million in H1/2017. However, we still expect a decline in costs for the full year. Costs as a percentage of income totalled 38.1% in H1/2018.

The average headcount declined by 161 persons, or 5%, to 3,376 compared with H1/2017.

Impairment charges for loans and advances

Impairment charges for loans and advances remained low at DKK 103 million compared with a net reversal of DKK 448 million in H1/2017.

The low impairment level resulted from favourable economic trends, benefitting most of Nykredit's customer segments. However, the summer heat and drought pose a risk to the agricultural segment, and consequently Nykredit has made a specific allowance for this.

Impairment charges for mortgage lending changed from a net reversal of DKK 240 million in H1/2017 to a net reversal of DKK 26 million.

Provisions for bank loan impairment and guarantees changed from a net reversal of DKK 207 million in H1/2017 to a charge of DKK 129 million in H1/2018.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 7,955 million at end-H1/2018.

Write-offs on mortgage and bank lending for the period were DKK 663 million against DKK 612 million in H1/2017, corresponding to 0.06% of loans and advances.

IFRS 9 was implemented with effect from 1 January 2018. For more information, please refer to note 1.

Legacy derivatives

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

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

Tax

Tax calculated on profit for the period was DKK 781 million, corresponding to 19% of profit before tax.

Balance sheet

Nominal mortgage lending was DKK 1,153 billion at end-June 2018, up DKK 15.2 billion compared with end-2017 and DKK 32.9 billion compared with end-June 2017. Totalkredit Partners and the Wholesale and Wealth Management divisions recorded lending growth, whereas Retail lending dropped by DKK 4.8 billion following run-off of customers exclusively having mortgage products and no banking relationship with Nykredit. Nykredit's lending growth was recorded across the country.

The Group's market share of total Danish mortgage lending was 31.3% at end-June 2018, which was unchanged on end-2017.

Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 63.6 billion from DKK 60.0 billion at end-2017 and DKK 59.8 billion at end-June 2017. At 30 June 2018 secured

homeowner loans transferred to Totalkredit amounted to DKK 5.2 billion against DKK 4.2 billion at end-2017.

Deposits, excluding repo deposits, was reduced by DKK 3.5 billion to DKK 72.4 billion from DKK 75.9 billion at end-2017. This resulted from a reduction in demand and fixed-term deposits, particularly driven by Wholesale and Wealth Management. Compared with H1/2017 deposits rose by DKK 2.9 billion.

Nykredit Bank's deposits exceeded lending by DKK 14.1 billion at end-June 2018 compared with DKK 20.1 billion at end-2017.

Equity

The Nykredit Group's equity stood at DKK 77.5 billion at end-June 2018 against DKK 78.8 billion at end-2017. The decline was due to the dividend distributed in March.

RESULTS FOR Q2/2018 RELATIVE TO Q1/2018

The Group recorded a profit before tax of DKK 1,983 million in Q2/2018 against DKK 2,057 million in Q1/2018.

Business profit fell to DKK 1,788 million from DKK 2,033 million in Q1. The decline was due to lower net fee income and investment portfolio income as well as higher impairment charges for loans and advances than in Q1.

Income fell by 3% relative to Q1/2018 and amounted to DKK 3,116 million, reflecting underlying business growth with increasing net interest income and Wealth Management income. Net fee income was adversely affected by lower funding income, however. Investment portfolio income decreased due to negative value adjustments on corporate bonds, caused by market turbulence that led to widening credit spreads.

Costs totalled DKK 1,218 million, up 2% on Q1.

Impairment charges for loans and advances, affected by the agricultural drought, increased compared with the previous quarter, accounting for DKK 110 million compared with a net reversal of DKK 8 million in Q1.

Legacy derivatives were a gain of DKK 195 million, up DKK 171 million on Q1.



OUTLOOK FOR 2018

At the presentation of the Annual Report for 2017, our guidance for business profit and profit before tax for 2018 was between DKK 6.5 billion and DKK 7.5 billion. We maintain our guidance, but based on events in H1/2018, including strong growth in customer activities, we now expect profit to be at the high end of the range. The most significant risk relates to impairments, particularly for agricultural customers as a result of the drought, and to investment portfolio income and derivatives as a result of, among other things, interest rate movements.

Income is still expected to be lower in 2018 than in 2017 as a result of lower gains on derivatives and investment portfolio income.

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

Impairment charges for loans and advances are still 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.

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 principle for calculation of impairment of loans, advances and provisions, which have prompted a DKK 566 million 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 1,039 million relating to impairment of mortgage lending that was recognised in the Annual Report for 2017.

Reference is made to note 1 in the Financial Statements.

OTHER

Sale of lending activities in Poland

At end-2017, Nykredit entered into an agreement to divest the last of its lending activities at its branch in Poland. The sale was concluded in June 2018, and ten staff members will be employed by the buyer after the sale.

Investment in Nordjyske Bank and sale of shares to ATP

In May 2018 Nykredit entered into a conditional agreement to purchase shares in Ringkjøbing Landbobank that Jyske Bank received in connection with the merger between Ringkjøbing Landbobank and Nordjyske Bank approved at extraordinary general meetings of the two banks and by the Danish Financial Supervisory Authority (FSA) in June 2018.

At the same time, Nykredit sold part of its shares in Ringkjøbing Landbobank to ATP.

The KundeKroner benefits programme

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

In Totalkredit A/S, the contribution of DKK 1.7 billion will go towards the customer benefits programme, KundeKroner. The contribution will secure the funding of discounts 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. As from 1 July 2018, business customers will also receive annual discounts under the KundeKroner programme of DKK 1,500 for each million kroner borrowed for the first DKK 20 million of the debt outstanding.

The DKK 0.7 billion 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 with mortgage loans in Nykredit Realkredit A/S, corresponding to an annual discount of DKK 1,500 on their administration margin payments for each million kroner borrowed for the first DKK 20 million of the debt outstanding. Business customer discounts were introduced as from 1 July 2018. For homeowner customers, part of the contribution will be used to extend the customer programme to include banking products.

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

This summer's drought continued after the balance sheet date, implying a risk of further deterioration of crop yields. There is thus a risk of additional impairment charges for Nykredit's agricultural customers for H2/2018 in addition to those recognised in the Financial Statements based on the conditions at the balance sheet date. This additional risk has been allowed for in the section Outlook for 2018.

No other events have occurred in the period up to the presentation of the H1 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:



Percentages show the share of the business divisions' business profit for H1/2018 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 refer to note 3 in 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

	DKK million	
Results – Retail	H1/ 2018	H1/ 2017
Net interest income	2,385	2,399
Net fee income	551	653
Wealth management income	249	284
Net interest from capitalisation	(123)	(137)
Trading, investment portfolio and other income	233	331
Income	3,295	3,530
Costs	1,516	1,520
Business profit before impairment charges	1,779	2,011
Impairment charges for mortgage lending	6	(175)
Impairment charges for bank lending	99	(26)
Business profit	1,674	2,211
Legacy derivatives	157	307
Profit before tax	1,830	2,518

	DKK million	
Selected balance sheet items and financial ratios, Retail	H1/ 2018	2017
Personal Banking		
Loans and advances	185,620	188,566
- of which mortgage lending, nominal value	169,348	172,901
- of which secured homeowner loans	6,568	5,548
- of which bank lending	9,704	10,117
Deposits	29,404	27,214
Gross new mortgage lending ¹	11,050	11,598
Impairment charges for the period as % of loans and advances ¹	0.08	0.02
Business Banking		
Loans and advances	253,380	255,672
- of which mortgage lending, nominal value	232,948	235,548
- of which bank lending	20,433	20,124
Deposits	17,797	19,432
Gross new mortgage lending ¹	13,969	14,293
Impairment charges for the period as % of loans and advances ¹	(0.01)	(0.10)
Total impairment provisions, end of period		
Total impairment provisions	5,670	5,603
Total impairment provisions as % of loans and advances	1.29	1.26
Provisions for guarantees	93	55

¹ For H1/2018 and H1/2017.
Other data from end-H1/2018 and end-2017.

H1 – summary

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

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

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

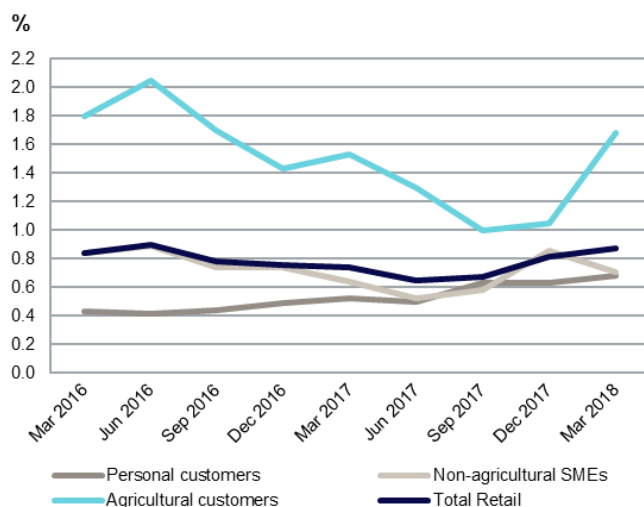
The number of new Private Banking clients and full-service homeowner banking (BoligBank) customers grew satisfactorily. Similarly, the number of new full-service business customers continued to rise as did the number of agricultural customers. This supports the trend that a growing number of farmers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

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

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

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

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 total portfolio of DKK 6.6 billion at end-H1/2018 against DKK 5.5 billion at end-2017.

Bank loans and advances, other than secured homeowner loans, provided by Retail Personal Banking declined slightly in H1/2018 compared with 2017 due to, among other things, growth in secured homeowner loans. Bank loans and advances were DKK 9.7 billion against DKK 10.1 billion at end-2017. Bank deposits rose by DKK 2.2 billion in the same period to DKK 29.4 billion.

Gross new lending in Retail Personal Banking was DKK 11.1 billion, and nominal mortgage lending was down DKK 3.6 billion to DKK 169.3 billion.

Gross new lending in Retail Business Banking was DKK 14.0 billion, while nominal mortgage lending was down DKK 2.6 billion to DKK 232.9 billion.

Bank loans and advances in Retail Business Banking increased by DKK 0.3 billion to DKK 20.4 billion, whereas deposits fell by DKK 1.6 billion to DKK 17.8 billion.

Results etc

Retail's business profit was DKK 1,674 million in H1/2018.

Compared with the same period last year, income dropped by 7% to DKK 3,295 million, driven primarily by lower trading, investment portfolio and other income, which was adversely impacted by widening yield spreads in H1/2018.

Impairment charges for loans and advances continue to reflect the positive property market trends, accounting for DKK 105 million against a net reversal of DKK 201 million in H1/2017.

Legacy derivatives generated a gain of DKK 157 million against DKK 307 million in H1/2017.

Arrears

At the March due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.87% against 0.74% at the same date in 2017.

TOTALKREDIT PARTNERS

Results – Totalkredit Partners	DKK million	
	H1/ 2018	H1/ 2017
Net interest income	1,268	1,332
Net fee income	260	244
Net interest from capitalisation	(78)	(97)
Trading, investment portfolio and other income	1	(15)
Income	1,451	1,464
Costs	276	294
Business profit before impairment charges	1,175	1,170
Impairment charges for mortgage lending	(44)	69
Business profit	1,219	1,102

Selected balance sheet items and financial ratios, Totalkredit Partners	DKK million	
	H1/ 2018	2017
Personal Banking		
Loans and advances	546,360	530,741
- of which mortgage lending, nominal value	535,022	519,818
- of which secured homeowner loans	11,338	10,923
Gross new mortgage lending ¹	57,155	48,300
Impairment charges for the period as % of loans and advances ¹	(0.01)	0.01
Business Banking		
Loans and advances	3,114	2,056
- of which mortgage lending, nominal value	3,114	2,056
Gross new mortgage lending ¹	1,128	1,174
Impairment charges for the period as % of loans and advances ¹	-	-
Total impairment provisions, end of period		
Total impairment provisions	1,265	1,382
Total impairment provisions as % of loans and advances	0.23	0.26

¹ For H1/2018 and H1/2017.
Other data from end-H1/2018 and end-2017.

H1 – summary

Totalkredit Partners focuses on further strengthening the alliance with partner banks, and in H1/2018, this resulted in:

- Continued growth in lending across the country
- An increase in KundeKroner from 0.10% to 0.15%, resulting in more customer discounts awarded under the KundeKroner benefits programme in H1/2018
- Development of joint IT solutions.

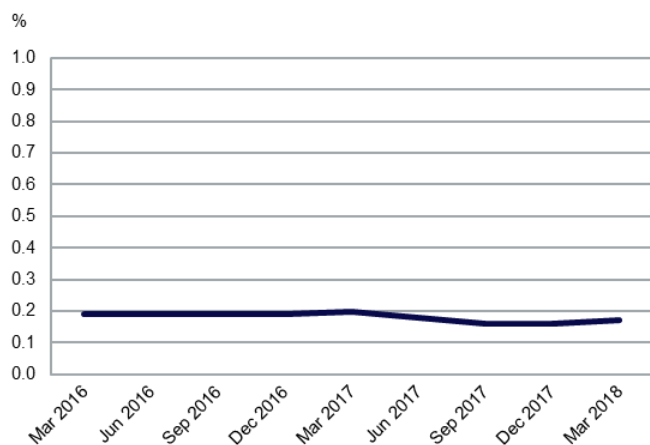
Lending to personal customers came to DKK 546.4 billion at end-H1/2018 against DKK 530.7 billion at end-2017, up 3%. The business loan portfolio was DKK 3,114 million compared with DKK 2,056 million at end-2017.

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 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 of office and retail, residential rental as well as industry and trades. 41 banks, representing the majority of partner banks having business customers with mortgage needs, have started offering business mortgages.

Arrears ratio, mortgage lending – Totalkredit Partners

75 days past due



Activities

The Totalkredit Partners loan portfolio continued to grow, from nominally DKK 532.8 billion at end-2017 to DKK 549.5 billion at end-H1/2018.

In H1/2018 Totalkredit Partners recorded gross new lending at DKK 58.3 billion against DKK 49.5 billion in H1/2017. Mortgage lending to personal customers increased by DKK 15.2 billion to DKK 535.0 billion, and secured homeowner loans grew by DKK 0.4 billion to DKK 11.3 billion. Business loans rose by DKK 1.1 billion to DKK 3.1 billion.

Loans distributed through former Totalkredit partner banks, which are now managed directly by Totalkredit, amounted to DKK 23 billion at end-H1/2018 against DKK 26 billion at end-2017.

Results etc

Totalkredit Partners's business profit rose to DKK 1,219 million against DKK 1,102 million in H1/2017.

Income amounted to DKK 1,451 million was satisfactory, considering the discounts of DKK 470 million awarded under the KundeKroner benefits programme in H1/2018.

Impairment charges for loans and advances went down from DKK 69 million to a net reversal of DKK 44 million, impacted by positive property market trends.

Arrears

At the March due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.17% against 0.20% at the same date in 2017.

WHOLESALE

	DKK million	
Results – Wholesale	H1/ 2018	H1/ 2017
Net interest income	749	720
Net fee income	211	274
Wealth management income	63	28
Net interest from capitalisation	(50)	(45)
Trading, investment portfolio and other income	223	324
Income	1,197	1,300
Costs	304	297
Business profit before impairment charges	893	1,004
Impairment charges for mortgage lending	13	(134)
Impairment charges for bank lending	(0)	(182)
Business profit	880	1,320
Legacy derivatives	63	1,059
Profit before tax	943	2,379

	DKK million	
Selected balance sheet items and financial ratios, Wholesale	H1/ 2018	2017
Lending/deposits		
Loans and advances	211,000	205,406
- of which mortgage lending, nominal value	188,794	185,734
- of which bank lending	22,206	19,672
Deposits	10,167	14,164
Gross new mortgage lending ¹	13,658	15,947
Impairment charges for the period as % of loans and advances ¹	0.01	(0.15)
Total impairment provisions, end of period		
Total impairment provisions	920	829
Total impairment provisions as % of loans and advances	0.44	0.40
Provisions for guarantees	3	3

¹ For H1/2018 and H1/2017.
Other data from end-H1/2018 and end-2017.

H1 – summary

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

- Increased bank and mortgage lending
- A satisfactory financial performance despite fierce competition on prices and terms across the market
- Strong demand for strategic financial advisory services and capital market transactions.

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

Activities

Mortgage lending amounted to DKK 188.8 billion at end-H1/2018, up DKK 3.1 billion on end-2017.

Bank lending was up DKK 2.5 billion on end-2017 to DKK 22.2 billion. Bank deposits dropped to DKK 10.2 billion.

Results etc

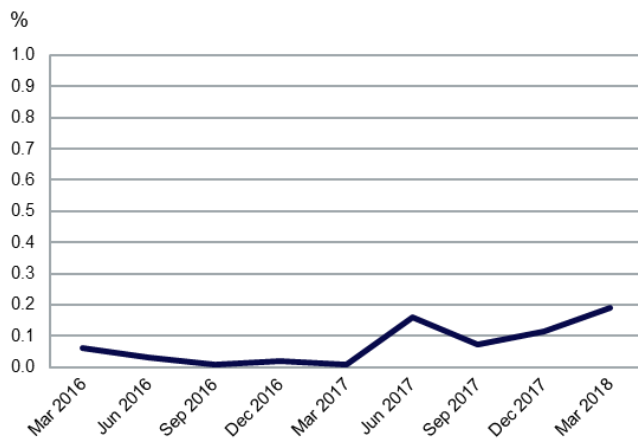
Wholesale's business profit came to DKK 880 million.

Income remained high at DKK 1,197 million, albeit lower than the high level recorded in the same period last year, particularly in Q1/2017. At the same time, investment portfolio income was somewhat lower in H1/2018 than the high level recorded in the same period last year. In H1/2018 the market was impacted by falling equity prices and widening yield spreads.

Impairment charges for loans and advances came to DKK 13 million, mainly driven by impairments for one large client.

Legacy derivatives amounted to DKK 63 million against DKK 1,059 million in H1/2017. A high level of income was recorded in H1/2017.

Arrears ratio, mortgage lending – Wholesale
75 days past due



Arrears

At the March due date, Wholesale's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.19%. The arrears ratio was 0.01% at the same date in 2017. This increase was attributable to one specific exposure in arrears and thus does not reflect a general trend.

WEALTH MANAGEMENT

	DKK million	
Results – Wealth Management	H1/ 2018	H1/ 2017
Net interest income	57	47
Net fee income	11	9
Wealth management income	350	370
Net interest from capitalisation	(3)	(3)
Trading, investment portfolio and other income	6	7
Income	421	430
Costs	220	210
Business profit before impairment charges	201	220
Impairment charges for mortgage lending	(1)	(0)
Impairment charges for bank lending	22	1
Business profit	180	220
Legacy derivatives	(0)	1
Profit before tax	180	221

	DKK million	
Selected balance sheet items and financial ratios, Wealth Management	H1/ 2018	2017
Lending/deposits		
Loans and advances	11,679	10,779
- of which mortgage lending, nominal value	7,537	6,958
- of which secured homeowner loans	1,018	837
- of which bank lending	3,124	2,984
Deposits	12,060	13,464
Gross new mortgage lending ¹	998	983
Impairment charges for the period as % of loans and advances ¹	0.20	0.00
Total impairment provisions, end of period		
Total impairment provisions	87	44
Total impairment provisions as % of loans and advances	0.75	0.40
Provisions for guarantees	5	0
Assets under management:	202,425	178,906
- of which Nykredit Group investment funds	67,756	61,472
Assets under administration²	688,620	792,710

¹ For H1/2018 and H1/2017.

Other data from end-H1/2018 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.

H1 – summary

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

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

In H1 Private Banking Elite continued increasing its market share, both by landing new clients and by cultivating existing Nykredit client relationships with Private Banking Elite potential. Lending thus grew by 8% to DKK 11.7 billion, and interest income rose as well.

Income remained high, as did business profit.

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

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

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

Activities

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

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

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

Results etc

Wealth Management's business profit remained high at DKK 180 million in H1/2018.

Income amounted to DKK 421 million and was stable compared with H1/2017.

GROUP ITEMS

	DKK million	
Results – Group Items	H1/ 2018	H1/ 2017
Net interest income	(4)	(1)
Net fee income	(8)	(14)
Wealth management income	8	9
Net interest from capitalisation	78	79
Trading, investment portfolio and other income	(100)	622
Income	(27)	696
Costs	97	54
Business profit (loss) before impairment charges	(124)	642
Impairment charges for mortgage lending	0	(0)
Impairment charges for bank lending	9	0
Business profit (loss)	(133)	641

	DKK million	
Selected balance sheet items and financial ratios, Group Items	H1/ 2018	2017
Lending/deposits		
Loans and advances	501	670
- of which bank lending	501	670
Deposits	2,886	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 etc

The business profit of Group Items decreased by DKK 774 million relative to H1/2017 to a loss of DKK 133 million.

This development was chiefly due to lower investment portfolio income compared with the high level in H1/2017. H1/2018 was characterised by falling equity prices and widening yield spreads.

CAPITAL, LIQUIDITY AND FUNDING

DKK million

Nykredit Group		
Equity (including Additional Tier 1 capital)	30.06.2018	31.12.2017
Equity, beginning of period	78,770	70,955
Profit for the period	3,259	8,004
Fair value adjustment of equities available for sale	-	(6)
Other adjustments	(4,574)	(183)
Equity, end of period	77,456	78,770

DKK million

Nykredit Group		
Capital and capital adequacy	30.06.2018	31.12.2017
Credit risk	295,981	289,684
Market risk	25,071	24,724
Operational risk	25,709	21,246
Total risk exposure amount	346,762	335,655
Equity (including AT1 capital)	77,456	78,770
AT1 capital etc	(3,740)	(5,411)
Proposed dividend	-	(4,000)
CET1 capital additions/deductions	(2,394)	44
CET1 capital	71,323	69,404
AT1 capital	1,892	2,240
AT1 capital deductions	(92)	(127)
Tier 1 capital	73,123	71,518
Tier 2 capital	6,314	8,300
Tier 2 capital additions/deductions	394	477
Own funds	79,831	80,295
CET1 capital ratio, % ¹	20.5	20.6
Tier 1 capital ratio, %	21.0	21.3
Total capital ratio, %	23.0	23.9
Internal capital adequacy requirement (Pillar I and Pillar II),%	10.1	10.2

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

¹ 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).

EQUITY AND OWN FUNDS

Equity

Nykredit's equity was DKK 77.5 billion at end-June 2018, down DKK 1.3 billion on end-2017. The decrease was due to the dividend distributed to the Company's shareholders in March.

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

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 346.8 billion at end-H1/2018, which was higher than at end-2017. With own funds at DKK 79.8 billion, this corresponds to a total capital ratio of 23.0% against 23.9% at end-2017. The CET1 capital ratio was 20.5% against 20.6% at end-2017.

Nykredit's Tier 1 capital consists mainly of CET1 capital. Tier 1 capital totalled DKK 73.1 billion, CET1 capital totalled DKK 71.3 billion, and AT1 capital totalled DKK 3.7 billion. 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 stable 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.

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 100 billion. Nykredit thus has access to new CET1 capital through Forenet Kredit's liquid assets and through an investment commitment from the pension companies.

Non-distributable reserve fund in Totalkredit

Nykredit has consulted the Danish FSA regarding the recognition of the non-distributable reserve fund in the Financial Statements and in the Statement of Changes in Equity. The Danish FSA has notified Nykredit that it is not to make the mentioned deduction going forward. This is reflected in the calculations for H1/2018.

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, such as bail-inable senior debt, serving as statutory supplementary collateral etc.

Bank lending is chiefly funded by deposits. At end-H1/2018 Nykredit Bank's deposits equalled 124% 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.

Nykredit Bank's stock of liquid assets was DKK 36.5 billion against DKK 43.5 billion at end-2017 determined under the LCR (Liquidity Coverage Ratio).

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior debt in issue, totalled DKK 77 billion at end-H1/2018 against DKK 83 billion 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	30.06.2018	31.12.2017
Nykredit Realkredit Group	339	383
Nykredit Realkredit Group, EUR	769	326
Nykredit Realkredit and Totalkredit	776	1,502
Nykredit Realkredit and Totalkredit, including LCR requirement	181	186
Nykredit Bank	167	148

Nykredit has been granted an exemption to exclude some of the mortgage-related cash flows in the determination of the LCR. The Danish FSA has therefore set a minimum liquidity requirement. In practice, this requirement means that Nykredit must hold a stock of liquid assets, corresponding to at least 2.5% of total mortgage lending, or DKK 29.5 billion at end-H1/2018. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 52.3 billion at end-H1/2018.

In June 2016, the Danish FSA introduced an additional liquidity requirement for Danish SIFs. Danish SIFs 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.
- Ensure that the participants offer consistent market making in Nykredit's bonds.
- Ensure efficient pricing of the bonds.

With the introduction of the LCR, banks prefer bonds with outstanding amounts of more than EUR 500 million and high ratings. 90% of the outstanding amounts in Nykredit's open bond series is today classified in the top LCR category, while 6% is in the second-best category.

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

Based on a mortgage lender survey, the Danish FSA released a report on lending and funding imbalances. Nykredit has chosen to operate under the general balance principle, which allows using derivatives for risk hedging under certain conditions. In practice, Nykredit's mortgage lending is match funded. Thus, Nykredit has used derivatives for risk hedging only to a very limited extent and only in connection with niche mortgage lending.

Currently, Nykredit's capital centres hold no derivatives to hedge the cash flow mismatches between mortgage lending and funding, but use derivatives to hedge risks and align cash flows.

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.

In May the Danish parliament adopted an Act to enable credit institutions to issue statutory bail-inable senior debt instruments. The Act entered into force on 1 July 2018 and Nykredit expects new issues after that date to be made in the statutory format.

The Act will change the debt buffer requirement to at least 2% of lending and, together with the capital and bail-in (MREL) requirements, at least 8% of the consolidated balance sheet. This requirement must be met by end-2021.

The Act will lead to an increase in the Group's liabilities eligible for bail-in from about DKK 100 billion to between DKK 120 billion and DKK 130 billion, depending on the balance sheet development towards end-2021. In this connection, Nykredit expects to refinance maturing junior covered bonds/senior secured bonds with bail-inable senior debt.

Nykredit has consequently chosen to align the status and ranking of the existing SRNs with that of future bail-inable senior debt. This has been carried out subject to an alignment event as specified in the prospectus for Nykredit's EMTN programme.

DKK million

Nykredit Group	30.06.2018	31.12.2017
Bonds in issue		
Covered bonds (ROs), see note 21 a	145,005	183,226
Covered bonds (SDOs), see note 21 b	1,106,149	1,078,747
Senior secured debt, see notes 21 c and 22	4,695	8,425
Senior unsecured debt, see notes 21 d and 22 to the financial statements of Nykredit Bank A/S	7,505	8,406
Senior Resolution Notes (SRNs), see note 22	13,363	13,314
Subordinate loan capital, see note 25	10,985	10,942
Additional Tier 1 capital, see note 2	3,726	3,723
ECP issues, see note 23 to the financial statements of Nykredit Bank A/S	1,392	2,513

At end-H1/2018 Nykredit had issued SRNs totalling DKK 13.4 billion. Since the balance sheet date in July 2018 Nykredit has issued bail-inable senior debt of DKK 3.7 billion.

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 42 billion and DKK 32 billion at the auctions in August and November 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 expects to issue another DKK 0 billion to 5 billion of bail-inable senior debt in 2018. Going forward, bail-inable senior debt will replace most of the issuance of senior secured and senior unsecured debt.

Supervisory Diamond

Nykredit complies with all Supervisory Diamond benchmark limits as at 30 June 2018.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit Realkredit		Limit value
		Group 30 June 2018	Nykredit Realkredit A/S 30 June 2018	
Lending growth in segment				
Personal customers ¹	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential property, agricultural properties and other business.	4.0%	(16.5)%	15.0%
Commercial residential properties		3.5%	3.0%	15.0%
Agricultural properties		(2.2)%	(2.2)%	15.0%
Other business		1.1%	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.	14.6%	21.7%	25.0%
Private residential and residential rental				
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.	9.3%	7.8%	10.0%
Personal customers				
Loans with short-term funding	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.	15.3%	18.6%	25.0%
Refinancing (annually)		4.3%	4.1%	12.5%
Refinancing (quarterly)				
Large exposures	The sum of the 20 largest exposures must be less than equity.	36.5%	36.5%	100.0%
Loans and advances:equity				

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

The Supervisory Diamond is presented for the Nykredit Realkredit Group and Nykredit Realkredit A/S, which are the companies issuing bonds.

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 senior unsecured debt in 2018.

The minimum requirement for own funds and eligible liabilities (MREL) is funded by long-term intercompany funding.

Total run-off under Nykredit Bank's EMTN programme in 2018 will be DKK 1.4 billion. Nykredit Bank will continue maintaining the possibility of EMTN and ECP issuance, but the Bank will largely use intercompany funding going forward. The total EMTN and ECP issuance requirement will depend on the development in customer deposits and lending 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 long-term and short-term issuer credit ratings of A/A-1 with S&P. From 13 July 2018, S&P changed its rating outlook from stable to positive.

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

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

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

Fitch Ratings

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

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

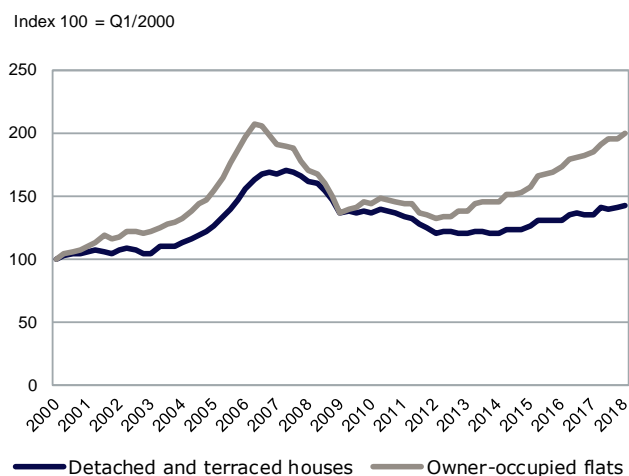
Senior unsecured non-preferred debt has an A rating with Fitch Ratings.

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 1,212 billion against DKK 1,194 billion at end-2017.

Mortgage lending at fair value was DKK 1,178 billion compared with DKK 1,164 billion at end-2017.

Bank lending was DKK 58.3 billion at end-H1/2018, equal to an increase of 5% since end-2017.

Guarantees provided by Nykredit amounted to DKK 6.3 billion at end-H1/2018 against DKK 7.1 billion at end-2017.

Impairment provisions for mortgage and bank lending totalled DKK 8.1 billion against DKK 7.9 billion at end-2017.

Write-offs totalled DKK 663 million in H1/2018, of which DKK 455 million on mortgage lending and DKK 208 million on bank lending.

Nykredit Group

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

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017	H1/2018	FY/2017
Mortgage lending, nominal value						
Nykredit Realkredit	502,822	508,606	3,728	4,004	(38)	(143)
Totalkredit	650,488	629,502	1,477	1,563	(5)	645
Total	1,153,310	1,138,109	5,205	5,567	(43)	502
Lending etc						
Nykredit Bank	58,344	55,744	2,751	2,290	129	(85)
Total	58,344	55,744	2,751	2,290	129	(85)
Receivables from credit institutions	-	-	36	-	33	(44)
Total	-	-	36	-	33	(44)
Reverse repurchase lending	31,192	27,566	-	-	-	-
Guarantees	6,296	7,055	103	58	(17)	6
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.74	0.78	(0.01)	(0.03)
Totalkredit	-	-	0.23	0.25	(0.00)	0.11
Total	-	-	0.45	0.49	(0.00)	0.04
Nykredit Bank	-	-	4.59	3.95	0.13	(0.15)
Total	-	-	4.59	3.95	0.13	(0.15)

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

MORTGAGE LENDING

At end-June 2018, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,153 billion, up DKK 15.2 billion on end-2017.

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

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

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-H1/2018.

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.45% of total mortgage lending compared with 0.49% at end-2017.

Total impairment provisions were down by DKK 362 million compared with end-2017, representing DKK 5,205 million at end-H1/2018. The decline was mainly due to write-offs.

Of the reduction in H1/2018, DKK 56 million stemmed from owner-occupied dwellings and DKK 306 million from business property.

Earnings impact

Mortgage loan impairment was a gain of DKK 48 million against a gain of DKK 241 million in H1/2017. Of impairment charges for loans and advances for the period, a charge of DKK 74 million was attributable to owner-occupied dwellings, and a reversal of DKK 123 million related to the business segment.

Mortgage lending

Nykredit Group

Debt outstanding relative to estimated property values

Fair value DKK million/%	LTV (loan-to-value)						Total	LTV average, % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	461,385	172,216	93,718	7,508	2,648	2,078	739,553	67
Private rental	84,989	28,700	12,691	1,268	608	589	128,844	64
Industry and trades	18,457	2,897	204	43	29	49	21,678	46
Office and retail	88,143	21,911	2,661	412	237	332	113,696	52
Agricultural property	60,644	19,991	7,621	1,029	442	479	90,206	63
Public housing	-	-	-	-	-	-	69,484	-
Other	11,992	2,317	517	38	18	27	14,910	49
Total, end-H1/2018	725,609	248,031	117,412	10,299	3,982	3,554	1,178,370	63
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 type¹

DKK million	H1/2018		31.12.2017	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Owner-occupied dwellings	2,449	2	2,577	762
Private rental ²	352	3	366	(108)
Industry and trades	67	(13)	88	(56)
Office and retail	483	54	493	21
Agricultural property	1,324	24	1,353	99
Public housing	55	22	39	(0)
Cooperative housing	400	(120)	531	(250)
Other	74	(18)	121	34
Total	5,205	(48)	5,567	502

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

² Housing cooperatives are included in the property category Private rental.

Nykredit Group

Arrears ratio – 75 days past due

Due dates	Arrears relative to total mortgage payments	Debt outstanding affected by arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2018			
- March	0.42	0.32	3.60
2017			
- December	0.38	0.27	3.10
- September	0.30	0.29	3.30
- June	0.35	0.33	3.80
- March	0.38	0.39	4.40
2016			
- December	0.37	0.48	5.30

Arrears

Mortgage loan arrears are determined 15 and 75 days past the due date. Mortgage loan arrears represented 0.42% of total mortgage payments due 75 days past the March due date against 0.38% at the same time the year before.

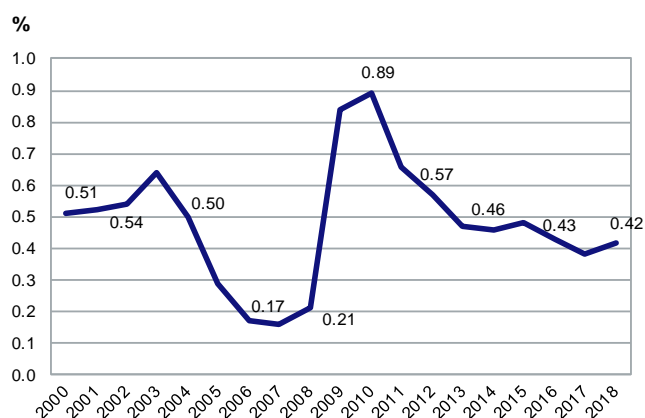
Correspondingly, bond debt outstanding affected by arrears as a percentage of total bond debt outstanding decreased from 0.39% to 0.32% compared with the same time the year before.

Properties acquired by foreclosure

In H1/2018 the Group acquired 25 properties by foreclosure and sold 53. The property portfolio counted 35 properties at end-H1/2018 against 63 at end-2017.

Nykredit Group

Arrears ratio, mortgage lending – 75 days past due



BANK LENDING

Bank lending at amortised cost amounted to DKK 58.3 billion against DKK 55.8 billion at end-2017. Bank lending before impairment charges was DKK 61.1 billion against DKK 58.1 billion at end-2017.

Reverse repurchase lending stood at DKK 31.2 billion compared with DKK 27.6 billion at end-2017. Guarantees provided were DKK 6.3 billion against DKK 7.1 billion at end-2017.

Nykredit Bank recorded lending growth of 1.2%, 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 2,751 million against DKK 2,290 million at end-2017. The increase was primarily due to the implementation of IFRS 9.

Guarantees

Guarantees provided were DKK 6,296 million, down 10.8%, against DKK 7,055 million at end-2017.

At end-H1/2018, provisions for guarantees amounted to DKK 103 million against DKK 58 million at end-2017.

Earnings impact

Provisions for bank loan impairment and guarantees for the period were DKK 129 million. In comparison, impairment charges for loans and advances and provisions for guarantees were a reversal of DKK 102 million net in 2017.

Nykredit Group

Provisions for bank loan impairment and guarantees by sector¹

DKK million	H1/2018		FY/2017	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	1	(2)	2	2
Agriculture, hunting, forestry and fishing	127	(7)	104	10
Manufacturing, mining and quarrying	208	(15)	195	24
Energy supply	14	(21)	14	12
Construction	164	(3)	177	(22)
Trade	262	44	176	125
Transport, accommodation and food service activities	110	(20)	100	33
Information and communication	41	13	25	12
Finance and insurance	177	72	72	(42)
Real estate	528	(175)	663	(321)
Other	444	159	239	58
Total business customers	2,075	48	1,765	(111)
Personal customers	777	67	581	30
Total	2,853	113	2,348	(79)
- of which provisions for losses under guarantees	103	(17)	58	6
Impairment provisions for credit institutions	19	16	-	(23)
Total including impairment provisions for credit institutions	2,872	129	2,348	(102)

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

ALTERNATIVE PERFORMANCE MEASURES

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

The income statement format of the financial highlights on page 4 and the business areas (pages 8-17 and note 3) reflects the internal management reporting. In certain respects, the presentation of the financial highlights differs from the format of the Financial Statements prepared under the International Financial Reporting Standards (IFRS). No correcting entries have been made, implying that the profit for the period is the same in the financial highlights and in the IFRS-based Financial Statements. The reclassification in note 4 shows the reconciliation between the presentation in the financial highlights table of the Management Commentary and the presentation in the Consolidated Financial Statements prepared according to the IFRS and includes:

"Net interest income" comprising net administration margin income from mortgage lending, including KundeKroner discounts as well as interest income from bank lending and deposits. The corresponding item in the income statement (page 28) includes all interest.

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

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

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

Supplementary financial ratios

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".

Impairment charges for the period, %. Impairment charges are calculated based on impairment charges for loans and advances relative to loans and advances. The ratio is calculated for each business area.

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 – 30 June 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.

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 June 2018 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 June 2018.

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

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

Copenhagen, 23 August 2018

Executive Board

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

David Hellemann
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Steffen Kragh
Chairman

Merete Eldrup
Deputy Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Olav Bredgaard Brusén*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Hans-Ole Jochumsen

Vibeke Krag

Allan Kristiansen*

Lasse Nyby

Claus E. Petersen

Inge Sand*

Lars Peter Skaarup*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Group		H1/2018	H1/2017	Q2/2018	Q2/2017
INCOME STATEMENT					
Interest income	6	12,948	13,908	6,501	6,951
Interest expenses	7	7,504	8,086	3,738	4,034
Net interest income		5,444	5,822	2,763	2,917
Dividend on equities etc		101	123	79	91
Fee and commission income		1,278	1,265	647	646
Fee and commission expenses		1,494	1,425	744	723
Net interest and fee income		5,329	5,786	2,744	2,931
Value adjustments	8	786	2,860	343	1,618
Other operating income		439	135	222	92
Staff and administrative expenses		2,301	2,185	1,167	1,090
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	9	48	116	22	71
Other operating expenses		65	71	28	31
Impairment charges for loans, advances and receivables etc	10	103	(448)	110	(427)
Profit from investments in associates and Group enterprises	11	2	4	1	0
Profit before tax		4,040	6,860	1,983	3,875
Tax	12	781	1,433	386	794
Profit for the period		3,259	5,427	1,597	3,081
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,144	5,312	1,539	3,023
Holders of Additional Tier 1 capital notes		116	115	58	58
Profit for the period		3,259	5,427	1,597	3,081
COMPREHENSIVE INCOME					
Profit for the period		3,259	5,427	1,597	3,081
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(15)	(10)	6	(9)
Tax on actuarial gains/losses on defined benefit plans		3	-	(1)	-
Total items that cannot be reclassified to profit or loss		(12)	(10)	5	(9)
Items that can be reclassified to profit or loss:					
Fair value adjustment of equities available for sale		-	135	-	129
Tax on fair value adjustment of equities available for sale		-	(10)	-	(1)
Total items that can be reclassified to profit or loss		-	125	-	128
Other comprehensive income		(12)	115	5	119
Comprehensive income for the period		3,247	5,543	1,601	3,200
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,132	5,427	1,543	3,142
Holders of Additional Tier 1 capital notes		116	115	58	58
Comprehensive income for the period		3,247	5,543	1,601	3,200

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S		H1/2018	H1/2017	Q2/2018	Q2/2017
INCOME STATEMENT					
Staff and administrative expenses		12	8	5	5
Profit from investments in associates and Group enterprises	11	3,169	5,442	1,543	3,153
Profit before tax		3,156	5,434	1,537	3,147
Tax	12	(3)	(4)	(1)	(3)
Profit for the period		3,159	5,437	1,539	3,151
Distribution of profit for the period					
Shareholders of Nykredit A/S		3,159	5,437	1,539	3,151
Profit for the period		3,159	5,437	1,539	3,151
COMPREHENSIVE INCOME					
Profit for the period		3,159	5,437	1,539	3,151
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(12)	(10)	5	(9)
Total items that cannot be reclassified to profit or loss		(12)	(10)	5	(9)
Other comprehensive income		(12)	(10)	5	(9)
Comprehensive income for the period		3,147	5,427	1,543	3,141
Distribution of comprehensive income					
Shareholders of Nykredit A/S		3,032	5,427	1,543	3,141
Comprehensive income for the period		3,147	5,427	1,543	3,141

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group		
31.12.2017	30.06.2018	Note	30.06.2018	31.12.2017
ASSETS				
-	-		5,125	2,070
-	50	13	23,878	45,961
-	-		1,178,625	1,191,378
-	-		-	499
-	-	14	1,178,625	1,191,877
-	-	15	89,838	56,087
-	-	16	90,487	97,149
Equities				
-	-	17	5,947	2,526
-	-		-	2,450
-	-		5,947	4,977
-	-		150	150
75,082	73,718		-	-
-	-		247	227
Land and buildings				
-	-		-	50
-	-		211	223
-	-		211	273
-	-		103	117
3	4		695	552
10	11		159	153
-	-		143	184
0	1	18	26,073	26,437
2	1		600	533
75,096	73,786		1,422,282	1,426,746

BALANCE SHEETS

Nykredit A/S		DKK million			
31.12.2017	30.06.2018		Note	30.06.2018	31.12.2017
		Nykredit Group			
LIABILITIES AND EQUITY					
79	46	Payables to credit institutions and central banks	19	17,541	13,319
-	-	Deposits and other payables	20	92,165	75,914
-	-	Bonds in issue at fair value		1,179,842	1,178,372
-	-	Bonds in issue at fair value relating to sold foreign portfolio		-	721
-	-	Bonds in issue at fair value	21	1,179,842	1,179,093
-	-	Bonds in issue at amortised cost	22	18,179	23,532
-	-	Other non-derivative financial liabilities at fair value	23	1,663	19,021
-	-	Current tax liabilities		86	43
13	8	Other liabilities	24	23,579	25,260
-	-	Deferred income		10	9
91	54	Total payables		1,333,065	1,336,191
Provisions					
-	-	Provisions for pensions and similar obligations		137	141
-	-	Provisions for deferred tax		340	439
-	-	Repayable reserves in pre-1972 series		49	51
-	-	Provisions for losses under guarantees		103	58
-	-	Other provisions		151	153
-	-	Total provisions		779	842
-	-	Subordinated debt	25	10,982	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	55,537	- statutory reserves		-	-
-	-	- series reserves		38,038	38,038
-	-	- non-distributable reserve fund		1,646	1,646
12,777	16,868	- retained earnings		32,700	29,003
4,000	-	- proposed dividend		-	4,000
75,005	73,732	Shareholders of Nykredit A/S		73,716	75,005
-	-	Holders of Additional Tier 1 capital		3,740	3,765
75,005	73,732	Total equity		77,456	78,770
75,096	73,786	Total liabilities and equity		1,422,282	1,426,746
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	26	6,296	7,055
-	-	Other commitments		8,732	8,443
-	-	Total		15,028	15,498

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	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
2018											
Equity, end-2017, see 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	-	-	-	-	-	3,144	-	3,144	-	116	3,259
Total other comprehensive income	-	-	-	-	-	(12)	-	(12)	-	-	(12)
Total comprehensive income	-	-	-	-	-	3,132	-	3,132	-	116	3,247
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(4)	-	(4)	-	4	-
Tax on Additional Tier 1 capital	-	-	-	-	-	25	-	25	-	-	25
Distributed dividend	-	-	-	-	-	-	(4,000)	(4,000)	-	-	(4,000)
Realised from the sale of properties	-	(14)	-	-	-	14	-	-	-	-	-
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	-	(29)	(29)
Equity, 30 June	1,327	5	-	38,038	1,646	32,700	-	73,716	-	3,740	77,456
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	-	-	-	-	-	5,312	-	5,312	-	115	5,427
Total other comprehensive income	-	-	125	-	-	(10)	-	115	-	-	115
Total comprehensive income	-	-	125	-	-	5,302	-	5,427	-	115	5,543
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(1)	-	(1)	-	1	-
Tax on Additional Tier 1 capital	-	-	-	-	-	23	-	23	-	-	23
Other adjustments	-	-	-	-	-	-	-	-	(3)	-	(3)
Equity, 30 June	1,327	26	1,104	35,198	1,646	33,339	-	72,641	-	3,760	76,401

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit 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 500 million (nominal) of AT1 capital, which may be redeemed from 26 October 2020. AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Group falls below 7.125%, the loan will be written down.

STATEMENT OF CHANGES IN EQUITY

DKK mil-
lion

Nykredit A/S

	Share capital ¹	Statutory reserves ²	Retained earnings	Proposed dividend	Total equity
2018					
Equity, end-2017, see 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 for the period	-	3,169	(9)	-	3,159
Total other comprehensive income	-	(12)	-	-	(12)
Total comprehensive income	-	3,157	(9)	-	3,147
Distributed dividend	-	-	-	(4,000)	(4,000)
Dividend received from subsidiaries	-	(4,100)	4,100	-	-
Adjustment relating to subsidiaries	-	21	-	-	21
Equity, 30 June	1,327	55,537	16,868	-	73,732
2017					
Equity, 1 January	1,327	49,013	16,852	-	67,192
Profit for the period	-	5,442	(4)	-	5,437
Total other comprehensive income	-	(10)	-	-	(10)
Total comprehensive income	-	5,432	(4)	-	5,427
Adjustment relating to subsidiaries	-	22	-	-	22
Equity, 30 June	1,327	54,466	16,848	-	72,641

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit 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 1,646 million in Totalkredit.

CASH FLOW STATEMENT

DKK million

Nykredit Group	H1/2018	H1/2017
Profit for the period	3,259	5,427
Adjustments		
Interest income, net	(5,444)	(5,822)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	48	116
Profit from investments in associates	(2)	(4)
Impairment charges for loans, advances and receivables etc	103	(448)
Prepayments/deferred income, net	(66)	(223)
Tax on profit for the period	781	1,433
Other adjustments	(170)	(150)
Total	(1,491)	329
Change in operating capital		
Loans, advances and other receivables	(20,602)	(9,365)
Deposits and payables to credit institutions	20,474	(3,233)
Bonds in issue	(4,605)	(9,781)
Other operating capital	(19,259)	(6,233)
Total	(25,483)	(28,283)
Interest income received	14,068	15,278
Interest expenses paid	(8,681)	(9,678)
Corporation tax paid, net	(811)	(173)
Cash flows from operating activities	(20,907)	(22,856)
Cash flows from investing activities		
Acquisition of associates	-	(5)
Sale of associates	-	2
Dividend received from associates	2	5
Purchase and sale of bonds and equities, net	5,692	21,649
Purchase of intangible assets	(48)	(46)
Sale of intangible assets	-	35
Purchase of property, plant and equipment	(10)	(29)
Sale of property, plant and equipment	50	181
Total	5,685	21,792
Cash flows from financing activities		
Distributed dividend	(4,000)	-
Purchase and sale of self-issued subordinated debt instruments	(4)	(1)
Total	(4,004)	(1)
Total cash flows for the period	(19,226)	(1,065)
Cash and cash equivalents, beginning of period	48,031	34,829
Foreign currency translation adjustment of cash	197	(61)
Cash flows for the period	(19,226)	(1,065)
Cash and cash equivalents, end of period	29,003	33,704
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	5,125	1,979
Receivables from credit institutions and central banks	23,878	31,725
Total	29,003	33,704

NOTES

Nykredit Group

1. Accounting policies	36
2. Capital and capital adequacy	40
3. Business areas	41
4. Reconciliation of internal and regulatory income statement	43
5. Net interest income etc and value adjustments	44
6. Interest income	45
7. Interest expenses	45
8. Value adjustments	46
9. Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	46
10. Impairment charges for loans, advances and receivables etc	47
11. Profit from investments in associates and Group enterprises	51
12. Tax	51
13. Receivables from credit institutions and central banks	52
14. Loans, advances and other receivables at fair value	52
15. Loans, advances and other receivables at amortised cost	53
16. Bonds at fair value	54
17. Equities	54
18. Other assets	54
19. Payables to credit institutions and central banks	55
20. Deposits and other payables	55
21. Bonds in issue at fair value	55
22. Bonds in issue at amortised cost	56
23. Other non-derivative financial liabilities at fair value	56
24. Other liabilities	56
25. Subordinated debt	57
26. Off-balance sheet items	57
27. Related party transactions and balances	58
28. Fair value disclosures	59
29. Five-year financial highlights	63
30. Group structure	65
31. Classifications and value adjustments as at 1 January 2018	66

1. ACCOUNTING POLICIES

General

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

The Parent Interim Financial Statements for H1/2018 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish executive order on the presentation of financial reports) issued by the Danish Financial Supervisory Authority (FSA).

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

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

As mentioned in the Annual Report for 2017 (notes 1 and 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 includes significant IFRS 9 elements, including provisions governing impairment of loans and advances at amortised cost as well as classification of financial assets.

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

For the Group, an important feature of IFRS 9 is the new principles for calculation of impairment charges for loans, advances and other receivables etc as well as provisions, which have prompted a DKK 566 million 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, see "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 (see 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 1.0 billion, which was charged to the income statement. The earnings impact after tax totalled about DKK 0.8 billion 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 impairments, 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 501 million and balances with credit institutions by DKK 3 million. In addition, provisions for guarantees and loan commitments increased by DKK 62 million, respectively. Reference is also made to note 31.

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.
- 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 for financial liabilities follow the accounting policies previously applied.

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 etc 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", as these are not traded. 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. As at 1 January 2018, the portfolio is 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 2.5 billion 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 pursuant to IFRS 13.

Generally, financial liabilities should continue to be measured at amortised cost after initial recognition and separated from the embedded derivative financial instruments, if these are not closely related to the host contract. 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 reclassification 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 H1/2018.

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

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

Equity instruments are not based on cash flows which comprise payment of principal and interest. Therefore, these instruments 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 etc, including unutilised credit facilities measured at amortised cost.

According to IAS 39, loan 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 in accordance with 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 etc without significant increase in credit risk. These are subject to impairments corresponding to expected credit losses in the event of default within the next 12 months. Loans and advances etc measured at amortised cost are subject to impairment already at the time of granting.
- Stage 2 covers loans and advances etc with significant increase in credit risk. These are subject to impairment corresponding to expected credit losses during the time-to-maturity.
- Stage 3 covers loans and advances etc in default or otherwise impaired. These are subject to impairment according to the same principles as loans and advances in stage 2 based on expected credit losses during the time-to-maturity, but with the difference that interest income attributable to the impaired part of loans and advances etc 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 is based on transformations of PD and LGD values to short-term (12 months) or long term (remaining life of the product/cyclicality). The parameters are based on Nykredit's IRB models, and forward-looking information is determined according to the same principles as apply to regulatory capital and stress tests. For a small fraction of portfolios with no IRB parameters, simple methods are used based on appropriate loss ratios.

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

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

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

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

Generally, three scenarios are applied:

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

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

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

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

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

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

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

Presentation of financial highlights as well as business areas

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

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

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

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

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

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

Significant accounting estimates and assessments

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

Accounting estimates are tested and assessed regularly. The estimates and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are inherently uncertain and unpredictable.

The areas involving a higher degree of assumptions and estimates significant to the Financial Statements include provisions for loan and receivable impairment, unlisted financial instruments and provisions, see the Annual Report for 2017.

Other general comments on accounting policies

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

NOTES

Nykredit A/S		DKK million		
		Nykredit Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
2. CAPITAL AND CAPITAL ADEQUACY				
75,005	73,732	Equity for accounting purposes	77,456	78,770
-	-	Minority interests not included	-	(1,646)
-	(1,580)	Statutory deduction for estimated dividend	(1,564)	-
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,740)	(3,765)
75,005	72,152	Equity excluding Additional Tier 1 capital	72,152	73,359
(4,000)	-	Proposed dividend	-	(4,000)
-	-	Prudent valuation adjustment	(62)	(65)
-	-	Minority interests	-	815
-	-	Intangible assets excluding deferred tax liabilities	(199)	(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	(829)	(3,955)
71,005	72,152	Common Equity Tier 1 capital	71,323	69,404
-	-	Additional Tier 1 capital	1,892	2,240
-	-	Additional Tier 1 capital deductions	(91)	(159)
-	-	Transitional adjustment of deductions	-	32
-	-	Total Additional Tier 1 capital after deductions	1,801	2,113
71,005	72,152	Tier 1 capital	73,124	71,518
-	-	Tier 2 capital	6,314	8,300
-	-	Tier 2 capital additions/deductions	394	461
-	-	Transitional adjustment of deductions	-	16
71,005	72,152	Own funds	79,831	80,295
277,805	272,759	Credit risk	295,981	289,684
-	-	Market risk	25,071	24,724
0	0	Operational risk	25,709	21,246
277,806	272,759	Total risk exposure amount	346,762	335,655
Financial ratios				
25.5	26.4	Common Equity Tier 1 capital ratio, %	20.5	20.6
25.5	26.4	Tier 1 capital ratio, %	21.0	21.3
25.5	26.4	Total capital ratio, %	23.0	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 1.9%, applicable to all financial institutions.

A deduction has previously been made for parts of Totalkredit's non-distributable reserve fund. The deduction was based on the preliminary assessment of the Danish FSA that the non-distributable reserve fund cannot be fully recognised. Nykredit has discussed the issue with the Danish FSA in the course of 2018. The Danish FSA has most recently notified Nykredit that it is not to make the mentioned deduction going forward. This is reflected in the calculations for H1/2018.

NOTES

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 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.

	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
Results										
H1/2018										
RESULTS BY BUSINESS AREA										
Net interest income	937	1,448	2,385	1,268	749	-	749	57	(4)	4,454
Net fee income	298	254	551	260	211	-	211	11	(8)	1,027
Wealth management income	177	72	249	-	63	-	63	350	8	670
Net interest from capitalisation	(36)	(87)	(123)	(78)	(45)	(5)	(50)	(3)	78	(176)
Trading, investment portfolio and other income	20	213	233	1	36	187	223	6	(100)	363
Income	1,396	1,899	3,295	1,451	1,015	182	1,197	421	(27)	6,337
Costs	987	530	1,516	276	194	110	304	220	97	2,414
Business profit before impairment charges	409	1,370	1,779	1,175	821	72	893	201	(124)	3,923
Impairment charges for loans and advances	154	(49)	105	(44)	13	-	13	21	9	103
Business profit (loss)	255	1,419	1,674	1,219	808	72	880	180	(133)	3,821
Legacy derivatives	0	156	157	-	46	17	63	(0)	-	219
Profit (loss) before tax	255	1,575	1,830	1,219	854	90	943	180	(133)	4,040
BALANCE SHEET, 30 JUNE 2018										
Assets										
Mortgage loans etc at fair value	178,427	237,317	415,743	561,413	192,896	-	192,896	8,317	-	1,178,370
Reverse repurchase lending									31,192	31,192
Loans and advances at amortised cost	11,968	20,433	32,401	-	22,206	-	22,206	3,539	501	58,646
Assets by business area	190,394	257,749	448,144	561,413	215,102	-	215,102	11,855	31,693	1,268,208
Unallocated assets										154,074
Total assets										1,422,282
Liabilities and equity										
Repo deposits									19,851	19,851
Bank deposits and other payables at amortised cost	29,404	17,797	47,201	-	10,167	-	10,167	12,060	2,886	72,314
Liabilities by business area	29,404	17,797	47,201	-	10,167	-	10,167	12,060	22,737	92,165
Unallocated liabilities										1,252,661
Equity										77,456
Total liabilities and equity										1,422,282

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

Results	Personal Banking	Business Banking	Total Retail	Totalcredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
H1/2017										
RESULTS BY BUSINESS AREA										
Net interest income	961	1,439	2,399	1,332	720	-	720	47	(1)	4,498
Net fee income	370	283	653	244	274	-	274	9	(14)	1,166
Wealth management income	188	96	284	-	28	-	28	370	9	691
Net interest from capitalisation	(43)	(94)	(137)	(97)	(42)	(3)	(45)	(3)	79	(204)
Trading, investment portfolio and other income	3	328	331	(15)	87	237	324	7	622	1,269
Income	1,478	2,052	3,530	1,464	1,067	234	1,300	430	695	7,419
Costs	998	521	1,520	294	190	107	297	210	53	2,373
Business profit before impairment charges	480	1,531	2,011	1,170	877	127	1,004	220	642	5,046
Impairment charges for loans and advances	53	(254)	(201)	69	(316)	-	(316)	0	0	(448)
Business profit	427	1,784	2,211	1,102	1,193	127	1,320	220	641	5,494
Legacy derivatives	0	307	307	-	1,023	35	1,059	1	-	1,366
Profit before tax	427	2,091	2,518	1,102	2,217	162	2,379	221	641	6,860
BALANCE SHEET, 30 JUNE 2017										
Assets										
Mortgage loans etc at fair value	182,845	241,712	424,557	524,821	184,240	-	184,240	6,931	-	1,140,548
Reverse repurchase lending									21,511	21,511
Loans and advances at amortised cost	12,439	19,821	32,260	-	21,958	-	21,958	3,132	546	57,896
Assets by business area	195,284	261,533	456,817	524,821	206,198	-	206,198	10,063	22,056	1,219,955
Unallocated assets										159,742
Total assets										1,379,697
Liabilities and equity										
Repo deposits									14,073	14,073
Bank deposits and other payables at amortised cost	27,379	17,755	45,134	-	11,304	6	11,310	11,373	1,625	69,442
Liabilities by business area	27,379	17,755	45,134	-	11,304	6	11,310	11,373	15,698	83,515
Unallocated liabilities										1,219,781
Equity										76,401
Total liabilities and equity										1,379,697

Nykredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	H1/2018			H1/2017		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	4,454	990	5,444	4,498	1,324	5,822
Dividend on equities etc		101	101		123	123
Fee and commission income, net	1,027	(1,243)	(216)	1,166	(1,326)	(160)
Net interest and fee income		(152)	5,329		121	5,786
Wealth management income	670	(670)		691	(691)	
Net interest from capitalisation	(176)	176		(204)	204	
Trading, investment portfolio and other income	363	(363)		1,269	(1,269)	
Value adjustments		786	786		2,860	2,860
Other operating income		439	439		135	135
Total income	6,337			7,420		
Costs	2,414	-	2,414	2,373	-	2,373
Business profit before impairment charges	3,924			5,046		
Impairment charges for loans and advances etc	103	-	103	(448)	-	(448)
Profit from investments in associates		2	2		4	4
Business profit	3,822			5,494		
Legacy derivatives	219	(219)		1,366	(1,366)	
Profit before tax	4,040	-	4,040	6,860	-	6,860

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

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

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

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

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

NOTES

DKK million

Nykredit Group

5. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

H1/2018	Interest income	Interest expenses	Net interest income	Dividend on equities	Value adjustments	Total
Financial portfolios at amortised cost						
Receivables from and payables to credit institutions and central banks	(6)	24	(30)	-	-	(30)
Lending and deposits	987	(15)	1,002	-	-	1,002
Repo transactions and reverse repurchase lending	(82)	(68)	(13)	-	9	(5)
Subordinated debt	-	177	(177)	-	-	(177)
Other financial instruments	43	42	1	-	-	1
Total	942	159	783	-	9	791
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue	11,876	7,344	4,532	-	56	4,588
Bonds	231	-	231	-	209	440
Equities etc	-	-	-	101	8	109
Derivative financial instruments etc	(101)	-	(101)	-	438	337
Total	12,006	7,344	4,662	101	711	5,473
Foreign currency translation adjustment					67	67
Net interest income etc and value adjustments	12,948	7,504	5,444	101	786	6,331

H1/2017

Financial portfolios at amortised cost

Receivables from and payables to credit institutions and central banks	(16)	3	(19)	-	-	(19)
Lending and deposits	955	8	947	-	-	947
Subordinated debt	-	181	(181)	-	-	(181)
Other financial instruments	44	31	12	-	-	12
Total	982	223	759	-	-	759

Financial portfolios at fair value and financial instruments at fair value

Mortgage loans and bonds in issue	12,759	7,926	4,833	-	161	4,994
Repo transactions and reverse repurchase lending	(53)	(63)	10	-	2	12
Bonds	372	-	372	-	534	907
Equities etc	-	-	-	123	184	307
Investment properties	-	-	-	-	(11)	(11)
Derivative financial instruments	(152)	-	(152)	-	1,932	1,779
Total	12,926	7,863	5,063	123	2,802	7,988
Foreign currency translation adjustment					58	58
Net interest income etc and value adjustments	13,908	8,086	5,822	123	2,860	8,805

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
H1/2017	H1/2018	H1/2018	H1/2017
	6. INTEREST INCOME		
-	- Receivables from credit institutions and central banks	(18)	(20)
-	- Loans, advances and other receivables	8,275	8,779
-	- Administration margin	4,519	4,885
-	- of which KundeKroner benefits programme	(470)	-
	Bonds		
-	- self-issued covered bonds (SDOs, ROs)	105	132
-	- other covered bonds	155	262
-	- government bonds	23	40
-	- other bonds	60	76
	Derivative financial instruments		
-	- foreign exchange contracts	35	26
-	- interest rate contracts	(134)	(171)
-	- equity contracts	(1)	(7)
-	- other contracts	(0)	-
-	- Other interest income	43	44
-	- Total	13,061	14,046
-	- Set-off of interest from self-issued covered bonds – note 7	(105)	(132)
-	- Set-off of interest from self-issued other bonds – note 7	(8)	(6)
-	- Total	12,948	13,908
	Of which interest income from reverse repurchase lending entered as:		
-	- Receivables from credit institutions and central banks	(12)	(4)
-	- Loans, advances and other receivables	(70)	(49)
	7. INTEREST EXPENSES		
-	- Credit institutions and central banks	9	(15)
-	- Deposits and other payables	(68)	(37)
-	- Bonds in issue	7,458	8,064
-	- Subordinated debt	177	181
-	- Other interest expenses	42	31
-	- Total	7,617	8,224
-	- Set-off of interest from self-issued covered bonds – note 6	(105)	(132)
-	- Set-off of interest from self-issued other bonds – note 6	(8)	(6)
-	- Total	7,504	8,086
	Of which interest expenses from repo transactions entered as:		
-	- Credit institutions and central banks	(15)	(18)
-	- Deposits and other payables	(53)	(45)

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
H1/2017	H1/2018	H1/2018	H1/2017
	8. VALUE ADJUSTMENTS		
	Assets measured at fair value through profit or loss		
-	- Mortgage loans, a)	(475)	2,324
-	- Other loans, advances and receivables at fair value, b)	9	2
-	- Bonds, b)	209	534
-	- Equities etc, b)	8	184
-	- Investment properties	-	(11)
-	- Foreign exchange	67	58
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments, b)	432	1,193
-	- Other assets	6	739
	Liabilities measured at fair value through profit or loss		
-	- Bonds in issue, a)	531	(2,162)
-	- Other liabilities	-	-
-	Total	786	2,860
	a) Financial assets and liabilities classified at fair value on initial recognition.		
	b) Financial assets and liabilities classified under the trading book.		
	9. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
	Intangible assets		
-	- amortisation	28	50
-	- impairment charges	-	24
	Property, plant and equipment		
-	- depreciation	20	42
-	Total	48	116

NOTES

DKK million

10. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC

10 a. Impairment charges for loans, advances and receivables etc

Nykredit Group	Loans and advances	Loans and advances	Guarantees etc	Guarantees etc	Credit institutions and other	Credit institutions and other	Total 2018	Total 2017
	2018	2017	2018	2017	2018	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		8,486	
New impairment provisions as a result of additions and change in credit risk	3,162	984	63	19	36		3,260	1,003
Releases as a result of redemptions and change in credit risk	2,995	1,327	80	12	3	-	3,079	1,339
Impairment provisions written off	569	497	-		-		569	497
Transferred to "Impairment provisions for properties acquired by foreclosure"	6	71	-		-	-	6	71
Total provisions for impairment of loans, advances and receivables, and for guarantees	7,955	7,378	103	59	36	44	8,093	7,480
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		(343)		7		-		(336)
Change in impairment provisions for loans and advances (stages 1-3)	166		(17)		33		182	-
Write-offs for the period, not previously provided for	94	115	-		-		94	115
Recoveries on claims previously written off	71	94					71	94
Total	190	(322)	(17)	7	33	-	206	(315)
Value adjustment of assets in temporary possession	(9)	4					(9)	4
Value adjustment of claims previously written off	6	(30)					6	(30)
Losses offset, in accordance with partnership agreement	(101)	(107)					(101)	(107)
Earnings impact, H1/2018	86	(455)	(17)	7	33	-	103	(448)

NOTES

DKK million

Nykredit Group

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

2018: Total impairment provisions by stage

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Total impairment provisions, end-2017 (Annual Report for 2017)				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

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

Transfer of impairments at the beginning of the period to stage 1	384	(133)	(251)	-
Transfer of impairments at the beginning of the period to stage 2	(132)	619	(487)	-
Transfer of impairments at the beginning of the period to stage 3	(30)	(280)	310	-
Impairment provisions for new loans and advances (additions)	119	100	318	537
Additions as a result of change in credit risk	808	889	1,026	2,723
Releases as a result of change in credit risk	1,301	949	829	3,078
Previously written down for impairment, now written off	-	-	575	575

Total impairment provisions, end of period	1,322	2,240	4,532	8,094
---------------------------------------------------	--------------	--------------	--------------	--------------

Impairment provisions, end of period, are attributable to:

Mortgage lending	911	2,003	2,290	5,204
Bank lending	374	237	2,241	2,853
Credit institutions	36	-	-	36

Earnings impact, H1/2018	(374)	40	516	182
---------------------------------	--------------	-----------	------------	------------

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

Total, 1 January 2018	975	1,791	2,801	5,567
------------------------------	------------	--------------	--------------	--------------

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

Transfer of impairments at the beginning of the period to stage 1	376	(132)	(244)	-
Transfer of impairments at the beginning of the period to stage 2	(57)	496	(439)	-
Transfer of impairments at the beginning of the period to stage 3	(23)	(261)	284	-
Impairment provisions for new loans and advances (additions)	49	86	263	398
Additions as a result of change in credit risk	617	755	545	1,917
Releases as a result of change in credit risk	1,025	732	522	2,280
Previously written down for impairment, now written off	-	-	398	398

Total impairment provisions, end of period	911	2,003	2,290	5,205
---------------------------------------------------	------------	--------------	--------------	--------------

Impairment provisions, end of period, are attributable to:

Mortgage lending	911	2,003	2,290	5,205
------------------	-----	-------	-------	-------

Earnings impact, H1/2018	(360)	109	286	35
---------------------------------	--------------	------------	------------	-----------

NOTES

DKK million

Nykredit Group

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

2018: Total impairment provisions by stage regarding loans and advances etc at amortised cost

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Total impairment provisions, end-2017 (Annual Report for 2017)				2,290
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January from implementation of IFRS 9				571
Total, 1 January 2018	499	202	2,219	2,919

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

Transfer of impairments at the beginning of the period to stage 1	8	(1)	(7)	-
Transfer of impairments at the beginning of the period to stage 2	(75)	123	(48)	-
Transfer of impairments at the beginning of the period to stage 3	(8)	(19)	26	-
Impairment provisions for new loans and advances (additions)	71	14	55	140
Additions as a result of change in credit risk	191	134	481	806
Releases as a result of change in credit risk	275	217	307	799
Previously written down for impairment, now written off	-	-	177	177

Total impairment provisions, end of period **410** **237** **2,241** **2,889**

Impairment provisions, end of period, are attributable to:

Bank lending 410 237 2,241 2,889

Earnings impact, H1/2018 **(14)** **(69)** **230** **147**

2017: Total impairment provisions	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total
Impairment provisions, beginning of period	6,003	2,285	44	52	8,384
Additions as a result of new loans and advances and change in credit risk	984	-		19	1,003
Releases as a result of change in credit risk	1,113	214	-	12	1,339
Impairment provisions for properties acquired by foreclosure	71				71
Previously written down for impairment, now written off	497				497
Total impairment provisions, 30 June	5,307	2,071	44	59	7,480
Earnings impact, H1/2017	(129)	(214)	-	7	(336)

NOTES

DKK million

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

Nykredit Group

	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
H1/2018: Total impairment provisions by loans and advances etc				
Loans and advances etc				
Bank and mortgage lending etc, gross	1,221,696	41,105	13,079	1,275,880
Total impairment provisions, end of period	1,249	2,213	4,210	7,671
Loans and advances, carrying amount	1,220,447	38,893	8,869	1,268,208
Guarantees and loan commitments				
Bank lending	35,162	773	228	36,163
Total impairment provisions, end of period	37	27	38	103
Guarantees and loan commitments, carrying amount	35,125	745	189	36,060
H1/2017: Total impairment provisions by loans and advances etc				
	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Total
Loans and advances etc				
Bank and mortgage lending etc, gross	19,800	128,295	7,165	155,260
Total impairment provisions, end of period	5,307	2,071	59	7,436
Loans and advances etc, carrying amount	14,493	126,224	7,106	147,823

NOTES

Nykredit A/S		DKK million		
		Nykredit Group		
H1/2017	H1/2018	H1/2018	H1/2017	
10. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)				
10 d. Impairment provisions for properties acquired by foreclosure				
-	-	Impairment provisions, beginning of period	139	272
-	-	Transfer from impairment provisions for loans and advances	6	71
-	-	Impairment provisions for the period	14	34
-	-	Impairment provisions reversed	(23)	(26)
-	-	Impairment provisions written off	(46)	(129)
-	-	Impairment provisions, end of period	90	222
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".				
11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES				
-	-	Profit from investments in associates	2	4
5,442	3,169	Profit from investments in Group enterprises	-	-
5,442	3,169	Total	2	4
12. TAX				
22.0	22.0	Current tax rates, %	22.0	22.0
22.0	22.1	Permanent deviations	2.7	1.1
0.0	(0.1)	Effective tax rate, %	19.3	20.9
Permanent deviations are driven by investments in Group enterprises and associates as well as equities available for sale.				

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	Nykredit Group
31.12.2017	30.06.2018	30.06.2018	31.12.2017
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
-	-	13,687	34,058
-	50	7,744	9,671
-	-	-	231
-	-	2,446	2,002
-	50	23,878	45,961
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
-	-	1,178,370	1,163,879
-	-	255	432
-	-	-	27,566
-	-	1,178,625	1,191,877
<p>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.</p>			
14 a. Mortgage loans			
-	-	1,138,109	1,107,135
-	-	99,212	217,933
-	-	204	120
-	-	(1,432)	(428)
-	-	(12,869)	(25,394)
-	-	(69,915)	(161,257)
-	-	1,153,310	1,138,109
-	-	(29)	(36)
-	-	(0)	(0)
-	-	1,153,280	1,138,073
-	-	30,010	31,117
-	-	-	(200)
Adjustment for credit risk			
-	-	(4,921)	(5,311)
-	-	1,178,370	1,163,879
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
-	-	66,431	63,479
-	-	20,547	18,776
-	-	20,421	25,792

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2017	30.06.2018	30.06.2018	31.12.2017
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
14 b. Arrears and outlays			
-	-	415	340
-	-	124	348
-	-	(284)	(256)
-	-	255	432
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	61,094	58,034
-	-	31,192	-
-	-	13	16
-	-	307	345
-	-	92,606	58,395
Adjustment for credit risk			
-	-	(2,751)	(2,290)
-	-	89,856	56,105
-	-	(17)	(18)
-	-	89,838	56,087
<p>In connection with the implementation of IFRS 9 total impairment provisions increased by DKK 566 million, impacting the accounting balance as at 1 January 2018. Also, reverse repurchase lending previously measured at fair value was reclassified to loans, advances and other receivables at amortised cost.</p>			

NOTES

Nykredit A/S		DKK million		
		Nykredit Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
		16. BONDS AT FAIR VALUE		
-	-	Self-issued SDOs	88,584	88,418
-	-	Self-issued RO's	17,615	34,324
-	-	Self-issued corporate bonds	391	722
-	-	Self-issued senior debt	198	200
-	-	Other covered bonds	69,294	80,094
-	-	Government bonds	12,475	12,031
-	-	Other bonds	8,718	5,023
-	-	Total	197,276	220,812
-	-	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 21	(88,572)	(88,402)
-	-	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 22	(13)	(16)
-	-	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 21	(17,615)	(34,324)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 22	(391)	(722)
-	-	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 21	(198)	(200)
-	-	Total	90,487	97,149
-	-	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	14,336	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.		
		17. EQUITIES		
-	-	Equities measured at fair value through profit or loss, see the Annual Report for 2017	2,526	2,526
-	-	Transferred from equities available for sale	2,450	
-	-	Total, 1 January 2018	4,977	2,526
-	-	Equities available for sale, see the Annual Report for 2017	2,450	2,450
-	-	Transferred to equities measured at fair value through profit or loss	(2,450)	-
-	-	Total, 1 January 2018	-	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 Group's financial statements. The change will not affect the balance sheet.		
		18. OTHER ASSETS		
-	-	Interest and commission receivable	2,907	3,489
-	-	Positive market value of derivative financial instruments etc	19,211	19,269
-	-	Defined benefit plans	317	327
0	1	Other	3,638	3,352
0	1	Total	26,073	26,437

NOTES

Nykredit A/S		DKK million		
		Nykredit Group		
31.12.2017	30.06.2018		30.06.2018	31.12.2017
		19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
79	46	Payables to credit institutions	8,714	6,353
-	-	Payables to central banks	3,944	3,337
-	-	Repo transactions with credit institutions	4,883	3,398
-	-	Repo transactions with central banks	-	231
79	46	Total	17,541	13,319
		20. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	64,053	64,528
-	-	At notice	634	1,286
-	-	Time deposits	4,816	7,484
-	-	Special deposits	2,811	2,616
-	-	Repo deposits	19,851	-
-	-	Total	92,165	75,914
		21. BONDS IN ISSUE AT FAIR VALUE		
-	-	ROs	153,695	192,360
-	-	SDOs	1,127,469	1,100,930
-	-	Senior secured debt	4,945	4,981
-	-	Senior unsecured debt	3,744	3,748
-	-	Total	1,289,853	1,302,019
-	-	Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost"	(110,011)	(122,926)
-	-	Total	1,179,842	1,179,093
		21 a. ROs		
-	-	ROs at nominal value	145,005	183,226
-	-	Fair value adjustment	8,690	9,134
-	-	ROs at fair value	153,695	192,360
-	-	Self-issued ROs transferred from "Bonds at fair value" – note 16	(17,615)	(34,324)
-	-	Total	136,081	158,035
-	-	Of which pre-issuance	24	44
-	-	ROs redeemed and maturing at next creditor payment date	70,013	34,354
		21 b. SDOs		
-	-	SDOs at nominal value	1,106,149	1,078,747
-	-	Fair value adjustment	21,320	22,183
-	-	SDOs at fair value	1,127,469	1,100,930
-	-	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(92,199)	(88,402)
-	-	Total	1,035,270	1,012,528
-	-	Of which pre-issuance	5,824	4,544
-	-	SDOs redeemed and maturing at next creditor payment date	4,847	71,305

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2017	30.06.2018	30.06.2018	31.12.2017
		21. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)	
		21 c. Senior secured debt	
-	-	- Senior secured debt at nominal value	4,695 4,690
-	-	- Fair value adjustment	250 291
-	-	- Senior secured debt at fair value	4,945 4,981
-	-	- Self-issued senior secured debt transferred from "Bonds at fair value" – note 16	(198) (200)
-	-	- Total	4,747 4,781
-	-	- Senior secured debt maturing at next creditor payment date	- -
		21 d. Senior unsecured debt	
-	-	- Senior unsecured debt at nominal value	3,726 3,723
-	-	- Fair value adjustment	18 26
-	-	- Total	3,744 3,748
		22. BONDS IN ISSUE AT AMORTISED COST	
-	-	- Corporate bonds	5,171 7,196
-	-	- SDOs	13 16
-	-	- Senior secured debt	- 3,735
-	-	- Senior unsecured debt	13,363 13,314
-	-	- Other securities	53 27
-	-	- Total	18,600 24,288
-	-	- Self-issued corporate bonds transferred from "Bonds at fair value" – note 16	(391) (722)
-	-	- Self-issued SDOs transferred from "Bonds at fair value" – note 16	(13) (16)
-	-	- Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 15	(17) (18)
-	-	- Total	18,179 23,532
		23. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE	
-	-	- Repo transactions with undertakings other than credit institutions and central banks	- 16,714
-	-	- Negative securities portfolios	1,663 2,307
-	-	- Total	1,663 19,021
		24. OTHER LIABILITIES	
-	-	- Interest and commission payable	7,353 8,457
-	-	- Negative market value of derivative financial instruments etc	12,708 12,905
13	8	- Other	3,518 3,898
13	8	Total	23,579 25,260

NOTES

Nykredit A/S		DKK million	
		Nykredit Group	
31.12.2017	30.06.2018	30.06.2018	31.12.2017
	25. SUBORDINATED DEBT		
	Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
	Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.		
	Subordinate loan capital		
	Nom EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below		
-	- 7%, the loan will be written down	4,589	4,584
	Nom EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years.	6,024	5,986
	Nom EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate		
-	- will be fixed every six months	373	372
-	- Total subordinate loan capital	10,985	10,942
-	- Portfolio of self-issued bonds	(4)	-
-	- Total subordinated debt	10,982	10,942
-	- Subordinated debt that may be included in own funds	6,314	8,300
	26. 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	6,296	7,055
-	- Other commitments	8,732	8,443
-	- Total	15,028	15,498
	26 a. Contingent liabilities		
-	- Financial guarantees	803	1,362
-	- Registration and refinancing guarantees	94	108
-	- Other contingent liabilities	5,399	5,585
-	- Total	6,296	7,055
	"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
	26 b. Other commitments		
-	- Irrevocable credit commitments	7,081	6,617
-	- Other	1,651	1,826
-	- Total	8,732	8,443

26. OFF-BALANCE SHEET ITEMS (CONTINUED)

Other 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 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 23 24 62 18).

27. 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 H1/2018.

The companies have entered into various intercompany agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, 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 H1/2018 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, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 1.7 billion at 30 June 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 2.0 billion to Totalkredit A/S in the form of subordinated debt and DKK 4.0 billion in the form of Additional Tier 1 capital.

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

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

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

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

In H1/2018 Nykredit Ejendomme A/S sold properties to a company in the Kalvebod II Group at a market value of DKK 218 million. Both companies are wholly owned by Nykredit Realkredit A/S.

28. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 485 million at 30 June 2018 against a negative DKK 366 million at end-2017.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital etc. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2018, the non-amortised minimum margin amounted to DKK 150 million against DKK 157 million at end-2017. With regard to liquidity and credit risk, DKK 208 million in 2018 and DKK 216 million for 2017 have been included above in the net adjustment of FVA and CVA. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

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

Fair value totalled DKK 1,548 million at 30 June 2018 after value adjustment. Credit value adjustments came to DKK 2,560 million at 30 June 2018 (2017: DKK 3,110 million).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 100 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2018, the proportion was thus 0.4% compared with 0.3% at end-2017. The proportion of financial liabilities was 0.0% against 0.0% at end-2017.

28. FAIR VALUE DISCLOSURES (CONTINUED)

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 4.7 billion (2017: DKK 4.0 billion) belonged to this category.

Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 473 million at 30 June 2018 (0.61% of equity at 30 June 2018). The earnings impact for 2017 was estimated at DKK 402 million (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 result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In H1/2018 financial assets of DKK 6.6 billion were transferred from Listed prices to Observable inputs and DKK 3.6 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.0 billion were transferred from Listed prices to Observable inputs and DKK 0.0 billion from Observable inputs to Listed prices.

Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2018 the amount was DKK 0.0 billion against DKK 2.3 billion at end-2017.

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

NOTES

DKK million

Nykredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2018

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- bonds at fair value	45,827	44,406	147	90,380
- equities measured at fair value through profit or loss	3,124	-	2,823	5,947
- positive fair value of derivative financial instruments	52	17,611	1,548	19,211
- mortgage loans, arrears and outlays	-	1,178,625	-	1,178,625
- owner-occupied properties	-	-	211	211
Total	49,003	1,240,642	4,729	1,294,374
Percentage	3.8	95.8	0.4	100.0

Financial liabilities:

- other non-derivative financial liabilities at fair value	1,111	552	-	1,663
- negative fair value of derivative financial instruments	63	12,645	-	12,708
- bonds in issue at fair value	1,176,424	3,418	-	1,179,842
Total	1,177,597	16,615	-	1,194,212
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	(11)	15	119	400	523
Purchases for the period	-	126	121	-	247
Sales for the period	(50)	(17)	(40)	(20)	(127)
Transferred from Listed prices and Observable inputs ¹	-	-	-	(399)	(399)
Transferred to Listed prices and Observable inputs ²	-	-	-	463	463
Fair value, end of period, assets	212	147	2,823	1,547	4,729

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.

Nykredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2017

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- 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	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

DKK million

Nykredit Group	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014
29. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	5,444	5,822	5,483	5,959	5,511
Net fee income etc	(115)	(37)	(18)	125	(21)
Net interest and fee income	5,329	5,786	5,464	6,084	5,490
Value adjustments	786	2,860	(740)	658	(238)
Other operating income	439	135	105	92	89
Staff and administrative expenses	2,301	2,185	2,264	2,270	2,387
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	48	116	103	119	106
Other operating expenses	65	71	82	34	87
Impairment charges for loans, advances and receivables etc	103	(448)	125	449	1,049
Profit from investments in associates and Group enterprises	2	4	6	4	4
Profit before tax	4,040	6,860	2,261	3,967	1,716
Tax	781	1,433	469	887	381
Profit for the period	3,259	5,427	1,792	3,080	1,336
Value adjustment and reclassification of strategic equities against equity	-	125	(157)	306	173
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2018	30.06.2017	30.06.2016	30.06.2015	30.06.2014
Assets					
Cash balances and receivables from credit institutions and central banks	29,003	33,704	43,707	47,410	36,133
Mortgage loans at fair value	1,178,370	1,140,548	1,127,725	1,119,080	1,143,883
Bank loans excluding reverse repurchase lending	58,344	57,534	49,554	49,441	46,908
Bonds and equities etc	96,434	95,088	106,387	109,404	118,624
Remaining assets	60,131	52,824	79,934	81,781	98,804
Total assets	1,422,282	1,379,697	1,407,306	1,407,116	1,444,353
Liabilities and equity					
Payables to credit institutions and central banks	17,541	14,420	28,131	39,322	49,656
Deposits and other payables	92,165	69,442	69,537	65,919	61,742
Bonds in issue at fair value	1,179,842	1,140,474	1,142,561	1,146,975	1,138,266
Subordinated debt	10,982	10,956	11,260	4,646	15,243
Remaining liabilities	44,296	68,004	88,790	84,509	119,188
Equity	77,456	76,401	67,027	65,745	60,258
Total liabilities and equity	1,422,282	1,379,697	1,407,306	1,407,116	1,444,353
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,296	7,224	6,245	8,394	6,351
Other commitments	8,732	7,664	7,203	5,593	7,488
FINANCIAL RATIOS¹					
Total capital ratio, %	23.0	23.9	21.5	18.6	18.6
Tier 1 capital ratio, %	21.0	21.6	20.4	18.2	18.1
Return on equity before tax, %	5.2	9.4	3.1	6.9	3.2
Return on equity after tax, %	4.2	7.2	2.5	5.4	2.5
Income:cost ratio	2.6	4.6	1.8	2.5	1.5
Foreign exchange position, %	0.0	0.3	0.7	0.4	0.4
Loans and advances:equity (loan gearing)	16.4	16.0	18.0	18.2	20.5
Growth in loans and advances for the period, %	1.7	0.6	(1.0)	(0.5)	(1.2)
Total impairment provisions, %	0.63	0.60	0.67	0.74	0.70
Impairment charges for the period, %	0.01	(0.04)	0.01	0.04	0.08
Return on capital employed, %	0.23	0.39	0.13	0.22	0.09

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

NOTES

DKK million

Nykredit A/S	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014
29. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Staff and administrative expenses	12	8	14	2	2
Profit from investments in associates	3,169	5,442	1,529	3,308	1,511
Profit before tax	3,156	5,434	1,515	3,305	1,508
Tax	(3)	(4)	(3)	(1)	(1)
Profit for the period	3,159	5,437	1,518	3,306	1,509
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2018	30.06.2017	30.06.2016	30.06.2015	30.06.2014
Assets					
Cash balances and receivables from credit institutions and central banks	50	-	11	16	22
Remaining assets	17	9	12	8	5
Investments in Group enterprises	73,718	72,647	63,251	61,949	60,231
Total assets	73,786	72,656	63,274	61,973	60,258
Liabilities and equity					
Payables to credit institutions and central banks	46	10	-	-	-
Remaining liabilities	8	5	12	1	1
Equity	73,732	72,641	63,262	61,972	60,258
Total liabilities and equity	73,786	72,656	63,274	61,973	60,258
OFF-BALANCE SHEET ITEMS					
Other commitments	-	-	-	-	-
FINANCIAL RATIOS¹					
Total capital ratio, %	26.4	27.0	27.0	26.9	26.8
Tier 1 capital ratio, %	26.4	27.0	27.0	26.9	26.8
Return on equity before tax, %	4.2	7.8	2.4	5.5	2.5
Return on equity after tax, %	4.2	7.8	2.4	5.5	2.5
Income:cost ratio	266.7	679.0	106.1	1,422.0	721.0
Return on capital employed, %	4.28	7.48	2.40	5.33	2.50

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

NOTES

DKK million

Nykredit A/S

30. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 June 2018	Profit for the period 2018	Equity, 30 June 2018	Profit for 2017	Equity, 31 December 2017
Nykredit A/S (Parent), Copenhagen, h)	-	3,159	73,732	7,766	75,005
Nykredit Realkredit A/S, Copenhagen, a)	100	3,284	77,486	8,074	78,847
Totalkredit A/S, Copenhagen, a)	100	1,127	27,353	1,752	26,300
Nykredit Bank A/S, Copenhagen, b)	100	1,025	20,460	3,133	19,877
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	75	799	136	725
Nykredit Leasing A/S, Gladsaxe, e)	100	51	722	78	671
Nykredit Mægler A/S, Copenhagen, c)	100	35	101	110	137
Nykredit Ejendomme A/S, Copenhagen, d) ²	-	23	0	65	512
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	4	235	(3)	231
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	1	113	(6)	112
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	3	117	3	115
Nykredit Adm. V A/S, Copenhagen, f)	100	-	1	(0)	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 the 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	3,376	14,821	4,029	-	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	(3)	11	-	-

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.

² Nykredit Ejendomme A/S, Copenhagen, was dissolved on 18 June 2018.

- 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 f.m.b.a. The financial statements of Nykredit Realkredit A/S and Forenet Kredit f.m.b.a are available from:

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

Nykredit Group

31. CLASSIFICATIONS AND VALUE ADJUSTMENTS AS AT 1 JANUARY 2018

	Amortised cost	Fair value adjusted through profit or loss	Fair value adjusted through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
Assets							
Cash balances etc and receivables from credit institutions and central banks	X a)			45,798	2,233	(3)	48,028
Cash balances etc 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)	83,153
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						(504)	
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 etc						(125)	
c) Change in impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(441)	

Nykredit A/S

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

	Amortised cost	Fair value adjusted through profit or loss	Fair value adjusted through other comprehensive income	Balance sheet, 31 December 2017	Reclassification	Value adjustment	Balance sheet, 1 January 2018
Assets							
Cash balances etc and receivables from credit institutions and central banks	X a)			-	-		-
Cash balances etc 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 in Nykredit Bank A/S 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.