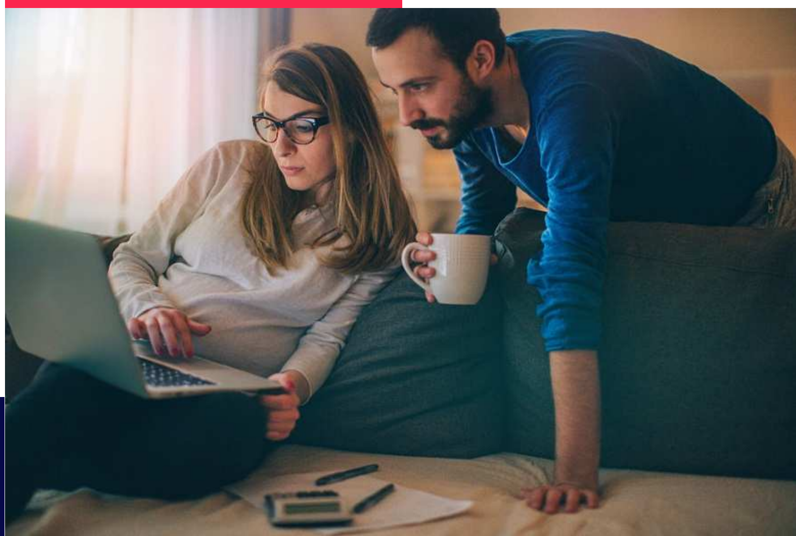
Nykredit

Nykredit Group



Annual report 2018

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STATEMENT OF THE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE

Yet another year of customer growth
Again in 2018 more Danes chose to become customers of the Nykredit Group. Recent years' customer growth in Totalkredit and Nykredit continued, which resulted in considerable lending growth in both companies.

In Nykredit Bank lending and assets under management increased by 11.5% and 17.7%, respectively. The reason is that many homeowners, private banking clients and businesses entrusted Nykredit Bank with all of their finances in 2018. Also customer satisfaction with Nykredit Bank was at a high level. Lending rose by 6.8% in Totalkredit – more than 780,000 homeowners now have Totalkredit home loans.

Customers should know that Nykredit is different
We aim for all our customers to receive some of the best advisory services, products and solutions the sector has to offer. An ambitious aim in itself but far from enough; our customers should also learn how Nykredit is different from our competitors.

Nykredit comes from the long-standing Danish tradition of association and is today the only organisation of its kind in Denmark that is owned by an association of customers, Forenet Kredit. We want to make our customers aware of this – which we did indeed in 2018 when Nykredit returned DKK 1.1 billion to our customers, thanks to being owned by an association of customers. The funds are from the dividends distributed by Nykredit in 2018 based on the financial results achieved for 2017. As majority shareholder, Forenet Kredit received the lion's share of the dividend and subsequently decided to return most of it to Nykredit.

This contribution enabled us to increase the KundeKroner discount in early 2018 and make it even more attractive for homeowners to be customers of Totalkredit. Average administration margin payments in Totalkredit are now at the lowest level in four years.

In the summer of 2018, we introduced a unique business customer discount, ErhvervsKroner, for the benefit of businesses, farmers and associations with mortgage loans. Specifically, ErhvervsKroner and KundeKroner discounts are automatically deducted from the customers' administration margin payments.

Finally, in December we introduced a new benefits programme, MineMål, which means that we will regularly award cash benefits to homeowner customers of Nykredit Bank.

In 2019 we expect Nykredit to return DKK 1.7 billion to our customers.

Changes have paved the way for substantial customer discounts
Recent years' efforts to transform Nykredit have now enabled us to return an amount in the excess of one billion Danish kroner to our customers. Nykredit has become a more efficient, profitable and customer-centric company. We have reduced our costs, increased our income and welcomed more new customers. And Nykredit's capital position has stabilised.

These are the changes that have given Nykredit the added strength to distribute significant dividends. For instance the 2017 dividend, which, as described, funded our KundeKroner and ErhvervsKroner discount programmes and in 2018 the benefits programme MineMål. Going forward, we expect Nykredit to distribute ordinary dividends annually, on average corresponding to 50% of profit after tax.

Nykredit's unique corporate responsibility
Nykredit and the Danish society are deeply entwined, and Nykredit is therefore obliged to provide added value to society.

As Denmark's largest credit provider, we are particularly committed to ensuring that our lending activities benefit society as a whole. And therefore, Nykredit's overarching aim is to offer favourable and secure loans across the country – at all times. This way, we believe that Nykredit can contribute to growth and development in all regions of Denmark, to a coherent Danish society and to a stable Danish economy – something that lies at the core of our corporate responsibility. We are therefore proud that Totalkredit in 2018 increased its lending in 96 out of 98 Danish municipalities.

It requires solid earnings to take on this unique responsibility at all times. Our current business model allows Nykredit to operate with strong earnings, while at the same time offering our customers affordable and secure loans. The reason is that earnings may benefit customers through dividend payments.

For details on Nykredit's positive contribution to society, see Nykredit's annual CR report published together with this Annual Report.

One of the best financial performances in Nykredit's history
A company such as Nykredit should not only be characterised by its ability to share its success with customers and its corporate responsibility awareness. It also needs to be efficient and customer-centric. This is why we are very satisfied that Nykredit delivered one of its best financial performances ever in 2018, and that the cost:income ratio remains one of the lowest in the sector. This is a testament to our strong underlying business.

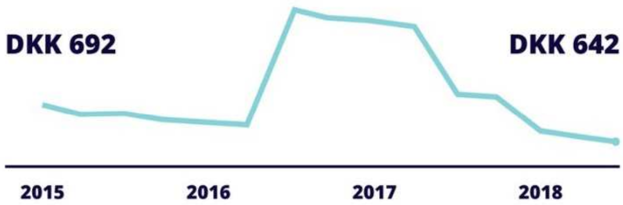
Based on profit for the year, it is recommended to the Annual General Meeting for the second consecutive year that Nykredit distributes half of its profit after tax as dividend, equal to DKK 2.8 billion. Forenet Kredit's share of the dividend will be DKK 2.2 billion.

Yours sincerely

Steffen Kragh
Chairman

Michael Rasmussen
Group Chief Executive

WE ARE PARTICULARLY PROUD OF ...



Lending growth throughout Denmark

Loans all across the country. Together with its partner banks, Totalkredit has year-to-date increased lending to Danish homeowners in 96 out of 98 municipalities.

Decreasing administration margin payments

KundeKroner has reduced the borrowing costs for Totalkredit customers. Today Totalkredit customers make average monthly administration margin payments of DKK 642 for each DKK 1 million borrowed compared with DKK 692 at the beginning of 2015.

Customers discounts in excess of DKK 1 billion

In 2018 the Nykredit Group's customers will receive KundeKroner, ErhvervsKroner and MineMål discounts totalling DKK 1.1 billion - feeling the tangible benefits of having a financial provider that is owned by its customers.

We support businesses throughout Denmark

In 2018 Nykredit's business customers throughout Denamrk received discounts (ErhvervsKroner) of DKK 143 million.

Our customers future-proof their financial position

Almost 50% of customers who have taken out or refinanced a loan in 2018 opted for fixed-rate repayment loans. Last year, this was true for almost 38%.

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Group	2018	2017	2016	2015	2014	Q4/ 2018	Q3/ 2018	Q4/ 2017
BUSINESS PROFIT AND PROFIT FOR THE YEAR								
Net interest income	8,984	9,006	8,747	8,462	8,457	2,258	2,273	2,232
Net fee income	1,951	2,470	2,251	2,376	2,174	429	496	664
Wealth management income	1,361	1,402	1,184	1,040	993	336	355	355
Net interest from capitalisation	(356)	(360)	(447)	(573)	(807)	(92)	(88)	(87)
Trading, investment portfolio and other income	83	1,492	1,676	1,102	(24)	(264)	(16)	(202)
Income	**12,023**	**14,010**	**13,411**	**12,407**	**10,793**	**2,667**	**3,019**	**2,961**
Costs	4,890	5,067	5,285	5,071	5,107	1,273	1,203	1,477
Business profit before impairment charges	**7,133**	**8,944**	**8,126**	**7,336**	**5,687**	**1,394**	**1,816**	**1,485**
Impairment charges for loans and advances	380	379	680	920	2,351	167	110	930
Business profit	**6,753**	**8,564**	**7,446**	**6,416**	**3,336**	**1,225**	**1,706**	**555**
Legacy derivatives	280	1,517	(763)	229	(2,674)	(104)	164	29
Impairment of goodwill and customer relationships	-	-	-	1,965	852	-	-	-
Profit (loss) before tax	**7,033**	**10,081**	**6,683**	**4,680**	**(190)**	**1,122**	**1,872**	**584**
Tax	1,293	2,077	1,377	1,493	89	127	385	135
Profit (loss) for the year	**5,740**	**8,004**	**5,306**	**3,187**	**(279)**	**996**	**1,485**	**449**
Other comprehensive income, value adjustment of strategic equities	-	(6)	331	7	238	-	-	(78)
Other comprehensive income, remaining items	(7)	1	12	25	(32)	11	(6)	3
Comprehensive income for the year	**5,733**	**7,999**	**5,649**	**3,219**	**(72)**	**1,007**	**1,479**	**375**
Interest on Additional Tier 1 capital charged against equity	233	233	233	197	-	(59)	58	59
SUMMARY BALANCE SHEET	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2018	30.09.2018	31.12.2017
Assets								
Receivables from credit institutions and central banks	29,691	48,031	34,829	23,253	42,288	29,691	29,526	48,031
Mortgage loans at fair value	1,193,667	1,163,879	1,124,693	1,119,101	1,137,099	1,193,667	1,183,494	1,163,879
Bank loans excluding reverse repurchase lending	60,566	55,744	55,003	46,747	50,494	60,566	58,749	55,744
Bonds and equities	99,444	102,125	116,555	110,294	131,383	99,444	92,412	102,125
Remaining assets	64,608	56,967	69,530	84,401	96,042	64,608	61,047	56,967
Total assets	**1,447,976**	**1,426,746**	**1,400,611**	**1,383,796**	**1,457,306**	**1,447,976**	**1,425,228**	**1,426,746**
Liabilities and equity								
Payables to credit institutions and central banks	15,692	13,319	21,681	30,226	44,863	15,692	18,498	13,319
Deposits excluding repo deposits	76,918	75,914	65,414	62,584	65,211	76,918	72,688	75,914
Bonds in issue at fair value	1,196,229	1,179,093	1,152,383	1,137,314	1,167,163	1,196,229	1,184,320	1,179,093
Subordinated debt	11,011	10,942	11,078	11,006	11,394	11,011	10,940	10,942
Remaining liabilities	68,243	68,707	79,099	77,184	109,999	68,243	59,861	68,707
Equity	79,883	78,770	70,955	65,482	58,675	79,883	78,921	78,770
Total liabilities and equity	**1,447,976**	**1,426,746**	**1,400,611**	**1,383,796**	**1,457,306**	**1,447,976**	**1,425,228**	**1,426,746**
FINANCIAL RATIOS								
Profit (loss) for the year as % of average business capital (ROAC)[1]	10.2	14.4	10.1	5.4	(0.1)	6.9	10.5	2.4
Profit (loss) for the year as % of average equity[2]	7.5	10.9	8.5	5.0	(0.1)	5.0	8.0	1.7
Costs as % of income	40.7	36.2	39.4	40.9	47.3	47.7	39.9	49.9
Total provisions for loan impairment and guarantees	8,184	7,915	8,341	8,646	9,172	8.184	8,025	7,915
Impairment charges for the year, %	0.03	0.03	0.06	0.08	0.19	0.01	0.01	0.08
Total capital ratio, %	23.5	23.9	21.9	20.7	17.5	23.5	23.5	23.9
Common Equity Tier 1 capital ratio, %	21.0	20.6	18.8	19.4	15.4	21.0	21.0	20.6
Internal capital adequacy requirement, %	10.0	10.2	10.2	11.8	11.3	10.0	10.1	10.2
Average number of staff, full-time equivalent	3,382	3,505	3,648	3,757	3,971	3,376	3,403	3,469

1 "Profit (loss) for the year as % 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.

NYKREDIT'S CORE VALUES, CORPORATE RESPONSIBILITY AND STRATEGY

CORE VALUES

The history of Nykredit dates back more than 165 years, and the Group's values are rooted in history as well as our special ownership structure. Nykredit comes from the long-standing Danish tradition of association and is the only organisation of its kind in Denmark that is owned by an association of customers.

Then, as today, Nykredit's priority was to help families become homeowners and businesses grow. Nykredit has evolved over the years but the basic idea remains the same: Together we can create more value for more people.

Creating more value for more people plays a pivotal role in Nykredit's business development and activities, and as a result, Nykredit is able to offer discounts and benefits to personal as well as business customers. Similarly, more value for more people is evidenced by the fact that also this year, Nykredit has recorded lending growth in all regions of Denmark – in urban as well as rural districts.

CORPORATE RESPONSIBILITY

In line with other Danish companies, Nykredit has a responsibility to contribute positively to the community we are part of. This implies that all parts of our business must act responsibly, correctly and sustainably.

Nykredit also has a special social commitment, which places further demands on our corporate responsibility. Nykredit wants to ensure affordable, secure loans throughout Denmark at all times. Thus, in recent years, all major decisions have been aimed at giving Denmark greater certainty that Nykredit will maintain its lending capacity where and when it is needed. We are ready and willing to take a closer look at our own practices and enter into dialogue with customer segments which have difficulties obtaining loans. In 2018 we continued to focus on the development in rural districts, and on the challenges in the agricultural sector and for senior borrowers.

The Group's corporate responsibility efforts are strongly founded on a commitment to be active in all of Denmark, but our corporate responsibility reaches even further.

In this connection, the UN's 17 Sustainable Development Goals are important yardsticks, and in 2018 Nykredit incorporated these goals into our activities. Our corporate responsibility efforts thus focus on three main themes, which are closely tied to Nykredit's business activities:

- We will actively support development and growth throughout Denmark – at all times
- We will actively support sustainable development
- Responsible business practices

The main themes of *Growth in all of Denmark* and *Sustainable development* are pursued through a range of initiatives aimed at resolving significant societal challenges while creating value for our customers and opportunities for our business.

The main theme of *Responsible business practices* embraces key areas where Nykredit is responsible for managing the risks of negative impacts on society arising from operating a financial business.

Expanding our risk management efforts

Nykredit has long-established and structured risk management practices in place aimed at identifying and managing the risks associated with operating a financial business and ensuring that all parts of the business act responsibly, correctly and sustainably.

At the end of 2018 these risk management efforts were expanded to include the task of continuously addressing whether conduct, propositions, products, advisory services or the like exist in the organisation that we are unable to explain or defend. This is called *conduct management*.

By focusing in a more structured way on conduct, Nykredit wants to support a culture in which our staff and Management are able to openly discuss dilemmas and act on them.

Conduct management is thus to sustain a healthy, open-minded culture ensuring that all parts of the company act in sync with Nykredit's corporate responsibility – as a financial institution and as a company owned by an association.

Sustainable development

Nykredit has a number of ambitions aimed at strengthening our contribution to the green transition and promoting sustainable lending and investments. We have set a goal to annually increase the amount of green assets, and we focus on ways to contribute to reducing energy consumption in Danish homes. We also continue our efforts to make responsible and sustainable investments. In 2018 Nykredit obtained the Nordic Swan Ecolabel as the first investment fund under Danish management.

Ramping up the fight against financial crime

As a large financial business, Nykredit is actively engaged in the fight against economic crime, such as tax evasion, terrorist financing and money laundering, helping authorities to clamp down on the forces which misuse banks for criminal ends. In 2018 we strengthened our organisation further through mandatory training and specialised training for all relevant staff in customer-facing entities, relevant staff functions and Management.

We protect data

At Nykredit, we collect and process the personal data of millions of Danes every year. We are very much aware of our responsibility here and therefore constantly seek to create a strong and coherent data protection framework across the Group. Our efforts in 2018 focused especially on preparing for the new General Data Protection Regulation, enhanced IT security and training of our staff.

In 2019 we will strive to make the customer experience simpler and easier when we handle customer data. We will become even better at protecting personal data, for instance through even greater focus on controlling how our staff process personal data. And we will maintain a high IT security level through ongoing monitoring, testing and evaluation.

For additional information on Nykredit's corporate responsibility performance and Nykredit's statutory disclosure, please refer to our CR Report 2018 at nykredit.com/samfundsansvar. The report includes our:

1. Communication on Progress to the UN Global Compact, which we signed in 2008.
2. Report on corporate responsibility, cf section 135 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
3. Report on the gender composition of management, cf section 135a of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

Information on corporate governance is available at nykredit.com/corporategovernance

WINNING THE DOUBLE

Winning the Double is Nykredit's Group strategy.

Nykredit's strategy is based on a dual ambition of growing the number of full-service customer relationships in prioritised customer segments and strengthening the alliance with the Totalkredit partner banks. Nykredit thus focuses on putting customers first and maintaining balanced growth in our business mix. Winning the Double also comes with an obligation to ensure an effective business as a basis for offering our customers the best prices.

In Retail we want to win over homeowners and personal wealth clients as satisfied and loyal full-service customers by offering a holistic advisory experience that covers all angles of our customers' housing situation, assets and day-to-day finances. For our business customers, we want to expand our full-service customer relationships with owner-managers, segments of small and medium-sized Danish enterprises as well as agricultural customers. For our corporate customers, we want to offer market-leading solutions within selected core areas.

We want to strengthen our close alliance with the Totalkredit partner banks by joining forces also in the areas of development, infrastructure and process optimisation for the benefit of the Totalkredit partner banks as well as Nykredit.

Winning the Double in 2018

Over the past few years, we have launched a number of major business development initiatives as part of the delivery of Nykredit's Winning the Double strategy.

In 2018 we took further strides towards realising the full potential of Winning the Double with strategic initiatives in relation to full-service customers, the Totalkredit alliance and our customer benefit programmes, which combined provide the Nykredit Group with a solid platform for additional growth.

Focus on full-service customers

In 2018 we took a number of specific initiatives to strengthen our propositions and services to full-service customers. Customer satisfaction among personal customers has increased, and satisfaction among business customers remains at the highest level since the financial crisis.

At the beginning of 2018, our personal and business customers were introduced to a new service concept which improves accessibility for our customers whether they need advice from their personal adviser or on-the-spot advice from our call centre, Nykredit Direkte, throughout its extended opening hours – 70 hours a week.

Corporate customers in Retail are served out of our five, newly established regional corporate banking centres, which provide advisory services tailored to our customers' needs within, for instance, risk and cash management. The focused advisory services provided by our corporate banking centres ensure an improved customer experience.

Characteristic of our full-service customer focus is our objective and ability to accommodate customers' aggregate financial needs and on this basis offer them the best advice on how they may realise their dreams. We have a distinct focus on strengthening and further developing wealth management services across all customer segments. In 2018 our dedicated focus on this area produced an upturn in assets under management of DKK 31.7 billion and growth in the number of new private banking clients. In addition to high customer satisfaction we won several awards again this year, eg best private banking provider in Denmark and best asset manager in Denmark.

Our continuing efforts to deliver market-leading solutions to our corporate customers within selected core areas were strengthened further in 2018, with a dedicated focus on fielding the best team of advisers and on continued enhancement of our debt capital activities. Our customers rewarded our efforts by giving high satisfaction ratings, which rose further in 2018.

This makes for a solid platform for additional growth and new business opportunities, as we have a strong market position. We will strive to further increase our customer orientation for the purpose of realising our ambition to become customers' preferred bank. In 2019 we will therefore allocate additional resources to selected wealth management and business banking activities; areas in which Nykredit already has a strong position but where we see potential for higher growth.

Finally, in 2018 Nykredit changed over to BEC's IT solutions. Nykredit has now secured the foundation for participating in joint development projects within the BEC partnership with a view to enhancing the customer and adviser experience by offering overview, more self-service options and simple, flexible workflows.

Expansion of partnership activities

The alliance with the Totalkredit partner banks was further expanded and strengthened, and partner satisfaction increased further from an already high level in 2017. We recorded continued strong growth in lending as well as rising market shares.

In autumn 2018, Nykredit and Totalkredit announced a new joint project with the partner banks in the field of property valuations, setting up a new nationwide, shared property valuation unit.

The project aims to leverage benefits of scale and illustrates an ever stronger and more integrated partnership alliance. During 2019 the partner banks will gradually change over to the shared property valuation unit.

Together with our partners we are making considerable investments in a new mortgage lending platform, which is to replace the existing joint system, Xportalen. The new platform is a joint, future-proof system, enabling the partner banks and Totalkredit to offer customers shorter service times and extended self-service options. The system will also ease the everyday tasks of individual advisers and improve system integration. In 2018 the project reached important milestones that will benefit customers and advisers in the course of 2019.

For several years, Nykredit has assisted the partner banks of the Totalkredit alliance in arranging subordinated debt issues to fund growth and strengthen capitalisation levels in general in the wake of tighter capital requirements. In 2018 these ties were further strengthened through Nykredit's advisory services on IPOs and share issues.

Unique benefit programmes in Nykredit and Totalkredit

As a result of being owned by an association, we are able to share our success with our customers. The association Forenet Kredit wants customers to benefit from the profits from its ownership of Nykredit and Totalkredit. So when the Nykredit Group is successful, Forenet Kredit is able to make contributions to the Group, and customers may receive discounts. The size of the customer discounts depends on the Group's performance, and discounts are therefore determined for periods at a time.

Personal customers of Totalkredit will receive cash benefits (KundeKroner) in the form of a discount on the administration margin payments on mortgage loans. In 2018 discounts were raised by 50% to DKK 1,500 annually for every million Danish kroner borrowed.

From July 2018 Totalkredit and Nykredit started awarding KundeKroner discounts to personal customers and ErhvervsKroner discounts to business customers with mortgage loans. This discount has also been fixed at DKK 1,500 annually for each million Danish kroner borrowed up to a maximum of DKK 20 million. In 2018 Totalkredit awarded DKK 956 million in personal customer discounts (KundeKroner), while Nykredit awarded DKK 144 million in business customer discounts (ErhvervsKroner).

In December 2018 Nykredit launched the MineMål benefit programme aimed at helping customers achieve their goals and dreams as homeowners. The programme awards cash benefits to Nykredit's personal full-service customers, who will receive DKK 250 in their MineMål account each quarter, which may be withdrawn and used by the customers at their discretion. In December our customers also received a welcome discount of DKK 1,000; an amount that will gradually be deducted from fee costs, such as loan refinancing fees.

During 2019 MineMål will be expanded by introducing an interest rate discount of DKK 1,500 for every million Danish kroner borrowed to customers who have home loans with Nykredit Bank. Assisted by our customers, we will further develop MineMål to meet our customers' demand for digital solutions and guides, helping our customers to realise their housing dreams.

We aim to award KundeKroner, ErhvervsKroner and MineMål discounts every year. The annual discount has been set at DKK 1,500 for every million Danish kroner borrowed for business and personal customers alike for the period up to end-2019. Future discounts and their size will depend on the Nykredit Group's future financial position and the size of contributions received from Forenet Kredit going forward.

Strong position

The delivery of our Winning the Double strategy is reflected in the Nykredit Group's performance, and we have registered growth in our prioritised customer segments. We are recording rising customer satisfaction, and we are being recognised for our value propositions.

Within Nykredit, we focus on increasing efficiency and reducing costs as part of our Winning the Double strategy. In the autumn of 2018, we announced that we will be moving our headquarters to Nordhavn in 2022. This will enable us to bring together more of our staff under the same roof, reduce our rental costs and create a high-quality workplace for our staff in sustainable, green and high-tech headquarters.

We are continuously investing to promote an inspirational development climate focused on the development of individual staff members. In 2018 we carried out a talent development programme and a management academy for all managers across the Group. Staff satisfaction has risen markedly, and we recorded a significant increase in our staff net promoter score, measuring our staff's inclination to recommend Nykredit as a workplace.

FINANCIAL REVIEW

Business profit for 2018	Profit for 2018	Income in 2018
DKK 6,753 million	**DKK 7,033 million**	**DKK 12,023 million**
Business profit	Profit before tax for the year	Income

ROAC	Return on equity	Cost:income ratio
10.2%	**7.5%**	**40.7%**
Profit for the year as % of average business capital	Profit for the year as % of average equity	Costs as % of income

PERFORMANCE HIGHLIGHTS IN 2018

The Nykredit Group delivered a satisfactory performance in 2018, recording a profit before tax of DKK 7,033 million, equal to a profit as a percentage of business capital (ROAC) of 10.2% and a return on equity of 7.5%.

Expectations for business profit and profit before tax for 2018 presented in the Annual Report for 2017 were between DKK 6.5 billion and DKK 7.5 billion. These expectations were matched. In the H1 Interim Report, the expectations for business profit and profit before tax were revised to being at the top half of the range between DKK 6.5 billion and DKK 7.5 billion. For 2018 business profit was DKK 6,753 million, and profit before tax DKK 7,033 million. Consequently, only profit before tax reached the top half of the range. The lower profit than expected at end-H1 was driven by the financial turmoil towards year-end, which had a significant adverse impact on investment portfolio income.

Overall, this is one of the best performances in Nykredit's history, albeit lower than the historically strong performance in 2017, which was positively impacted by several one-off factors. Business volumes and activity levels generally grew throughout the year. Our focus on the good customer experience generated growth in the number of full-service (BoligBank) customers and increasing business volumes. 2018 also saw growth in the number of private banking clients, which stimulated growth in assets under management by DKK 31.7 billion to DKK 210.6 billion at end-2018.

Both our Private Banking and Asset Management businesses received several awards from eg Prospera during the year. Prospera also named Nykredit Asset Management the asset manager providing the best service overall and the best at turning investments into solid returns. Nykredit Asset Management was ranked no 1 by Prospera, achieving top marks for investment performance. Furthermore, in February 2018, Morningstar named Nykredit Asset Management the best investment fund manager in four out of eight categories.

Nykredit Private Banking received several awards in 2018 as well. Nykredit Private Banking was named the Best Private Banking Service by Euromoney as well as awarded for an Outstanding Private Banking Customer Relationship Service and Engagement by Private Banker International. And for the second consecutive year, Nykredit Private Banking was recognised by Professional Wealth Management and The Banker. For the second consecutive year, Prospera, a market research company, named Nykredit the best private banking provider in Denmark.

Also our business banking division recorded rising activity and increased customer satisfaction; total bank lending to personal and business customers increased by 11% in 2018 to DKK 60.6 billion, and bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 66.8 billion. The positive trends are also being felt in respect of the Totalkredit alliance, which recorded growth of DKK 41 billion to the highest-ever level of Totalkredit lending of DKK 685 billion.

Income

Total income came to DKK 12,023 million in 2018 against DKK 14,010 million in 2017, primarily driven by a negative trend in investment portfolio income and reduced net fee income.

Net interest income was DKK 8,984 million against DKK 9,006 million in 2017. Net interest income in 2018 was affected by KundeKroner, Nykredit's unique personal customer discount, and the launch of ErhvervsKroner, Nykredit's corresponding discount for business customers, as well as MineMål – with a combined effect of negative DKK 241 million. Excluding the discounts awarded as part of the customer benefit programmes, net interest income would have risen to DKK 219 million, primarily due to rising bank and mortgage lending.

Net fee income, chiefly from lending, including mortgage loan refinancing and other services, saw a total decrease of DKK 519 million to DKK 1,951 million. This was driven by lower refinancing activity compared with 2017, a shift towards fixed-rate products and lower funding income.

Wealth management income amounted to DKK 1,361 million against DKK 1,402 million in 2017. Income fell although 2018 saw a substantial rise in savings, driven by the financial turmoil that characterised a large part of the year and resulted in revenue somewhat lower than usual. Primarily income from equities and bond trading reduced relative to 2017 in contrast to growth in assets under management and the net asset values of Nykredit's investment funds.

Net interest expenses from capitalisation, which includes interest on subordinated debt, totalled DKK 356 million against DKK 360 million in 2017.

Trading, investment portfolio and other income, including value adjustments of investment portfolios and derivatives currently offered, reflected falling equity prices and widening yield spreads in 2018. Compared with a very high level in 2017, income fell by DKK 1,409 million to DKK 83 million.

Costs

Costs amounted to DKK 4,890 million, down DKK 177 million on the previous year. Costs as a percentage of income amounted to 40.7% in 2018. This is marginally higher than the announced long-term target of 40% but can be ascribed to the negative trend in investment portfolio income.

Throughout 2018 Nykredit was deeply engaged in major regulatory projects (for example GDPR and anti-money laundering), the transition to BEC's platform, as well as a joint project with our partner banks to build a new future-proof mortgage lending platform. Despite these large-scale projects and generally high activity across the organisation servicing new and existing customers, costs for the year have fallen.

The average staff number declined by 123 persons, or 4%, to 3,382 compared with 2017.

Impairment charges for loans and advances

Impairment charges for loans and advances remained low at DKK 380 million, the same level as in 2017. Impairments in 2017 were impacted by a change in the estimate of impairments of mortgage lending (IFRS 9).

The continued low impairment level resulted from favourable economic trends, benefitting most of Nykredit's customer segments. However, 2018 was a challenging year for agriculture. Additional provisions were therefore made during the year as a result of the summer drought etc.

Impairment charges for mortgage lending changed from DKK 481 million in 2017 to DKK 106 million.

Impairment charges for bank lending and provisions for guarantees changed from a net reversal of DKK 102 million in 2017 to a charge of DKK 274 million in 2018 mainly due to the impairment of a few large exposures.

Impairment provisions for potential future losses totalled DKK 8.2 billion at 31 December 2018 compared with DKK 7.9 billion at end-2017.

Write-offs on mortgage and bank lending for the period were DKK 1,230 million against DKK 1,166 million in 2017, corresponding to 0.10% of loans and advances. Write-offs of DKK 887 million were recorded on mortgage lending and DKK 343 million on bank lending.

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, were DKK 280 million against DKK 1,517 million in 2017, partly driven by significant income from two large exposures in 2017. Legacy derivatives are derivatives Nykredit no longer offers to customers, comprising a portfolio with a total market value of DKK 5.6 billion against DKK 5.9 billion at end-2017. The portfolio was written down to DKK 3.5 billion at end-2018.

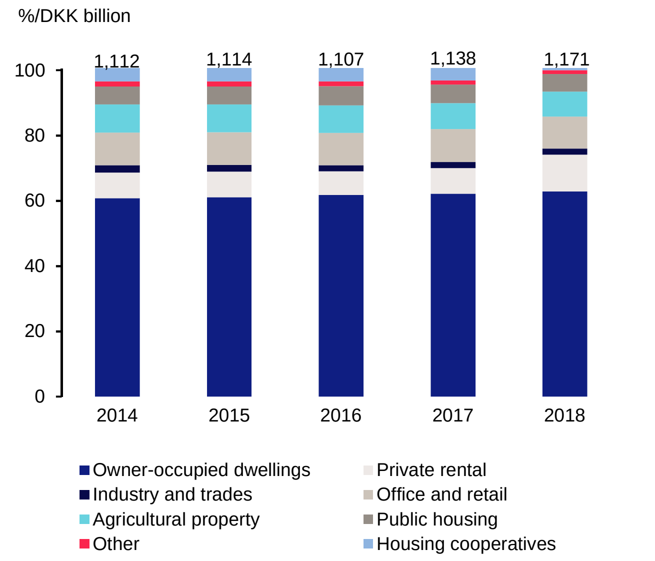
Tax

Tax calculated on profit for the period was DKK 1,293 million, corresponding to 18.4% of profit before tax.

Balance sheet

Nominal mortgage lending was DKK 1,171 billion at end-2018, equal to an increase of DKK 33 billion on end-2017. Totalkredit Partners, Wholesale and Wealth Management recorded lending growth, whereas Retail saw a minor downturn compared with end-2017 following run-off of customers exclusively having mortgage products with Nykredit.

Nykredit Group
Mortgage lending by property type



The Group's market share of total Danish mortgage lending was 41.3% at end-2018, a rise of 0.2 percentage points on end-2017.

Bank lending (including secured homeowner loans transferred to Totalkredit) rose to DKK 66.8 billion from DKK 60.0 billion at end-2017. At 31 December 2018 secured homeowner loans transferred to Totalkredit amounted to DKK 6.2 billion against DKK 4.2 billion at end-2017.

Guarantees provided by Nykredit amounted to DKK 5.9 billion at end-2018 against DKK 7.1 billion at end-2017.

Deposits, excluding repo deposits, increased by DKK 1.0 billion to DKK 76.9 billion from DKK 75.9 billion at end-2017.

Nykredit Bank's deposits exceeded lending by DKK 16.6 billion at end-2018 compared with DKK 20.7 billion at end-2017.

Equity

The Nykredit Group's equity stood at DKK 79.9 billion at end-2018 against DKK 78.8 billion at end-2017.

RESULTS FOR Q4/2018 RELATIVE TO Q3/2018

The Group recorded a profit before tax of DKK 1,122 million in Q4/2018 against DKK 1,872 million in Q3/2018.

Business profit fell to DKK 1,225 million from DKK 1,706 million in Q3, mainly because of lower income due to a negative trading book and other income.

Income thus amounted to DKK 2,667 million in Q4 against DKK 3,019 million in the preceding quarter.

Costs increased to DKK 1,273 million, up 6% on Q3, reflecting a time lag in the settlement of several major projects.

Impairment charges for loans and advances rose from DKK 110 million in Q3 to DKK 167 million in Q4. Impairment charges remained low yet negatively affected by impairment provisions for bank loans to a few business customers as well as changed principles for property valuations.

Legacy derivatives resulted in a charge of DKK 104 million against a gain of DKK 164 million in Q3.

RESULTS RELATIVE TO OUTLOOK

Expectations for business profit and profit before tax for 2018 presented in the Annual Report for 2017 were between DKK 6.5 billion and DKK 7.5 billion. These expectations were matched.

In the H1 Interim Report, the expectations for business profit and profit before tax were revised to being at top half of the range between DKK 6.5 billion and DKK 7.5 billion. For 2018 business profit was DKK 6,753 million, and profit before tax DKK 7,033 million. Consequently, only profit before tax reached the top half of the range. The lower profit than expected at end-H1 was driven by the financial turmoil towards year-end, which had a significant adverse impact on investment portfolio income.

OUTLOOK FOR 2019

For 2019 Nykredit expects a business profit of between DKK 6.5 billion and DKK 7.0 billion. Profit before tax is expected to be at the same level, as there are no specific expectations for legacy derivatives.

The outlook for the full-year results is based on these assumptions:

- Nykredit expects higher income in 2019 driven by business growth, and investment portfolio income is expected to exceed the low 2018 level.

- Costs are expected to rise slightly in 2019 because of the expansion of the Totalkredit partnership to include the establishment of a new shared property valuation unit.

- Impairment charges for loans and advances are expected to normalise in 2019 at higher levels than in 2018.

The most important uncertainty factors for the 2019 outlook relate to investment portfolio income from Nykredit's portfolio of bank shares, legacy derivatives, as well as loan impairments.

SPECIAL ACCOUNTING CIRCUMSTANCES

IFRS 9 was implemented with effect from 1 January 2018. The standard includes new provisions governing classification and measurement of financial assets, impairment of financial assets and hedge accounting.

An important feature of IFRS 9 is the new principles for calculation of impairment of loans and advances, as well as 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

Changes to the Board of Directors and Executive Board

At the Company's Annual General Meeting held on 22 March 2018, Hans-Ole Jochumsen was elected new member of the Board of Directors. At the same time, Hans Bang-Hansen and Erling Bech-Poulsen resigned from the Board of Directors.

Lars Peter Skaarup left his position with Nykredit in October 2018 and consequently also his position as staff-elected member of the Board of Directors of Nykredit A/S.

Kim Duus, Group Managing Director, has given notice of resignation and will leave his position as member of the Executive Board and Head of Wholesale. Kim Duus will remain in his position until some point during the first half of 2019.

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 were 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 the 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.

KundeKroner, ErhvervsKroner and MineMål

The Committee of Representatives of Forenet Kredit decided on 22 March 2018 to make a total 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 customer discounts (KundeKroner). The contribution will secure the funding of discounts to personal customers having a mortgage loan with Totalkredit at an annual amount of DKK 1,500 on their administration margin payments for each million Danish kroner borrowed in

2018 and 2019. From 1 July 2018 business customers were awarded annual discounts of DKK 1,500 for each million Danish kroner borrowed up to a maximum of DKK 20 million of the debt outstanding

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

The DKK 0.7 billion contribution to Nykredit Realkredit A/S is 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 at an annual amount of DKK 1,500 on their administration margin payments for each million Danish kroner borrowed up to a maximum of DKK 20 million of the debt outstanding. Business customer discounts were introduced as at 1 July 2018, and the first discounts on business customers' administration margin payments were awarded at end-September. For homeowner customers, part of the contribution was used to extend the customer programme to include the benefits programme MineMål. This programme awards cash benefits to personal full-service customers of Nykredit, who will receive DKK 250 in their MineMål account each quarter, which may be withdrawn and used by the customers at their discretion. In December our customers also received an introductory discount of DKK 1,000; an amount that will gradually be deducted from current charges of eg loan refinancing fees.

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 49 of the Annual Report for 2018, to which reference is made.

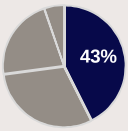
EVENTS SINCE THE BALANCE SHEET DATE

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

BUSINESS AREAS

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

Retail



Mortgage and banking services to personal customers and SMEs, including agricultural customers and residential rental customers. Retail also includes estate agency and leasing activities.

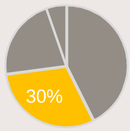
Business profit: DKK 3,117 million

Income: DKK 6,362 million

Impairment charges for loans and advances: DKK 131 million

Total loans and advances: DKK 436 billion

Totalkredit Partners



Totalkredit-branded mortgage loans to personal and business customers arranged by 55 Danish local and regional banks. Retail also comprises mortgage loans arranged by Nykredit.

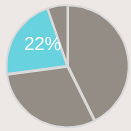
Business profit: DKK 2,209 million

Income: DKK 2,893 million

Impairment charges for loans and advances: DKK 122 million

Total loans and advances: DKK 567 billion

Wholesale



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

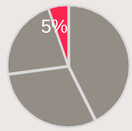
Business profit: DKK 1,595 million

Income: DKK 2,337 million

Impairment charges for loans and advances: DKK 117 million

Total loans and advances: DKK 217 billion

Wealth Management



Asset and wealth management activities. The division includes the business units Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite.

Business profit: DKK 388 million

Income: DKK 860 million

Total loans and advances: DKK 13 billion

Assets under management DKK 211 billion

Assets under administration: DKK 665 billion

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

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

Please 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.

Results – Retail	2018	2017	Q4/ 2018	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4/ 2017
							DKK million
Net interest income	4,745	4,791	1,165	1,195	1,202	1,184	1,186
Net fee income	1,032	1,389	222	258	271	280	401
Wealth management income	508	535	124	135	127	122	127
Net interest from capitalisation	(231)	(256)	(47)	(61)	(61)	(63)	(66)
Trading, investment portfolio and other income	308	100	(36)	111	113	120	(219)
Income	**6,362**	**6,559**	**1,428**	**1,638**	**1,652**	**1,643**	**1,429**
Costs	3,114	3,181	853	745	756	760	894
Business profit before impairment charges	**3,248**	**3,378**	**575**	**894**	**896**	**883**	**534**
Impairment charges for mortgage lending	(4)	(393)	(102)	92	105	(99)	(189)
Impairment charges for bank lending	135	72	41	(5)	14	85	76
Business profit	**3,117**	**3,699**	**636**	**807**	**776**	**898**	**648**
Legacy derivatives	177	357	(61)	81	148	9	(1)
Profit before tax	**3,293**	**4,056**	**574**	**888**	**924**	**907**	**646**

2018 in summary

Retail continued efforts to strengthen the customer experience by, for example

- launching the MineMål benefits programme targeted at helping customers achieve their goals and dreams as homeowners
- introducing ErhvervsKroner, a unique discount, to business customers from Q3/2018
- improving accessibility through a new service concept
- enhancing services for corporate clients by concentrating corporate banking specialist skills in five new corporate banking centres.

Retail has implemented a new service concept aimed at improving accessibility for customers whether online, by telephone or in person.

To strengthen its market position, Nykredit Retail Personal Banking lowered selected home loan rates at the beginning of the year, and the annual customer discount, KundeKroner, was raised to 0.15% from 2018. The discount is awarded to personal customers having Totalkredit loans. Moreover, the MineMål benefits programme was launched in December. MineMål awards cash benefits to Nykredit's personal full-service customers, who will receive DKK 250 in their MineMål account each quarter. In December our customers also received a welcome discount of DKK 1,000 that will be gradually deducted from customer fees for eg loan refinancing. The continuous focus on an enhanced customer experience resulted in a continued satisfactory intake of full-service customers under Nykredit's homeowner banking programme BoligBank.

Retail Business Banking strengthened the servicing of our largest business customers through the launch of five resourceful regional corporate banking centres comprising a string of specialists. As from Q3/2018, business and agricultural customers with Nykredit mortgage loans were also offered a discount (ErhvervsKroner) equivalent to 0.15% annually of their debt outstanding up to a maximum of DKK 20 million. Retail also launched a new self-service solution for all types of business customers in Nykredit, which improves customer experience with faster assessments and onboarding of new customers.

Retail is still making every effort to ensure that Nykredit complies with the tighter regulatory requirements concerning, for instance, the processing of sensitive personal data and prevention of money laundering. In 2018 investments were made to improve systems and controls, and Nykredit's staff participated in a number of training activities.

Results etc

Retail's business profit came to DKK 3,117 million in 2018.

Income amounted to DKK 6,362 million, down DKK 197 million compared with the same period last year. The decline was primarily driven by reduced net fee income due to lower income from mortgage lending and lower wealth management income, which was adversely affected by lower income from Nykredit Markets.

Despite investments in compliance and new systems, costs decreased by 2% on 2017.

Impairment charges for loans and advances came to DKK 131 million (0.07% of gross lending) against a net reversal of DKK 321 million the year before.

Legacy derivatives resulted in a gain of DKK 177 million against DKK 357 million in 2017.

Results for Q4 relative to Q3

Retail's business profit was DKK 636 million in Q4 against DKK 807 million in Q3/2018.

Income stood at DKK 1,428 million against DKK 1,638 million in Q3/2018. The decline was primarily due to reduced net fee income and trading, investment portfolio and other income.

Costs increased by DKK 108 million to DKK 853 million relative to Q3, driven by rising IT costs.

Impairment charges for loans and advances continued to reflect the positive property market trends, accounting for a net reversal of DKK 61 million against an impairment charge of DKK 87 million in Q3/2018.

Legacy derivatives resulted in a charge of DKK 61 million against a gain of DKK 81 million in Q3/2018.

DKK million

Selected balance sheet items Retail	31.12.2018	31.12.2017	30.09.2018	30.06.2018	31.03.2018
Personal Banking					
Loans and advances	183,533	188,566	184,728	185,620	186,885
- of which mortgage lending, nominal value	166,635	172,902	167,824	169,348	170,893
- of which secured homeowner loans	7,074	5,548	6,817	6,568	6,127
- of which bank lending	9,824	10,117	10,086	9,704	9,865
Deposits	30,332	27,214	29,055	29,404	27,719
Business Banking					
Loans and advances	252,184	255,672	252,333	253,380	253,734
- of which mortgage lending, nominal value	230,847	235,548	231,477	232,948	233,423
- of which bank lending	21,337	20,124	20,856	20,433	20,311
Deposits	19,055	19,432	17,927	17,797	17,498

Activities

Retail Personal Banking continued to grow its portfolio of secured homeowner loans to a total portfolio of DKK 7.1 billion at 31 December 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 2018 compared with 2017 in part due to growth in secured homeowner loans. Bank loans and advances stood at DKK 9.8 billion, a minor downturn of DKK 0.3 billion on end-2017. Bank deposits rose by DKK 3.1 billion in the same period to DKK 30.3 billion.

Bank loans and advances provided by Retail Business Banking increased by DKK 1.2 billion to DKK 21.3 billion, whereas deposits fell by DKK 0.4 billion to DKK 19.1 billion.

Arrears

At the September due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.80% against 0.67% at the same date in 2017.

Lending, personal and business segment, Retail

TOTALKREDIT PARTNERS

DKK million

Results – Totalkredit Partners	2018	2017	Q4/ 2018	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4/ 2017
Net interest income	2,577	2,657	670	639	636	632	652
Net fee income	478	498	99	120	126	134	125
Net interest from capitalisation	(177)	(178)	(62)	(37)	(37)	(41)	(43)
Trading, investment portfolio and other income	14	4	14	0	0	1	14
Income	**2,893**	**2,981**	**721**	**721**	**725**	**726**	**747**
Costs	562	631	151	134	143	133	179
Business profit before impairment charges	**2,331**	**2,350**	**569**	**587**	**582**	**593**	**570**
Impairment charges for mortgage lending	122	91	144	22	41	(86)	(20)
Business profit	**2,209**	**2,259**	**425**	**565**	**541**	**678**	**589**

2018 in summary

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

- continued growth in lending across the country
- expansion of the customer benefits programme to the effect that from Q3 business customers will receive discounts on their administration margin payments for each million Danish kroner borrowed up to a maximum of DKK 20 million In 2018 cash discounts (KundeKroner) of DKK 956 million in total were awarded
- joint IT solutions and the launch of a shared property valuation unit as from Q1/2019.

The Totalkredit alliance is developing a joint future-proof IT platform, which in the coming years will ensure that the alliance as a whole is better positioned to offer customers the best home financing options. 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.

In October 2018, Totalkredit announced plans to strengthen the collaboration with partner banks through a new, shared property valuation unit, named Shared Valuation, from the beginning of 2019. As a result, Totalkredit expects to take over a number of staff members from the partner banks. Shared Valuation will ensure uniform property valuations, fast response times and focus on customer experience.

Totalkredit's partnership with local and regional partner banks also includes distribution of secured homeowner loans and business mortgages. The concept of secured homeowner loans allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans. Totalkredit business mortgages are offered to the segments office and retail, residential rental as well as industry and trades. 38 banks, representing the majority of partner banks having business customers with mortgage needs, have started offering business mortgages.

Results etc

Totalkredit Partners's business profit amounted to DKK 2,209 million against DKK 2,259 million in 2017.

Income amounting to DKK 2,893 million was satisfactory, considering the rise in KundeKroner discounts of DKK 119 million compared with 2017.

Net interest income came to DKK 2,577 million against DKK 2,657 million in 2017.

Impairment charges for loans and advances were DKK 122 million compared with DKK 91 million in 2017. The continued low impairment level was due to the positive property market.

Results for Q4 relative to Q3

Totalkredit Partners's business profit was DKK 425 million in Q4/2018 against DKK 565 million in Q3/2018.

Income was DKK 721 million, the same level as in Q3.

Impairment charges for loans and advances were DKK 144 million compared with DKK 22 million in Q3. The development in Q4 was partly due to the changed principle for property valuations.

DKK million

Selected balance sheet items Totalkredit Partners	31.12.2018	31.12.2017	30.09.2018	30.06.2018	31.03.2018
Personal Banking					
Loans and advances	562,459	530,741	553,981	546,360	537,734
- of which mortgage lending, nominal value	551,454	519,818	542,802	535,022	526,263
- of which secured homeowner loans	11,005	10,923	11,180	11,338	11,471
Business Banking					
Loans and advances	4,093	2,056	3,612	3,114	2,668
- of which mortgage lending, nominal value	4,093	2,056	3,612	3,114	2,668

Activities

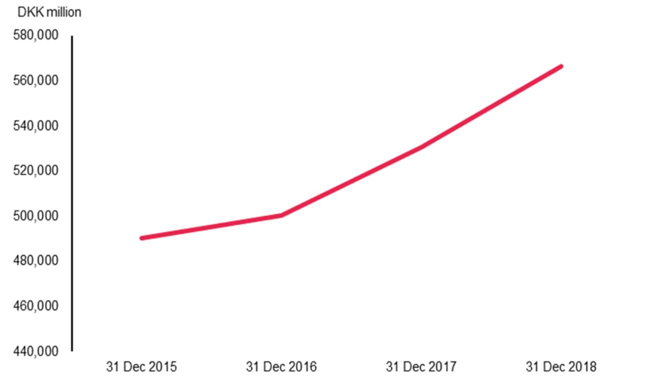
Totalkredit Partners recorded heavy growth in lending in 2018, and lending to personal customers came to DKK 562.5 billion at end-2018 against DKK 530.7 billion at end-2017, equal to an increase of 6%. The business loan portfolio was DKK 4.1 billion compared with DKK 2.1 billion at end-2017.

Loans distributed through former Totalkredit partner banks, which are now managed directly by Totalkredit, amounted to DKK 21 billion at end-2018 against DKK 26 billion at end-2017.

Arrears

At the September due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.18% against 0.16% at the same date in 2017.

Loans and advances, Totalkredit Partners



WHOLESALE

DKK million

Results – Wholesale	2018	2017	Q4/ 2018	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4/ 2017
Net interest income	1,546	1,456	390	407	377	372	367
Net fee income	454	571	128	115	99	113	130
Wealth management income	122	106	40	19	50	14	37
Net interest from capitalisation	(112)	(92)	(38)	(25)	(25)	(25)	(26)
Trading, investment portfolio and other income	327	493	44	60	84	139	89
Income	**2,337**	**2,534**	**564**	**575**	**585**	**613**	**597**
Costs	625	632	173	148	151	154	172
Business profit before impairment charges	**1,712**	**1,902**	**391**	**428**	**434**	**459**	**425**
Impairment charges for mortgage lending	(7)	(244)	(35)	15	(29)	42	(68)
Impairment charges for bank lending	124	(159)	126	(2)	(57)	56	87
Business profit	**1,595**	**2,305**	**300**	**415**	**519**	**361**	**406**
Legacy derivatives	104	1,160	(42)	83	47	16	30
Profit before tax	**1,699**	**3,465**	**257**	**498**	**567**	**377**	**436**

2018 in summary

In 2018 Wholesale continued delivering good customer experience, resulting in:

- increased bank and mortgage lending
- a satisfactory financial performance despite fierce competition on prices and credit terms across the market
- growing demand for strategic financial advisory services and capital markets 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 wealth clients. From the last part of the first quarter, the year was marked by financial market turmoil, and naturally our customers adopted a more cautious and reluctant investment approach.

Results etc

Wholesale's business profit fell to DKK 1,595 million from DKK 2,305 million last year.

Income remained high at DKK 2,337 million, albeit lower than last year, which saw a high activity level, particularly in Q1.

Net fee income amounted to DKK 454 million compared with DKK 571 million in 2017. The lower net fee income was due to a lower activity level in 2018 as well as lower funding income compared with the previous year.

Compared with 2017 investment portfolio income was somewhat lower in 2018, as the market was impacted by falling equity prices and widening yield spreads.

Impairment charges for loans and advances were DKK 117 million compared with a net reversal of DKK 403 million in 2017. The net reversal in 2017 was the result of the winding up of two large housing cooperatives in bankruptcy.

Legacy derivatives amounted to DKK 104 million against DKK 1,160 million in 2017. Last year's earnings were also impacted positively by the winding up of the two large housing cooperatives in bankruptcy.

Results for Q4 relative to Q3

Wholesale's business profit was DKK 300 million in Q4.

Income was relatively stable at DKK 564 million compared with Q3/2018.

Impairment charges for loans and advances totalled DKK 91 million against DKK 13 million in Q3/2018. This development was mainly impacted by impairment of bank loan exposures to a few business customers.

Legacy derivatives resulted in a charge of DKK 42 million against a gain of DKK 83 million in Q3/2018.

Selected balance sheet items Wholesale	31.12.2018	31.12.2017	30.09.2018	30.06.2018	31.03.2018
Lending/deposits					
Loans and advances	216,702	205,407	212,361	211,000	207,618
- of which mortgage lending, nominal value	193,360	185,734	190,064	188,794	187,275
- of which bank lending	23,342	19,672	22,298	22,206	20,343
Deposits	11,708	14,164	8,908	10,167	9,422

DKK million

Activities

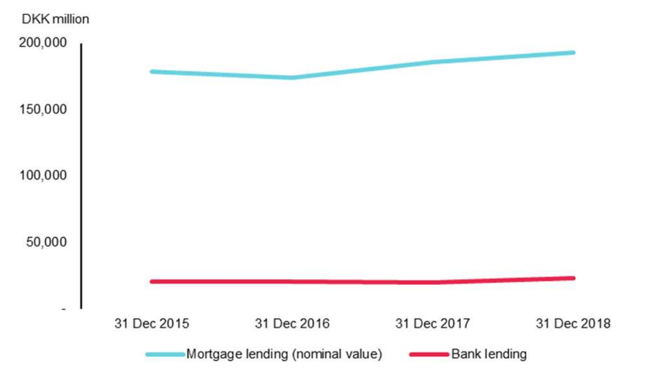
Mortgage lending amounted to DKK 193.4 billion at end-2018, equal to an increase of DKK 7.7 billion on end-2017.

Bank lending increased by DKK 3.7 billion on end-2017 to DKK 23.3 billion. Bank deposits dropped to DKK 11.7 billion.

Arrears

At the September due date, Wholesale's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.08%. The arrears ratio was 0.07% at the same date in 2017.

Mortgage and bank lending, Wholesale



WEALTH MANAGEMENT

DKK million

Results – Wealth Management	2018	2017	Q4/ 2018	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4/ 2017
Net interest income	118	99	31	30	29	28	26
Net fee income	24	23	5	7	7	5	8
Wealth management income	714	739	166	199	178	172	185
Net interest from capitalisation	(8)	(6)	(3)	(2)	(2)	(2)	(2)
Trading, investment portfolio and other income	12	14	4	1	3	3	3
Income	**860**	**869**	**203**	**236**	**214**	**207**	**221**
Costs	453	453	126	108	110	110	130
Business profit before impairment charges	**407**	**416**	**77**	**128**	**105**	**97**	**91**
Impairment charges for mortgage lending	(5)	8	(2)	(2)	2	(3)	3
Impairment charges for bank lending	24	8	(3)	5	24	(3)	3
Business profit	**388**	**400**	**83**	**125**	**79**	**102**	**85**
Legacy derivatives	0	0	0	0	0	0	0
Profit before tax	**388**	**400**	**83**	**125**	**78**	**102**	**85**

2018 in summary

Wealth Management delivered a solid performance in 2018, which resulted in:

- satisfactory financial results as well as strong client growth in Private Banking Elite
- Nykredit Asset Management is by many considered to be among the investment fund managers in Denmark providing the best performance and services
- strong client growth and increasing assets under management
- the launch of a new infrastructure investment fund.

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

Nykredit Private Banking won several awards again in 2018. Nykredit Private Banking was named the Best Private Banking Service by Euromoney as well as awarded for Outstanding Private Banking Customer Relationship Service and Engagement by Private Banker International. And for the second consecutive year Nykredit Private Banking was recognised by Professional Wealth Management and The Banker. For the second consecutive year, Prospera, a market research company, named Nykredit the best private banking provider in Denmark.

Prospera also named Nykredit Asset Management the asset manager providing the best service overall and the best at turning investments into solid returns. Nykredit Asset Management was ranked no 1 by Prospera, achieving top marks for investment performance.

In February 2018, Morningstar named Nykredit Asset Management the best investment fund manager in four out of eight categories.

As the first Danish-domiciled investment fund, Nykredit Invest Bæredygtige Aktier has obtained the Nordic Swan Ecolabel.

Nykredit Asset Management launched a new fund investing in infrastructure projects globally by making investment commitments to dedicated infrastructure funds. The fund is the first of its kind and is aimed at professional investors outside the insurance and pension sector. Nykredit has now made total investment commitments of DKK 4.2 billion for infrastructure projects.

53.7% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2018, and 80.0% generated above-benchmark returns over the past three years. Both are considered satisfactory. In 2018, especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed well.

Results etc

Wealth Management's business profit remained high at DKK 388 million in 2018.

Income amounted to DKK 860 million and was stable compared with last year.

Wealth management income amounted to DKK 714 million against DKK 739 million in 2017. Income fell although 2018 saw a substantial rise in savings, driven by the financial turmoil that characterised a large part of the year and resulted in revenue somewhat lower than usual. Primarily income from equities and bond trading reduced relative to 2017 in contrast to growth in assets under management and the net asset values of Nykredit's investment funds.

Results for Q4 relative to Q3

Wealth Management's business profit totalled DKK 83 million in Q4, which is a decrease from DKK 125 million in Q3.

Income fell from DKK 236 million in Q3/2018 to DKK 203 million in Q4/2018, mainly prompted by lower Wealth Management income due to lower performance fees in Q4 compared with Q3.

Impairment charges for loans and advances came to a net reversal of DKK 5 million compared with an impairment charge of DKK 3 million in Q3/2018.

DKK million

Selected balance sheet items Wealth Management	31.12.2018	31.12.2017	30.09.2018	30.06.2018	31.03.2018
Lending/deposits					
Loans and advances	12,619	10,780	12,003	11,679	11,320
- of which mortgage lending, nominal value	7,902	6,957	7,777	7,537	7,313
- of which secured homeowner loans	1,111	839	1,061	1,018	954
- of which bank lending	3,606	2,984	3,165	3,124	3,053
Deposits	12,090	13,464	12,124	12,060	12,663
Assets under management	210,623	178,906	210,122	202,425	194,365
- of which Nykredit Group investment funds	68,758	61,472	70,247	67,756	63,867
Assets under administration [1]	664,590	792,710	696,889	688,620	734,761

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

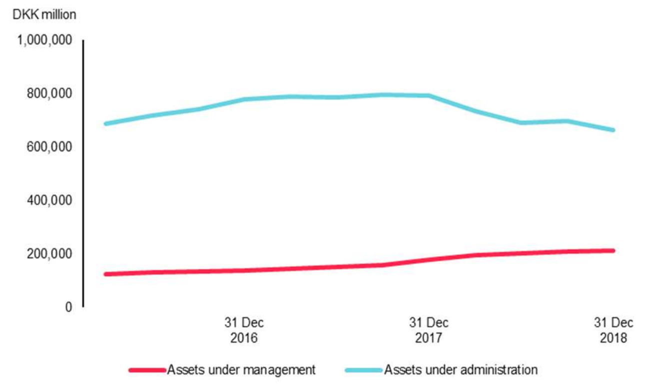
Activities

Total assets under management went up by DKK 31.7 billion, representing DKK 210.6 billion at end-2018. The increase was attributable to positive net sales of DKK 32.1 billion as well as negative value adjustments of DKK 0.4 billion. The positive net sales were broadly based to international and institutional clients as well as Private Banking clients.

Private Banking Elite, which is responsible for part of total assets under management, recorded satisfactory net growth in assets under management in 2018.

Total assets under administration went down by DKK 128.1 billion compared with end-2017, representing DKK 664.6 billion at end-2018. The decrease comprised net outflows of DKK 105.4 billion primarily from one large client and negative value adjustments as well as other returns of DKK 22.8 billion.

Assets under management and assets under administration by Wealth Management



GROUP ITEMS

DKK million

Results – Group Items	2018	2017	Q4/ 2018	Q3/ 2018	Q2/ 2018	Q1/ 2018	Q4/ 2017
Net interest income	(2)	3	1	2	(3)	(2)	1
Net fee income	(36)	(11)	(24)	(5)	(0)	(7)	(0)
Wealth management income	16	22	6	3	3	5	6
Net interest from capitalisation	172	172	57	37	39	39	50
Trading, investment portfolio and other income	(579)	882	(289)	(189)	(99)	(2)	(88)
Income (loss)	**(428)**	**1,068**	**(249)**	**(152)**	**(60)**	**32**	**(32)**
Costs	136	169	(30)	69	58	39	101
Business profit (loss) before impairment charges	**(564)**	**899**	**(219)**	**(221)**	**(118)**	**(7)**	**(133)**
Impairment charges for mortgage lending	0	1,018	0	-	(0)	0	1,039
Impairment charges for bank lending	(9)	(22)	(2)	(15)	9	(0)	0
Business profit (loss)	**(555)**	**(97)**	**(216)**	**(206)**	**(127)**	**(6)**	**(1,172)**

DKK million

Selected balance sheet items Group Items	31.12.2018	31.12.2017	30.09.2018	30.06.2018	31.03.2018
Lending/deposits					
Loans and advances	526	670	479	501	1,228
- of which bank lending	526	670	479	501	1,228
Deposits	3,787	1,640	4,675	2,886	2,791

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

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

Results etc

The business profit of Group Items decreased by DKK 458 million relative to 2017 to a loss of DKK 555 million.

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

CAPITAL, FUNDING AND LIQUIDITY

DKK million

Nykredit Group Equity (including AT1 capital)	2018	2017
Equity, beginning of year	78,770	70,955
Profit for the year	5,740	8,004
Fair value adjustment of equities available for sale	-	(6)
Other adjustments	(4,628)	(183)
Equity, year-end	**79,883**	**78,770**

DKK million

Nykredit Group Capital and capital adequacy	2018	2017
Credit risk	290,524	289,684
Market risk	27,390	24,724
Operational risk	25,709	21,246
Total risk exposure amount (REA)	**343,623**	**335,655**
Equity (including AT1 capital)	79,883	78,770
AT1 capital etc	(3,772)	(5,411)
Proposed dividend	(2,800)	(4,000)
CET1 capital additions/deductions	(907)	44
CET1 capital	**72,404**	**69,404**
AT1 capital	1,862	2,240
AT1 capital deductions	(28)	(127)
Tier 1 capital	**74,239**	**71,518**
Tier 2 capital	6,208	8,300
Tier 2 capital additions/deductions	454	477
Own funds	**80,900**	**80,295**
CET1 capital ratio, %[1]	21.0	20.6
Tier 1 capital ratio, %	21.6	21.3
Total capital ratio, %	23.5	23.9

Own funds and capital adequacy are specified further in note 2 of 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) of Regulation (EU) No 575/2013.

DKK million

Nykredit Group Required own funds and internal capital adequacy requirement	2018	2017
Credit risk	23,242	23,175
Market risk	2,191	1,978
Operational risk	2,057	1,700
Total Pillar I	**27,490**	**26,853**
Slightly weaker economic climate (stress tests, etc)	1,249	2,697
Other risks	4,812	4,110
Model and calculation uncertainties	744	582
Total Pillar II	**6,805**	**7,389**
Total required own funds	**34,295**	**34,241**
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.0	10.2

EQUITY AND OWN FUNDS

Equity

Nykredit's equity was DKK 79.9 billion at end-2018, equalling an increase of DKK 1.1 billion on end-2017.

The Board of Directors proposes that the Annual General Meeting resolve to distribute dividend for 2018 in the amount of DKK 2.8 billion. Dividend will be deducted from equity carried for accounting purposes at the time of approval by the Annual General Meeting, whereas the proposed dividend was deducted from own funds for capital adequacy purposes already at end-2018.

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

Own funds include CET1 capital, AT1 capital and Tier 2 capital after deductions.

The risk exposure amount (REA) totalled DKK 343.6 billion at end-2018 compared with DKK 335.7 billion at end-2017. With own funds at DKK 80.9 billion, this corresponds to a total capital ratio of 23.5% against 23.9% at end-2017. The CET1 capital ratio was 21.0% against 20.6% at end-2017.

Tier 1 capital consisting primarily of CET1 capital totalled DKK 74.2 billion at 31 December 2018. CET1 capital came to DKK 72.4 billion and AT1 capital to DKK 3.8 billion at end-2018.

The results of the EU-wide stress test for 2018 were published in November. The stress scenarios for Denmark were quite severe, and Nykredit's CET1 capital ratio therefore dropped by 4.8 percentage points. However, the decrease falls within the scope of Nykredit's capital policy. The stress test thus shows that Nykredit would be sufficiently resilient to a severe recession.

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, we aim to have stable earnings, a strong capital structure and competitive credit 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 need of 15.5-16.5% of REA. Furthermore, Nykredit has reserved CET1 capital to meet the upcoming Basel requirements, which may still lead to an increase in REA of around DKK 100 billion. Nykredit has access to new CET1 capital through Forenet Kredit's liquid assets and through investment commitments from a number of Danish pension companies.

Dividend policy

Nykredit's long-term ambition is to provide our owners with a competitive return in the form of dividend in the region of 50% of profit for the year taking into account the current capital policy. The purpose is to ensure that Forenet Kredit strengthens its capital resources and can continue to make contributions to the Group for eg customer discounts.

In addition, it is our long-term intention to return surplus capital to our owners after the relevant capital targets have been met. The capital targets are affected by future capital rules, which are still subject to high uncertainty. We will therefore regularly reassess the Group's capital targets and adjust the dividend payments, as the rules become final and are implemented in the EU.

DKK million

Nykredit A/S Shareholders at 31 December 2018	Share capital, DKK	Share capital, %
Forenet Kredit f.m.b.a.	1,046,965,700	78.90
PFA Pension	133,083,800	10.03
PensionDanmark	31,824,400	2.40
PKA	31,824,400	2.40
PRAS A/S	29,852,600	2.25
Østifterne f.m.b.a.	21,616,300	1.63
AP Pension	21,563,500	1.63
MP Pension	5,786,300	0.44
Industriens Fond	4,463,700	0.34
Total	**1,326,980,700**	**100.00**

Required own funds and internal capital adequacy requirement

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's opinion, to cover all significant risks.

The determination of the required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties.

Required own funds consist of two components: Pillar I and Pillar II capital.

Pillar I

Pillar I capital, covering credit, market and operational risks, was determined at DKK 27.5 billion at end-2018.

Pillar II

Pillar II capital covers other risks as well as an increased capital requirement during a slight economic downturn. The Pillar II capital requirement was determined at DKK 6.8 billion at end-2018 against DKK 7.4 billion at end-2017.

Nykredit applies model-based stress tests and capital projections to determine the required own funds.

The determination of other risks under Pillar II includes assessments of reputation risk, control risk, strategic risk, external risk, concentration risk, validation and backtest results, interest rate risk on swaps, credit valuation adjustment (CVA), etc.

Under Pillar II, a general capital charge or uncertainty buffer has been provided for uncertainties related to the models that Nykredit applies for calculating capital requirements.

At end-2018, Nykredit's required own funds were recognised at DKK 34.3 billion. The internal capital adequacy requirement, calculated as the required own funds as a percentage of REA, amounted to 10.0%.

As a systemically important financial institution (SIFI), Nykredit is subject to a special SIFI buffer requirement to be met with CET1 capital. The requirement of 2% will be phased in gradually and amounted to 1.6% at end-2018.

A capital conservation buffer of 2.5%, applicable to all financial institutions, has been phased in since 2016. This buffer increases the regulatory CET1 capital requirement. It will be phased in by about 0.63 percentage points per year and will be fully phased in by 2019. At end-2018, this ratio was 1.88%.

Upon recommendation from the European Systemic Risk Board, the Danish Minister for Industry, Business and Financial Affairs has decided to raise the countercyclical buffer rate from 0.5% (from March 2019) to 1.0% in September 2019. Nykredit's capital policy allows for the countercyclical buffer.

FUNDING AND LIQUIDITY

Nykredit's assets mainly consist of match-funded mortgage loans. Mortgage lending is secured by mortgages on real estate and is therefore characterised by a high degree of security.

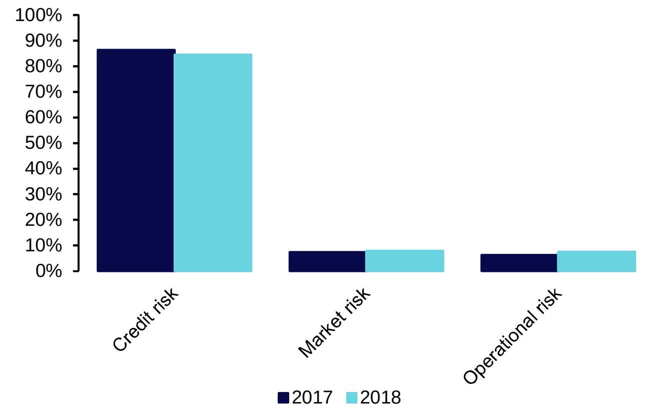
The Danish mortgage system is regulated by the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and the Executive Order on the Issue of Bonds, the Balance Principle and Risk Management.

This means that Nykredit incurs limited interest rate risk, foreign exchange risk and liquidity risk on its mortgage lending and the underlying funding. Liquidity and market risk is further reduced by the Danish act regulating refinancing risk, which ensures mortgage loan refinancing in special situations. Thus, credit risk is our main risk.

In addition to mortgage lending, Nykredit's activities include banking, estate agency services, administration and management of investment funds, leasing and insurance mediation. These business activities including the management of the investment portfolio cause credit, market, liquidity and operational risks.

Nykredit Group

Risk exposure amount (REA) by risk type



Risk management should ensure financial solutions that are viable in the short, medium and long term. Reference is made to note 49 for a more detailed description of Nykredit's risk management. The report Risk and Capital Management 2018, available at Nykredit.com/riskandcapitalmanagement, contains a detailed presentation of Nykredit's capital and risk policy.

Most of Nykredit's investment assets are marked to market. Changes in prices and interest rates will therefore be reflected in earnings due to derived gains/losses on Nykredit's securities investments.

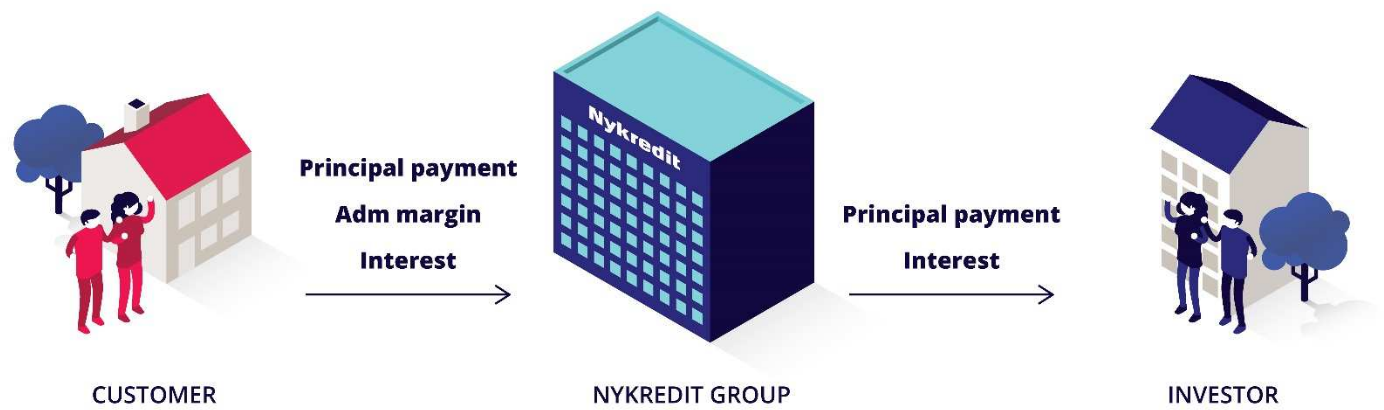
Balance principle and match funding

Nykredit's mortgage lending is regulated by the balance principle which limits the financial risk Nykredit may assume in relation to lending and funding.

Danish mortgage banks may apply either the specific balance principle or the general balance principle.

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. Nykredit therefore uses derivatives for risk hedging only to a very limited extent and only in connection with niche mortgage lending. As a result, we assume only limited financial risk on lending and the related funding.

Balance principle and match funding



In order to eliminate interest rate risk and foreign exchange risk, mortgage loans have the same interest rate and foreign exchange terms as the bonds funding the loans. Long-term fixed-rate loans have the same funding for the entire loan term. Adjustable-rate mortgages (ARMs) and variable-rate loans are funded by bonds with maturities that are shorter than the terms of the related loans, which are refinanced on maturity of the bonds. The loan rate is adjusted upon refinancing at the yield-to-maturity of the new bonds sold.

Principal payments and prepayment of loans reduce the outstanding funding. Borrowers cover Nykredit's costs of prepayments.

Borrowers' dates of payment of interest and principal are scheduled so that Nykredit, provided borrowers make timely payments, receives the funds on or before the dates when the payments to bondholders fall due.

Match funding ensures a match between the interest and principal payments of a loan and the underlying funding. Therefore, Nykredit's earnings margin consists of a separate so-called administration margin, which is most often calculated on the basis of the debt outstanding. In addition, various fees may be charged.

Nykredit applies fair value when recording mortgage loans and bonds in issue for accounting purposes, and for both the determination is based on current market prices of the bonds. Accordingly, value adjustment of mortgage loans and bonds in issue is recognised through profit or loss. A change in bond prices will therefore not result in any fluctuation in Nykredit's financial results.

FUNDING

Nykredit's mortgage lending is funded through the issuance of covered bonds (SDOs and ROs). Bank lending is chiefly funded by deposits.

Mortgage funding through covered bonds

Most of Nykredit's balance sheet consists of lending secured by mortgages on real estate funded through the issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of daily tap issuance coupled with refinancing auctions for ARMs and floating-rate loans, etc.

Covered bond market

Nykredit is the largest issuer of mortgage bonds in Europe, and the Group's issues chiefly consist of covered bonds. At end-2018, the Group had a nominal amount of DKK 1,102 billion of SDOs in issue and DKK 139 billion of ROs in issue.

Nykredit's investors are mainly Danish institutional investors, comprising Danish banks, mortgage lenders and investment funds, which hold a total of 46% at end-2018, and insurance companies and pension funds, which hold 22%. Foreign ownership amounted to 25% at end-2018. In recent years, foreign investors have increasingly purchased long-dated callable covered bonds and relatively fewer short-term bonds.

In 2018 Nykredit issued bonds worth a total of DKK 358 billion, of which daily tap issues amounted to DKK 203 billion, while bonds issued for the purpose of refinancing auctions amounted to DKK 155 billion.

In addition to daily tap sales and refinancing auctions, Nykredit occasionally issues SDOs to investment bank syndicates. In 2018 this format was used once, when EUR 500 million 5-year EUR-denominated SDOs were sold in Q4.

Changes to funding structure

For several years Nykredit has worked to reduce the refinancing risk and establish an even maturity profile. We have done this by refinancing short-term ARMs into loan types with fixed rates or longer reset periods, mainly ARMs with 5-year interest reset, Cita- and Cibor-linked loans. This trend was underpinned by the low interest rates.

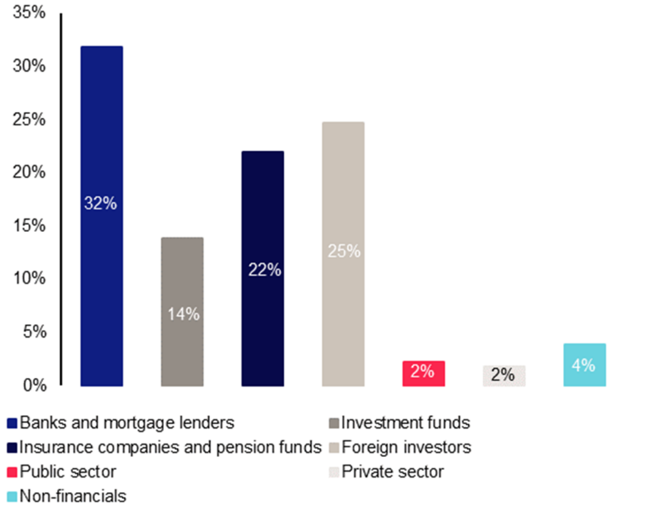
The reduction of loans with frequent refinancing reduced refinancing volumes and improved Nykredit's compliance with the FSA Supervisory Diamond benchmark limit for short-term funding.

Nykredit is subject to the Danish FSA's Supervisory Diamond, both at the level of the Group and the individual companies. The Supervisory Diamond model for banks uses five key benchmarks to measure if a bank is operating at an elevated risk.

Nykredit complied with all Supervisory Diamond benchmark limits as at 31 December 2018.

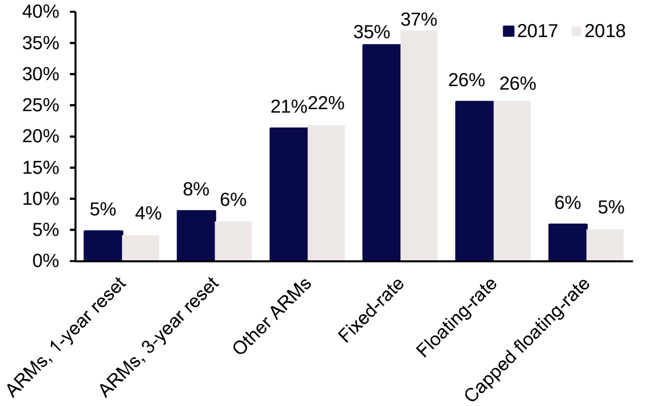
Nykredit Group

Covered bond investor base



Nykredit Group

Mortgage lending by loan type



Nykredit Bank A/S Supervisory Diamond	2018	2017
Large exposures[1] (limit value <175%)	91.7%	96.0%
Lending growth (limit value <20%)	8.9%	1.7%
Property exposure (limit value <25%)	11.5%	11.6%
Funding ratio (limit value <1.0)	0.60	0.54
Liquidity benchmark[2] (limit value >100%)	183.8%	186.0%

[1] The benchmark "Large exposures" has been changed in 2018 and is now showing the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures have equally been restated.

[2] The liquidity benchmark replaces the former benchmark "Excess liquidity coverage". Comparative figures have equally been restated.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	Nykredit Realkredit Group 31 December 2018	Nykredit Realkredit A/S 31 December 2018	Limit value
Lending growth in segment				
Personal customers[1]	Annual lending growth may not exceed 15% in each of the segments personal customers, commercial residential properties, agricultural properties and other commercial.	3.9%	(15.2)%	15.0%
Commercial residential properties		5.7%	5.2%	15.0%
Agricultural properties		3.6%	3.6%	15.0%
Other commercial		0.5%	(0.4)%	15.0%
Borrower's interest rate risk	The proportion of lending where the LTV ratio exceeds 75% of the statutory LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio.			
Private residential and residential rental		14.2%	21.8%	25.0%
Interest-only period	The proportion of IO loans for owner-occupied and holiday housing with an LTV ratio above 75% of the statutory LTV limit may not exceed 10% of total lending.			
Personal customers		8.8%	7.2%	10.0%
Loans with short-term funding				
Refinancing (annually)	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.	13.3%	16.8%	25.0%
Refinancing (quarterly)		2.1%	3.0%	12.5%
Large exposures				
Loans and advances:equity	The sum of the 20 largest exposures must be less than equity.	35.3%	35.3%	100.0%

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

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.

Liquidity is further underpinned by Nykredit's large market share. In 2018 we have 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 (Liquidity Coverage Ratio), banks prefer bonds with outstanding amounts of more than EUR 500 million and high credit ratings. As much as 95% of the outstanding amounts in Nykredit's active bond series is today classified in the top LCR category, while 3% is in the second-best category.

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

New regulation of covered bonds

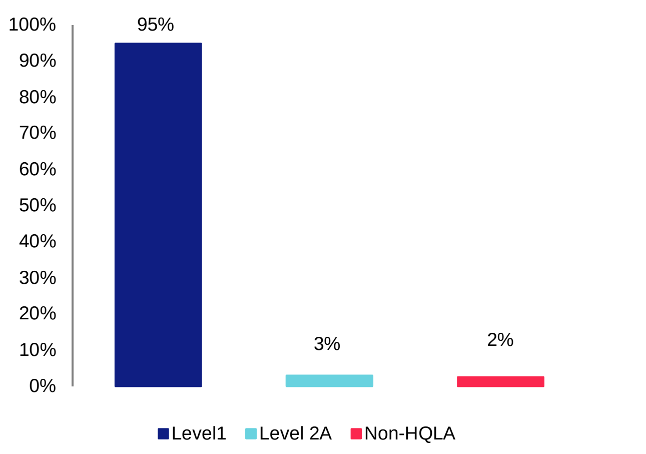
The European Commission has submitted a proposal for a covered bonds directive aimed at harmonising and strengthening existing covered bonds regulation. The legislative process of the European Commission, the European Parliament and the Council is expected to be concluded with the adoption of the proposal in the spring of 2019.

The Danish covered bond legislation already largely complies with the requirements of the draft directive, and Nykredit therefore does not expect the directive to necessitate significant changes to the Danish mortgage system. However, the proposed directive includes two aspects, which may be of significance to Nykredit's funding:

- The introduction of a minimum overcollateralisation (OC) requirement of 5%. This requirement may be lowered to 2% at national level, if the OC requirement is risk-based, as it is in Denmark today. The proposal suggests changing the method of determination for OC, which is expected to increase the need for OC funding.
- A requirement is introduced for issuers of covered bonds to maintain liquidity to cover the next six months' net payments to bondholders etc. However, the requirement will not apply if there is an exact match between payments from customers and payments to bondholders, which is largely the case for the Nykredit Group's mortgage lending.

Nykredit Group

LCR classification of covered bonds, funding loans at 31 December 2018



Public housing funding

In June 2018 the Danish parliament adopted a new act, under which mortgage banks will be backed by a 100% government guarantee on loans and bonds used to fund public housing. The mortgage banks will pay a guarantee and service commission to the government for the government guarantee and potential losses.

For this purpose, Nykredit has opened a separate capital centre, Capital Centre J, for funding to public housing. The first public housing loans were paid out in Q3/2018.

Public housing loans will be gradually transferred from existing capital centres to Capital Centre J. Danmarks Nationalbank has signalled its intent to purchase all bonds in issue from the capital centre.

Negative interest

Denmark still has a negative interest rate environment. Nykredit has arranged its bond issuance so that negative coupon interest will be offset against redemptions to investors, and mortgage borrowers are compensated for the negative interest by way of an increased principal payment on the loan.

Nykredit's mortgage loan margin is a so-called administration margin that is added to the funding rate.

Refinancing risk

Nykredit holds refinancing auctions four times a year. That way, auction volumes are deconcentrated, and the refinancing risk is reduced.

The annual maturity 1 year ahead totals DKK 244 billion, of which ordinary principal payments, prepayments etc totalled DKK 69 billion. Thus, refinancing volumes came to DKK 175 billion.

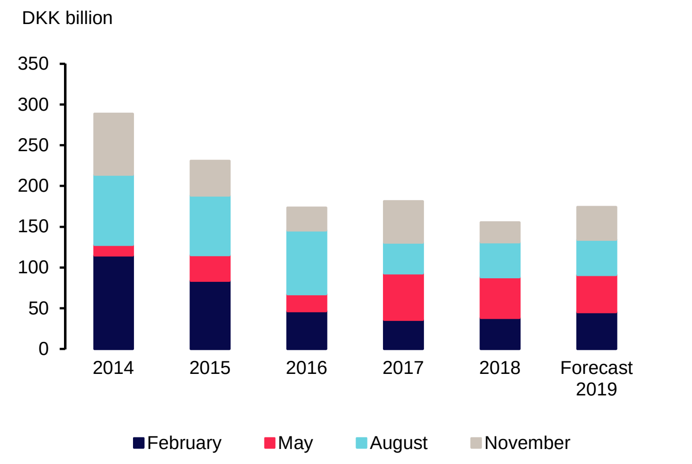
DKK billion

Nykredit Group **Refinancing risk**[1]	2019
Total maturity before set-off of self-issued bonds	244.0
- Ordinary principal payments and known[2] prepayments (paid up)	46.9
- Ordinary principal payments and known[2] prepayments (unpaid)	17.6
- Pre-issued bonds and interest rate risk[2]	4.3
Total refinancing volume	175.2
- Pre-auctioned amount sold under forward contracts	11.3
Refinancing volume remaining for 2019	163.9
of which SDOs and ROs	*156.2*
of which other issues	*7.7*

[1] Applicable for the January, April, July and October 2019 payment dates.
[2] Known as at 31 December 2018.

The refinancing risk of mortgage covered bonds has been significantly mitigated in recent years together with a falling number of short-term bullet covered bonds.

Nykredit Group
Refinancing auctions of covered bonds (SDO's and ROs)



The Act on refinancing risk introduced rules for the issuance of bonds to refinance mortgage loans where the term of the loan exceeds the maturity of the underlying bonds. The Act introduced mandatory maturity extension of bonds in the following situations:

Auction trigger: Auction or similar sale cannot be completed.

Interest rate trigger: The yield-to-maturity rises by more than 5 percentage points at an auction of bonds with maturities of 0-2 years.

Supplementary collateral

Contrary to funding using ROs, funding using SDOs require supplementary security in the event of falling property prices:

- It applies to both types of bond that at the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property (LTV ratio).
- Subsequently, the LTV ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.
- If current LTV ratios exceed the statutory LTV limits, mortgage lenders must provide supplementary collateral for each loan secured by mortgage over real estate funded by SDOs. Nykredit funds part of the supplementary collateral by issuing different kinds of senior debt.

It is Nykredit's policy to have a collateral buffer in case of declining property prices. The minimum buffer is determined by means of stress testing.

Nykredit Realkredit and Totalkredit may apply their liquid assets to fulfil the supplementary collateral requirement. In addition , the companies may provide supplementary collateral by issuing different types of senior debt and placing the proceeds in liquid assets in SDO Capital Centres E and H.

The supplementary collateral requirement was DKK 15.5 billion at end-2018. If property prices were to decline by 10%, the requirement would rise to a total of DKK 17.1 billion. The requirement for supplementary collateral should be seen in the context of the Group mortgage banks' liquid assets totalling DKK 86 billion.

Bail-inable senior debt

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

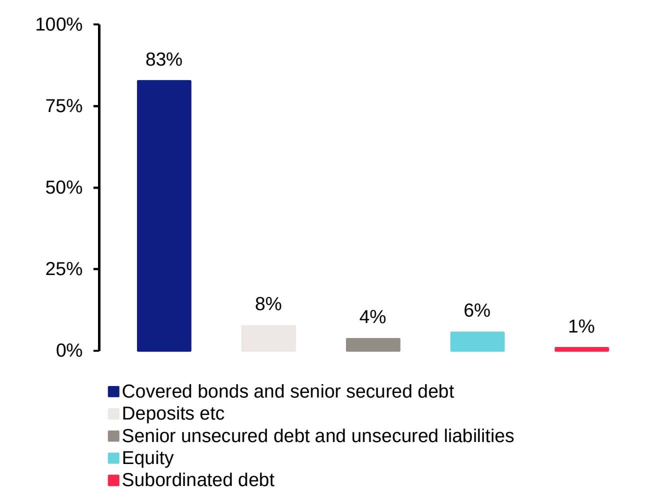
In May 2018 the Danish parliament adopted an Act to enable credit institutions to issue statutory bail-inable senior debt instruments. Nykredit first issued this type of senior debt in July 2018. At the same time, the terms and conditions of the SRN in issue were modified to match the terms and conditions of the statutory bail-inable senior debt.

Bail-inable senior debt is used to meet the regulatory debt buffer requirements as well as the minimum requirement for own funds and eligible liabilities (MREL). The purpose of the MREL requirement is to ensure that in the event that the Nykredit Group fails, it can be recapitalised and restructured through a writedown or conversion of capital and debt instruments. The requirement applies to for Nykredit A/S at a consolidated level for the whole Group. As mortgage banks, Nykredit Realkredit and Totalkredit are exempt from the MREL requirement and are not included in the consolidation.

In addition to the regulatory requirements, bail-inable senior debt meets the additional loss-absorbing capacity (ALAC) criteria of S&P Global Ratings.

In 2018, Nykredit issued bail-inable senior debt of approximately DKK 3.7 billion, bringing total bail-inable senior debt in issue to DKK 17.0 billion at year-end.

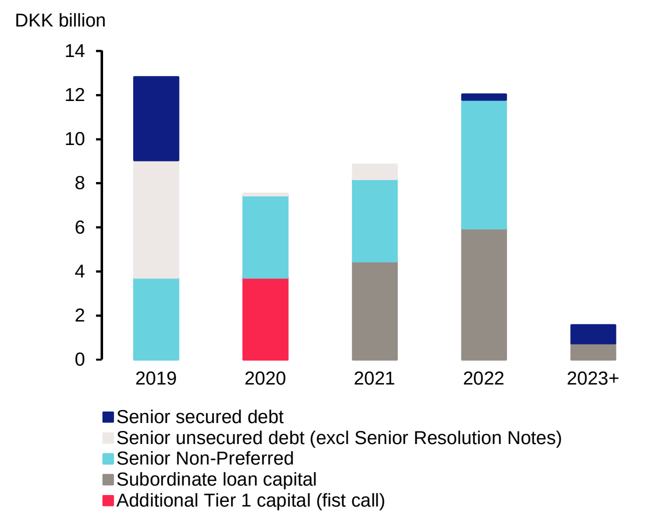
Nykredit Group
Funding sources



DKK billion

Nykredit Group Bonds in issue	2018	2017
Covered bonds (ROs), see note 32 a	139	183
Covered bonds (SDOs), see note 32 b	1,102	1,079
Senior secured debt, see notes 32 c and 33	5	8
Senior unsecured debt, see notes 32 d and 33 to the financial statements of Nykredit Bank A/S	4	8
Senior non-preferred (SNP), see note 33	17	13
Subordinate loan capital, see note 42	11	11
Additional Tier 1 capital, see note 2	4	4
ECP issues, see note 33 to the financial statements of Nykredit Bank A/S	3	3

Nykredit Group
Maturity profile of capital market funding



DKK billion

Nykredit Group Supplementary collateral requirement (Capital Centres E and H)	2018	2017
Current supplementary collateral requirement	16	19
Supplementary collateral requirement at 10% fall in property prices	17	22
Assets serving as supplementary collateral in SDO capital centres	31	33
- of which funded by senior secured debt[1]	3	8
Liquid assets of the Group's mortgage bank	86	83

[1] Excluding Nykredit Realkredit A/S's portfolio of senior secured debt.

Senior secured and senior unsecured debt

Nykredit did not issue senior secured or senior unsecured debt in 2018 other than regular ECP issues.

As part of its liquidity management, Nykredit Bank has issued senior unsecured debt in the form of EMTN and ECP issues. The Bank's medium-term bonds in issue under the EMTN programme totalled DKK 2.3 billion, and its short-term ECP issues amounted to DKK 3.2 billion as at 31 December 2018.

In future, EMTN to fund Nykredit Bank will be issued by Nykredit Realkredit and transferred to Nykredit Bank as long-term, intercompany funding. ECP issues will remain in Nykredit Bank. 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.

Funding of bank lending

At 31 December 2018, Nykredit Bank's deposits equalled 127% of lending, against 137% in 2017.

Issuance schedule for 2019

Nykredit Realkredit will continue to issue covered bonds on tap and at refinancing auctions. Nykredit expects to refinance bonds worth DKK 45 billion at the auctions in February and May 2019, and DKK 43 billion and DKK 40 billion at the auctions in August and November 2019.

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

Nykredit must meet the debt buffer requirements towards 2020, amounting to at least 2% of total mortgage lending when fully phased in. At end-2021 the debt buffer will be adjusted so that it, together with the MREL requirement, amounts to at least 8% of the consolidated balance sheet.

In light of the debt buffer requirement and S&P's ALAC criteria, Nykredit expects to issue DKK 7.5-15 billion of bail-inable senior debt in 2019. Nykredit does not expect to issue secured and unsecured senior debt in 2019 in excess of regular ECP issues.

Going forward, bail-inable senior debt will replace most of the issuance of senior secured and senior unsecured debt. Altogether this will result in a new funding structure that offers better protection for ordinary senior creditors.

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 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/ratings as well as in the publication Risk and Capital Management 2018 available at nykredit.com/riskandcapital-management.

LIQUIDITY

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

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior debt in issue, totalled DKK 86 billion at end-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 (%)	2018	2017
Nykredit Realkredit Group	752	383
Nykredit Realkredit Group, EUR	206	326
Nykredit Realkredit and Totalkredit	1,581	1,502
Nykredit Realkredit and Totalkredit, incl min LCR requirement	186	186
Nykredit Bank	157	148

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has instead set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of 2.5% of mortgage lending corresponding to DKK 29.8 billion. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 55.5 billion at end-2018 against DKK 54.2 billion at end-2017, calculated according to the LCR.

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

Bond portfolio

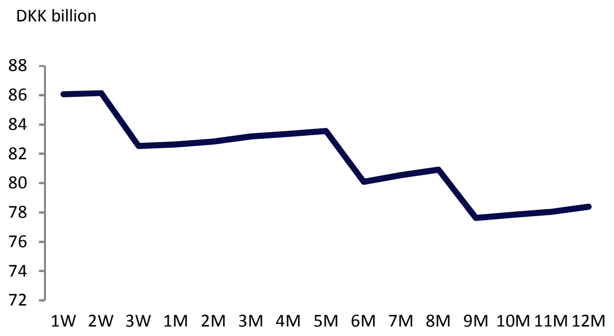
The Group bond portfolio of DKK 175 billion comprises mortgage bank reserves, Nykredit Bank's liquid assets, portfolios relating to market making in the mortgage lending and banking areas, proceeds from the issuance of senior secured and unsecured debt as well as DKK 11 billion of encumbered assets.

In compliance with the mortgage banking balance principle, part of Nykredit's bond portfolio includes a temporary portfolio of DKK 41 billion relating to the refinancing of the covered bullet bonds used to fund Nykredit's ARMs and placement of funds prepaid such as ordinary principal payments, prepayments and funds relating to mortgage loans not yet paid out.

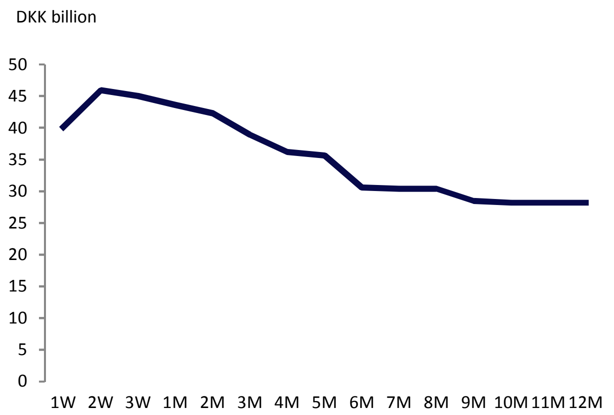
Up to a payment date, the value of bonds in issue exceeds the value of the mortgage loan portfolio. The main reason is refinancing, as the new bonds are issued and sold at the auctions approximately one month prior to the relevant payment date, whereas the existing bonds do not mature until the same payment date. Proceeds from the issuance forms part of the short-term bond portfolio and bank deposits held under the balance principle.

The portfolio of self-issued bonds held under the balance principle chiefly comprises bonds maturing on the next payment date. The portfolio is used to secure payment in connection with bond redemption etc. Out of the Group's total bond portfolio, self-issued bonds accounted for DKK 81 billion, with DKK 48 billion of the liquidity reserves and DKK 32 billion of liquid assets held under the balance principle.

Mortgage lending
Liquidity stress testing (internal models)



Bank lending
Liquidity stress testing (internal models)



Nykredit Group Difference between mortgage lending and bonds in issue (DKK billion)	2018	2017
Mortgage loans – nominal value, see note 19a	1,171	1,138
Bonds in issue – nominal value, see notes 32 a and 32 b	1,247	1,262
Difference	**75**	**124**
The difference comprises:		
- Bonds sold in connection with refinancing[1]	24	85
- Ordinary principal payments and prepayments[2]	49	34
- Pre-issued bonds in respect of which the underlying loans have not been disbursed and other pre-issues	2	4
Total	**75**	**124**

[1] Nykredit issues and auctions new bonds one month prior to the maturity of the existing bonds. The proceeds are used to buy back/redeem the bonds maturing on 2 January. For a period, there is a double set of bonds.

[2] The loan portfolio is reduced by ordinary principal payments and prepayments, while the outstanding amount of bonds will be reduced on the next payment date, 2 January, and on subsequent payment dates in accordance with the terms of prepayment. Nykredit will generally place the proceeds in bonds maturing on one of the next payment dates.

CREDIT RISK

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

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

Nykredit's loan portfolio has shown a positive trend over the past year, and the level of credit risk is low. Arrears ratios have been declining for some portfolios and are stable for others. Write-offs have been low. Property prices have continued their upward trend all over Denmark, thereby increasing the mortgage security. General macroeconomic conditions have developed favourably.

Credit models

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

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

Nykredit Group

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

	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
DKK million	31.12.2018	31.12.2017	31.12.2018	31.12.2017	2018	2017
Mortgage lending, nominal value						
Nykredit Realkredit	499,304	508,606	3,493	4,004	(42)	(143)
Totalkredit	672,144	629,502	1,532	1,563	139	645
Total	**1,171,449**	**1,138,109**	**5,025**	**5,567**	**97**	**502**
Loans and advances etc						
Nykredit Bank	60,566	55,783	2,767	2,290	263	(85)
Total	**60,566**	**55,783**	**2,767**	**2,290**	**263**	**(85)**
Receivables from credit institutions	-	-	21	-	21	(44)
Total	**-**	-	**21**	-	**21**	(44)
Reverse repurchase lending	37..427	27,566	-	-	-	-
Guarantees	5,913	7,055	117	58	(1)	6
Loan impairment, %[1]						
Nykredit Realkredit	-	-	0.70	0.78	(0.01)	(0.03)
Totalkredit	-	-	0.23	0.25	0.02	0.11
Total	**-**	-	**0.43**	**0.49**	**0.01**	**0.04**
Nykredit Bank	-	-	4.53	3.94	0.27	(0.15)
Total	**-**	-	**4.53**	**3.94**	**0.27**	**(0.15)**

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

MORTGAGE LENDING

At end-2018, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,171 billion, which is an increase of 3% compared with DKK 1,138 billion at 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 mitigated through an agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments to the partner banks.

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

The average LTV was 62% at end-2018 relative to 63% at end-2017. Increasing loans and advances measured at fair value were offset by rising property prices.

Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending equalled 0.43% of total mortgage lending compared with 0.49% at end-2017.

At end-2018 total impairment provisions were DKK 5,025 million, which represented a 10% decline compared with end-2017.

Earnings impact

Impairment charges for mortgage lending were DKK 89 million against DKK 502 million in 2017. Of impairment charges for loans and advances for the year, an impairment charge of DKK 163 million was attributable to owner-occupied dwellings, and a net reversal of DKK 74 million related to the business segment.

The continued low impairment level resulted from favourable economic trends, benefitting most of Nykredit's customer segments. However, 2018 was a challenging year for agriculture. Additional provisions were therefore made during the year as a result of the summer drought etc.

Arrears

Mortgage loan arrears are determined when they are 15 and 75 days past their due date. Mortgage loan arrears represented 0.39% of total mortgage payments due 75 days past the September due date against 0.30% at the same time the year before.

By contrast, bond debt outstanding affected by arrears as a percentage of total bond debt outstanding decreased from 0.29% to 0.23% compared with the same time the year before.

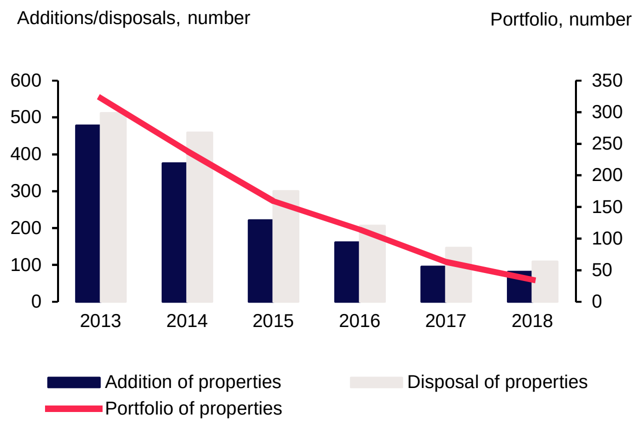
Properties acquired by foreclosure

In 2018, the Group acquired 81 properties and sold 109. The property portfolio counted 35 properties at 31 December 2018 against 63 at end-2017.

Nykredit Group
Arrears ratio – 75 days past due

	Arrears relative to total mortgage payments	Debt outstanding in arrears relative to total debt outstanding	Debt outstanding affected by arrears
Payment date	%	%	DKK billion
2018			
- September	0.39	0.23	2.70
- June	0.40	0.31	3.60
- 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

Nykredit Group
Properties acquired by foreclosure/sold



Nykredit Group DKK million

Mortgage lending by property type[1] /number

Fair value at end-2018	Owner-occupied dwellings	Public housing[2]	Cooperative housing	Private rental	Office and retail	Agricultural property	Industry and trades	Other	Total
Mortgage lending									
- Bond debt outstanding	753,385	69,212	36,334	96,247	113,618	89,352	21,432	14,088	1,193,667
- Number of loans	681,706	14,885	5,378	27,350	20,038	31,309	2,759	2,177	785,602
Bond debt outstanding by loans subject to									
- public guarantees	0	38,021	409	11	3	145	-	88	38,677
- bank guarantees	36,267	-	-	-	-	-	-	-	36,267
- set-off agreements with partner banks	118,920	-	-	-	-	-	-	-	118,920
- no guarantee	598,197	31,190	35,925	96,236	113,615	89,207	21,432	14,000	999,803
Total	**753,385**	**69,212**	**36,334**	**96,247**	**113,618**	**89,352**	**21,432**	**14,088**	**1,193,667**
Bond debt outstanding by loans subject to									
Fixed-rate loans									
- repayment loans	235,955	22,887	10,597	6,892	13,504	6,460	4,000	3,365	303,660
- interest-only loans	98,236	9	2,620	8,131	2,394	7,072	9	218	118,688
Adjustable-rate mortgage loans (ARMs)									
- repayment loans, 1-year interest reset	13,747	4,741	140	1,352	1,631	1,795	306	121	23,834
- other repayment loans	79,787	19,439	1,679	9,790	13,063	8,459	2,089	1,158	135,464
- interest-only loans, 1-year interest reset	21,136	-	209	958	600	2,224	22	6	25,155
- other interest-only loans	153,161	19	5,317	19,969	10,223	11,463	2,201	134	202,487
Money market-linked loans									
Loans with interest rate cap									
- repayment loans	37,723	79	289	590	670	1,562	67	306	41,286
- interest-only loans	18,749	-	104	143	71	695	3	5	19,768
Loans without interest rate cap									
- repayment loans	29,815	331	692	11,530	25,224	19,046	6,770	4,693	98,101
- interest-only loans	65,076	94	12,980	36,856	46,234	30,545	5,965	3,985	201,735
Index-linked loans	0	21,612	1,707	35	5	31	-	98	23,488
Total	**753,385**	**69,212**	**36,334**	**96,247**	**113,618**	**89,352**	**21,432**	**14,088**	**1,193,667**
Bond debt outstanding by region									
Capital Region of Denmark	188,170	25,303	19,434	28,677	32,265	2,168	999	5,297	302,312
Sealand Region	97,149	7,882	3,358	5,126	11,015	12,665	2,320	1,138	140,654
North Denmark Region	104,812	8,046	3,530	9,930	8,765	22,690	3,218	1,195	162,186
Central Denmark Region	187,393	13,513	4,925	21,206	21,258	27,676	6,088	4,032	286,090
South Denmark Region	162,996	14,468	4,994	13,000	15,953	24,119	3,210	2,426	241,167
Faeroe Islands and Greenland	2,131	-	93	153	121	-	-	0	2,497
- Total international	10,734	-	-	18,154	24,241	34	5,598	-	58,760
Total	**753,385**	**69,212**	**36,334**	**96,247**	**113,618**	**89,352**	**21,432**	**14,088**	**1,193,667**
Bond debt by debt outstanding, DKK million									
0-2	513,941	5,097	1,604	16,320	10,574	16,105	1,387	832	565,861
2-5	213,749	7,200	5,741	15,001	12,932	28,594	1,902	1,590	286,709
5-10	23,740	25,098	17,670	24,141	23,398	39,295	3,361	4,348	161,050
20-50	1,692	18,544	7,214	12,787	14,839	4,791	1,886	2,956	64,709
50-100	161	8,610	1,876	6,935	12,592	566	1,086	1,217	33,044
100-	102	4,663	2,228	21,063	39,283	-	11,810	3,145	82,293
Total	**753,385**	**69,212**	**36,334**	**96,247**	**113,618**	**89,352**	**21,432**	**14,088**	**1,193,667**
Bond debt outstanding by remaining loan term, years									
0-10	20,253	4,978	546	17,084	36,434	1,706	6,508	883	88,393
10-15	32,725	9,056	1,079	7,051	21,636	3,637	5,916	1,806	82,905
15-20	120,867	7,359	9,849	12,987	33,553	17,859	8,106	3,730	214,310
20-25	169,561	20,690	11,807	16,319	8,936	18,837	873	4,582	251,607
25-30	409,979	26,012	12,946	42,805	13,058	47,313	28	3,087	555,227
30-35	-	1,116	108	-	-	-	-	-	1,224
35-	-	0	-	1	-	-	-	-	1
Total	**753,385**	**69,212**	**36,334**	**96,247**	**113,618**	**89,352**	**21,432**	**14,088**	**1,193,667**

[1] The breakdown by property type is not directly comparable with Nykredit's business areas.
[2] Public housing includes mortgage lending for subsidised urban renewal.

BANK LENDING

Bank lending at amortised cost amounted to DKK 60.6 billion against DKK 55.8 billion at end-2017. Bank lending before impairment charges was DKK 63.3 billion against DKK 58.1 billion at end-2017.

Nykredit Group

Bank lending and guarantees		DKK million
	2018	2017
Bank lending	60,566	55,783
Reverse repurchase lending	37,427	27,566
Guarantees	5,913	7,055
Total	**103,906**	**90,404**

Reverse repurchase lending stood at DKK 37.4 billion compared with DKK 27.6 billion at end-2017. Guarantees provided were DKK 5.9 billion against DKK 7.1 billion at end-2017.

Nykredit Bank recorded lending growth of 8.9%, 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 2,767 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 5,913 million, down 16%, against DKK 7,055 million at end-2017.

At end-2018, provisions for guarantees amounted to DKK 117 million against DKK 58 million at end-2017.

Earnings impact

Provisions for bank loan impairment and guarantees for the year were DKK 265 million. In comparison, impairment charges for loans and advances and provisions for guarantees were a reversal of DKK 79 million net in 2017.

Lending with forbearance

Forbearance has been granted to a small part of Nykredit's customers. Forbearance is offered to customers with temporary financial difficulties.

Customers treated with forbearance are believed to have a more realistic chance of being able to meet their obligations to Nykredit. This could be in the form of a reduced interest margin or an extraordinary interest-only period. Forbearance treatment is granted solely in accordance with the credit policy guidelines and is an instrument to reduce the risk of loss or minimise losses.

Gross lending to customers treated with forbearance totalled DKK 7.6 billion at end-2018 against DKK 9.5 billion at end-2017.

Of this amount, DKK 3.6 billion were exposures in default.

Nykredit Group

Gross lending				DKK million
		30.09.2018		2017
	Performing	Non-performing	Performing	Non-performing
Other	3,649	2,873	3,076	4,399
Forbearance	372	721	886	1,215
Total	**4,021**	**3,594**	**3,962**	**5,614**

Nykredit Group

Credit exposures in terms of bank lending, reverse repurchase lending and guarantees by sector [1]						DKK million
		2018			2017	
	Lending, year-end	Total impairment provisions	Earnings impact	Lending, year-end	Total impairment provisions	Earnings impact
Public sector	639	3	(1)	714	2	2
Agriculture, hunting, forestry and fishing	3,335	125	1	4,645	104	10
Manufacturing, mining and quarrying	4,474	272	56	4,687	195	24
Energy supply	2,071	18	(16)	1,970	14	12
Construction	2,820	171	15	2,844	177	(22)
Trade	4,136	334	129	3,886	176	125
Transport, accommodation and food service activities	4,396	62	(38)	2,954	100	33
Information and communication	2,633	45	16	1,050	25	12
Finance and insurance	45,694	243	155	34,966	72	(42)
Real estate	11,775	475	(197)	11,345	663	(321)
Other	11,142	448	157	11,562	239	58
Total business customers	**92,476**	**2,192**	**279**	**79,909**	**1,765**	**(111)**
Personal customers	27,405	689	(14)	27,805	581	30
Total	**120,520**	**2,884**	**265**	**108,428**	**2,348**	**(79)**
- of which intercompany guarantees	16,614			10,458		

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

ORGANISATION AND RESPONSIBILITIES

The Board of Directors of Nykredit Realkredit A/S counts 15 members, of whom ten are elected by the General Meeting for a term of one year and five are elected by and among the staff for a term of four years.

The Board of Directors must be composed so that it possesses the right mix of skills required to undertake the overall and strategic management of the business and to take any measures to ensure prudent business management; to this end, it must possess the knowledge and experience required to be able to critically assess and challenge the work and proposals of the Executive Board.

The Board of Directors reviews its skills profile on an ongoing basis and has decided in this respect that it should have special skills and knowledge as regards:

- Strategic matters
- Sector and real estate expertise
- Economics, finance and accounting
- Capital markets, securities and funding
- Politics, public administration and associations
- Financial regulation
- Corporate governance
- Digitisation, IT and processes
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Risk management and credit matters.

Further details on the composition, size and diversity of the Board of Directors as well as the CVs of the individual board members are available at nykredit.com/boardofdirectors

Performance evaluation of the Board of Directors in 2018

In H2/2018 Nykredit's Board of Directors conducted the annual Board evaluation. The Board evaluation, which was conducted using external consultancy firm Egon Zehnder, comprised a questionnaire survey as well as interviews with each member of the Board of Directors and the Executive Board.

The evaluation outcomes were presented to the Board at the meeting of the Board of Directors on 10 October 2018 where the Board's performance and collaboration with the Group Executive Board were thoroughly discussed.

The outcomes of the Board evaluation were generally positive. The main conclusion was that the Board of Directors has the right skills, that the Board is effective and works efficiently, that the collaboration between the Board, the Group-level boards and the Group Executive Board is good and that the organisation of the work and the documentation provided to the Board are generally high-quality.

It was also concluded that continuous efforts should be made to find more time for discussions of special business matters and to optimise the use of the Group-level boards to ensure that board meeting discussions focus on the most relevant matters.

The next Board evaluation is planned for H2/2019.

Group-level boards

The Board of Directors of Nykredit Realkredit A/S has appointed an Audit Board, a Risk Board, a Nomination Board and a Remuneration Board. These boards advise the Board of Directors on particular matters and prepare cases for review by the entire Board of Directors, each within their field of responsibility.

Audit Board

The principal tasks of the Audit Board are to inform the Board of Directors of the results of the statutory audit, to oversee the financial reporting process and the effectiveness of Nykredit's internal control systems, internal audit and risk management, to oversee the statutory audit of the financial statements, to monitor and verify the independence of the auditors, and to be responsible for the procedure for selecting and submitting a recommendation for the appointment of auditors.

The Audit Board consists of Per W. Hallgren, CEO (Chairman), Merete Eldrup, CEO, Vibeke Krag, former CEO, and Helge Leiro Baastad, CEO, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Audit Board held six meetings in 2018.

Risk Board

The function of the Risk Board is to oversee Nykredit's overall risk profile and strategy, including to assess the long-term capital requirement and the capital policy. It also assesses risks related to products, business model, remuneration structure and incentives as well as risk models and methodological basis. The Risk Board assists the Board of Directors in overseeing that the risk appetite defined by the Board of Directors is implemented correctly in the organisation.

The Risk Board consists of Merete Eldrup, CEO (Chairman), Michael Demsitz, CEO, Per W. Hallgren, CEO, and Hans-Ole Jochumsen, former Vice Chairman, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Risk Board held six meetings in 2018.

Nomination Board

The Nomination Board is tasked with making recommendations to the Board of Directors on the nomination of candidates for the Board of Directors and the Executive Board. Other accountabilities are setting targets for the under-represented gender on the Board of Directors and laying down a diversity policy for the Board of Directors. In addition, the Nomination Board, reporting to the Board of Directors, is ultimately responsible for defining the skills profiles of the Board of Directors and the Executive Board and the continuous evaluation of their work and results.

The Nomination Board consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, CEO, and Nina Smith, Professor, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting.

The Nomination Board held four meetings in 2018.

Remuneration Board
The principal tasks of the Remuneration Board are to qualify proposals for remuneration prior to consideration by the Board of Directors and to make recommendations in respect of Nykredit's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors, as well as to assist in ensuring that they are observed. Moreover, the Remuneration Board reviews and considers the criteria for and process of appointing risk takers, assesses whether the Group's processes and systems relative to remuneration are sufficient and takes into consideration the Group's risks, and ensures that the remuneration policy and practices are in alignment with and promote sound and effective risk management and are in accordance with the Group's business strategy, objectives, values and long-term interests. Finally, the Remuneration Board ensures that the information in the Annual Report about remuneration of the Board of Directors and the Group Executive Board is correct, fair and satisfactory.

The Remuneration Board consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, CEO, and Nina Smith, Professor, who are all members of the Board of Directors of Nykredit A/S and Nykredit Realkredit A/S elected by the General Meeting, and Leif Vinther, Senior Security Consultant and staff-elected member of the Board of Directors of both companies.

The Remuneration Board held four meetings in 2018.

Details on bonuses to risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Group Executive Board
Nykredit's Group Executive Board consists of Michael Rasmussen, Group Chief Executive, David Hellemann, Group Managing Director (CFO/COO), Anders Jensen, Group Managing Director (Retail), Kim Duus, Group Managing Director (Wholesale) and Søren Holm, Group Managing Director (CRO).

Kim Duus, Group Managing Director, has given notice of resignation and will leave his position as member of the Executive Board and Head of Wholesale. Kim Duus will remain in his position until some point during the first half of 2019.

Committees
The Group Executive Board has set up five committees, which perform specific tasks within selected fields. Each committee must report to the entire Group Executive Board, and the individual members may at any time request the Executive Board to decide on a case.

The Credits Committee is charged with ensuring adequate credit risk management and approving and/or deciding credit applications and loan impairments as well as overseeing the management of risks in the Nykredit Group's credits area. The Committee regularly carries out portfolio management and submits recommendations on credit policies to the individual Executive Boards and Boards of Directors. The Committee lays down business procedures for the granting of credits within the limits of the guidelines laid down by the Group Executive Board and the Board of Directors. The Committee's remit covers Nykredit Realkredit A/S, Nykredit Bank A/S and Nykredit Leasing A/S.

The Asset/Liability Committee (ALCO) undertakes the day-to-day responsibilities and tasks of the Executive Board in the areas of capital, funding, liquidity and market risk according to guidelines approved by the Boards of Directors. The Committee has a governance mandate in these areas at Group as well as at company level. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S and Nykredit Bank A/S.

The Risk Committee is charged with overseeing the Nykredit Group's overall risk profile and capital requirements, in order to assist the individual Executive Boards and Boards of Directors of the Nykredit Group in ensuring compliance with current legislation and practice. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

The Contingency Committee has the overall responsibility for compliance with IT security policy rules in relation to contingencies (major accidents and catastrophes) and the Group's entire spectrum of contingency plans covering IT as well as business aspects. The Committee's remit covers Nykredit A/S, Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S, Nykredit Leasing A/S and Nykredit Mægler A/S.

The Products Committee's overarching objective is to ensure that the Nykredit Group's products meet applicable business and regulatory requirements. The Committee must ensure that any launch of new or changes to existing products and services, involving material risks for the Group, the individual companies, counterparties or customers, comply with the business models of the individual companies, the existing product policy and the Executive Boards' guidelines for development and approval of new products and services. Further, the Committee must regularly monitor and evaluate the existing products and assess any need for changing or adjusting individual products or an entire product range. The Committee's remit covers Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S, Nykredit Portefølje Administration A/S and Nykredit Leasing A/S.

CORPORATE GOVERNANCE

Some years ago, Nykredit decided to act as a listed company for external purposes and be governed on the basis of sound business terms.

In consequence, Nykredit regularly considers the Recommendations on Corporate Governance of the Danish Committee on Corporate Governance subject to the adjustments that follow from Nykredit's special ownership and management structure and complies with the recommendations where appropriate. The recommendations form part of the rules of Nasdaq Copenhagen.

The recommendations concerning the composition and organisation of the Board of Directors, and in particular the independence of the Board of Directors and shareholders' role and interaction with the company management, address an ordinary listed company with many shareholders.

Nykredit differs from ordinary listed companies, as the company has only a limited number of shareholders: Forenet Kredit, Industriens Fond, Østifterne f.m.b.a., PRAS A/S and a group of Danish pension companies headed by PFA Pension and with PensionDanmark, PKA, AP Pension and MP Pension as co-investors.

The purpose of the recommendations concerning shareholders' role and interaction with the company management is to create an appropriate setting encouraging shareholders to enter into a dialogue with the company management. The limited number of shareholders of Nykredit per se creates a favourable setting for a close dialogue between the shareholders and the company management.

Where appropriate, Nykredit also complies with the managerial code of conduct of Finance Denmark, which supplements the Recommendations on Corporate Governance. Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporate-governance.

Forenet Kredit

In 1991 the mortgage association Nykredit was converted into a public limited company. Nykredit operates through Nykredit Realkredit A/S, the object of which is to carry on mortgage banking and other financial business. The company is wholly owned by Nykredit A/S, the object of which is to carry on Nykredit's activities. Forenet Kredit is the largest shareholder of Nykredit A/S, owning 78.9% of the shares. Its objects are to be a shareholder of Nykredit and to carry on financially sustainable mortgage banking and other financial business for the benefit of its customers. Thus, the members of Forenet Kredit's Board of Directors elected by the Committee of Representatives make up four of ten of the Board of Directors of Nykredit A/S and four of eight of the Board of Directors of Nykredit Realkredit A/S.

REMUNERATION

Material risk takers

At end-2018, the Group had identified a total of 199 risk takers:

- Members of the Board of Directors: 29
- Group Managing Directors: 5
- Subsidiary managing directors: 7
- Other material risk takers: 158

The principles for identifying "Other material risk takers" are approved annually by the Board of Directors in accordance with current EU rules.

Remuneration of material risk takers

Pursuant to the Danish Financial Business Act, material risk takers are subject to special restrictions, chiefly in relation to variable remuneration. Some of these restrictions are deferral of payout over a several-year period, partial payout through bonds subject to selling restrictions instead of cash payment and the possibility that Nykredit may retain the deferred amount under special circumstances.

The Board of Directors of Nykredit A/S and Nykredit Realkredit A/S has decided to grant three members of the Executive Board retention payment earned over several years. Provisions for retention payment for the Executive Board of DKK 10 million were made for 2018.

Except from the above potential retention payment, the members of the Board of Directors and the Group Executive Board do not receive variable remuneration, nor bonus awards. The total remuneration of the Board of Directors and the Group Executive Board appears from note 13 of the Financial Statements.

The bonus provisions in respect of subsidiary Managing Directors and other risk takers amounted to DKK 58 million for 2018 compared with DKK 72 million for 2017. The 2018 bonus provisions corresponded to 25% of their fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 13 of these Financial Statements. Details on variable remuneration of risk takers, remuneration policy and practices are available at nykredit.com/remuneration.

Bonus programmes

Special individual bonus programmes apply to some of the staff of Nykredit Markets, Nykredit Asset Management and Group Treasury who have major earnings responsibility, in line with market standards for such positions. The remuneration of these staff members is chiefly based on their job performance. The 2018 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 60 million compared with bonus provisions of DKK 72 million for 2017. The 2018 bonus provisions corresponded to 47% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected staff members. The 2018 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 23 million compared with bonus provisions of DKK 19 million for 2017. The 2018 bonus provisions corresponded to 29% of their fixed salaries.

Management staff and a small number of senior staff members participate in an individual bonus programme with a bonus potential of up to three months' salary. The 2018 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 6 million compared with bonus provisions of DKK 5 million for 2017. The 2018 bonus provisions corresponded to 4% of their fixed salaries.

The bonus programmes do not apply to other management or staff members, but they may receive individual one-off awards. For 2018, provisions of DKK 5 million were made for one-off awards compared with DKK 15 million for 2017. The 2018 provisions for one-off awards corresponded to 0.3% of their fixed salaries.

Total provisions for bonuses and one-off awards for 2018 came to DKK 151 million against DKK 183 million for 2017. The total provisions for bonuses and one-off awards for 2018 corresponded to 7% of total fixed salaries. The decrease in bonus provisions and one-off awards reflect Nykredit's exceptionally high financial performance in 2017.

In order to retain selected executive and key staff members, it has been decided that these may receive retention payment. For 2018, provisions for retention payment amounted to DKK 29 million.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Nykredit's internal controls and risk management relating to the financial reporting process have been designed to efficiently manage and minimise the risk of errors and omissions in connection with financial reporting.

Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the financial reporting process and for compliance with relevant accounting legislation and any other regulation of financial reporting.

The financial reporting process is based on internal control and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Nykredit's Management regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

The process is based on a number of fixed routines, including the planning process, which are prepared together with essential business units, management support functions and the Executive Board.

Group Finance, which includes the finance functions of Nykredit A/S, Nykredit Realkredit A/S, Totalkredit A/S, Nykredit Bank A/S and Nykredit Portefølje Administration A/S, undertakes the Group's overall financial reporting and is responsible for ensuring that Group financial reporting complies with policies laid down and current legislation. Group Finance is also responsible for the day-to-day internal reporting in the Treasury and Markets areas.

Group Finance prepares monthly internal reports and performs budget control, which includes explaining the monthly, quarterly and annual results. Further, Group Finance is responsible for the Group's external annual and interim financial reporting.

The finance units of other subsidiaries, including Nykredit Leasing A/S, contribute to the Group's financial control and reporting. They are responsible for the financial reporting of the subsidiaries, which includes compliance with current legislation and the Group's accounting policies.

The finance units of each subsidiary is responsible for its own reporting. Financial data and Management's comments on financial and business results are reported monthly to Group Finance.

Control environment

Business procedures have been laid down and controls implemented for all material areas and risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Group level.

The Executive Board is responsible for risk delineation, management and monitoring.

In addition to this, the Audit Board oversees the effectiveness of Nykredit's internal control systems, financial reporting, internal audit and risk management. The Committees perform the current management and monitoring on behalf of the Executive Board.

Risk assessment

The risk management of the Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements, including unlisted financial instruments and impairment charges for loans and advances
- Review of business and financial development
- Review and approval of budgets and forecasts
- Review of annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

The purpose of Nykredit's controls is to ensure that policies and guidelines laid down by the Executive Board are observed, and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

Business procedures have been laid down and controls implemented for all material and risk areas, and overall principles and requirements for the preparation of business procedures and a process for the approval of business procedures in material risk areas have been established at Group level. The controls comprise manual and physical controls as well as general IT controls and automatic controls in the IT systems applied.

In connection with the preparation of financial statements, a number of fixed procedures and internal controls are performed. These procedures and controls include fixed analysis and reconciliation routines and compliance with fixed business procedures as well as ongoing dialogue with Nykredit's business units and management support functions for the purpose of obtaining a business assessment of the information in the financial statements.

Communication and information

The Board of Directors has adopted an overall communication policy, stating that Nykredit is committed to a transparent and credible business conduct – in compliance with legislation and the Stock Exchange Code of Ethics. The communication policy is reviewed once a year by the Board of Directors and was last revised in August 2017.

Nykredit's Boards of Directors and Executive Boards regularly receive internal and external financial reporting. Internal reporting includes analyses of material matters in, for instance, Nykredit's business areas and subsidiaries.

Risk is reported to the Board of Directors, the Executive Board, the relevant management levels and the individual business areas. For further information on the Group's risk and capital management, please refer to the publication Risk and Capital Management 2018, available at nykredit.com/riskandcapitalmanagement.

COMPANY DETAILS

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

Website: nykredit.com
Tel: +45 44 55 10 00

CVR no: 12 71 92 48
Financial year: 1 January – 31 December
Municipality of registered office: Copenhagen

External auditors

Deloitte
Chartered Accountant Company
Weidekampsgade 6
DK-2300 Copenhagen S

Annual General Meeting

The Annual General Meeting of the Company will be held on 21 March 2019.

BOARD OF DIRECTORS

Steffen Kragh, Chief Executive Officer
Chairman

Merete Eldrup, Chief Executive Officer
Deputy Chairman

Nina Smith, Professor
Deputy Chairman

Helge Leiro Baastad, Chief Executive Officer
Olav Bredgaard Brusen, Deputy Chairman of NYKREDS*
Michael Demsitz, Chief Executive Officer
Per W. Hallgren, Chief Executive Officer
Marlene Holm, Personal Banking Adviser*
Hans-Ole Jochumsen, former Vice Chairman
Vibeke Krag, former Chief Executive Officer
Allan Kristiansen, Chief Relationship Manager*
Lasse Nyby, Chief Executive Officer
Claus E. Petersen, Chief Executive Officer
Inge Sand, Senior Agricultural Adviser*
Leif Vinther, Senior Security Consultant*

* Staff-elected member

At nykredit.com you may read more about the Nykredit Group and download the following reports:

- Annual Report 2018
- CR Report 2018
- Risk and Capital Management 2018.

Information on corporate governance is available at nykredit.com/organisation

See pages 153-157 for directorships and executive positions of the members of the Board of Directors and the Executive Board.

AUDIT BOARD

Per W. Hallgren, Chairman
Helge Leiro Baastad
Merete Eldrup
Vibeke Krag

RISK BOARD

Merete Eldrup, Chairman
Michael Demsitz
Per W. Hallgren
Hans-Ole Jochumsen

NOMINATION BOARD

Steffen Kragh, Chairman
Merete Eldrup
Nina Smith

REMUNERATION BOARD

Steffen Kragh, Chairman
Merete Eldrup
Nina Smith
Leif Vinther

EXECUTIVE BOARD

Michael Rasmussen
Group Chief Executive

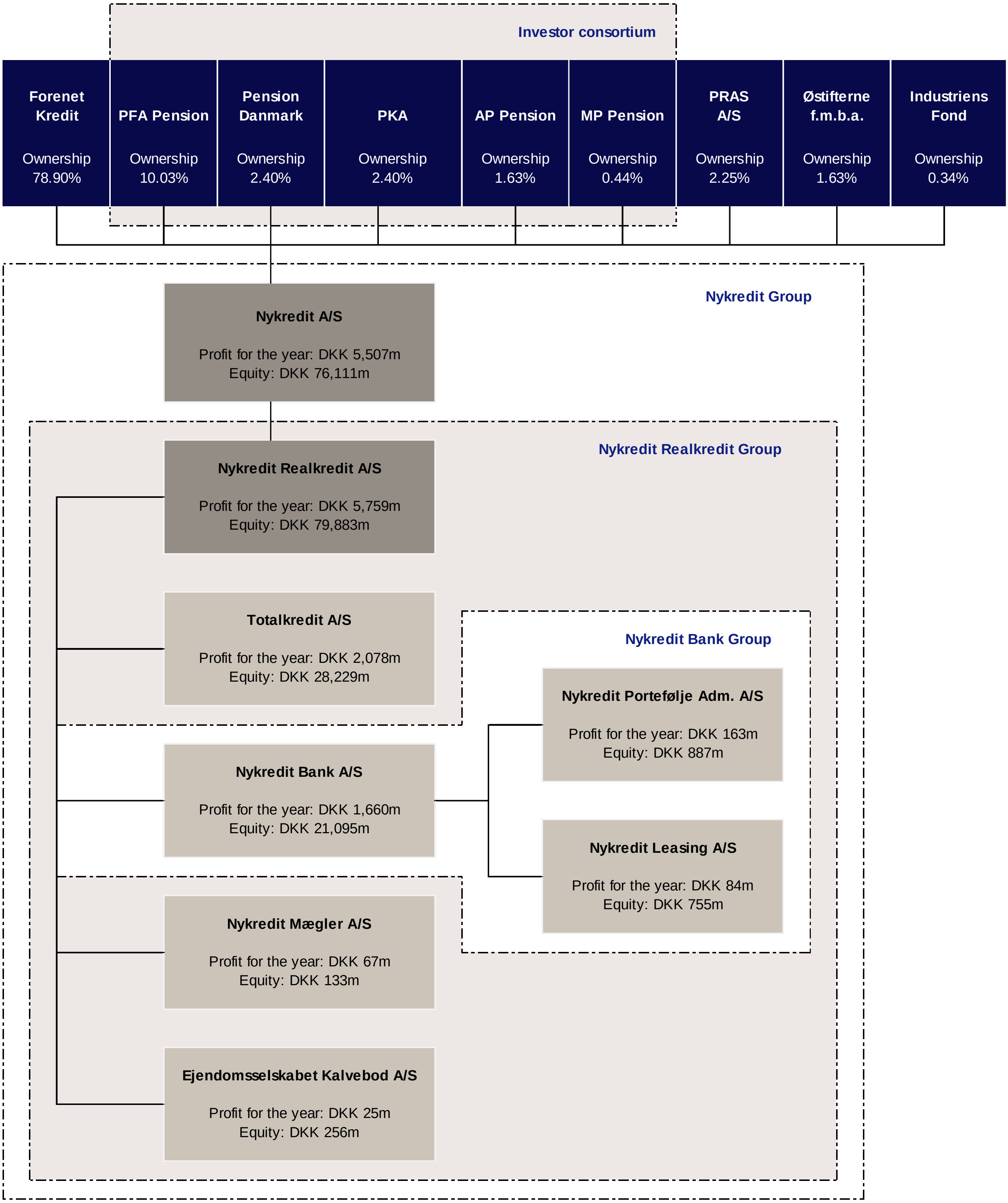
Kim Duus
Group Managing Director

David Hellemann
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

GROUP CHART


Investor consortium
Forenet Kredit
Ownership 78.90%
PFA Pension
Ownership 10.03%
Pension Danmark
Ownership 2.40%
PKA
Ownership 2.40%
AP Pension
Ownership 1.63%
MP Pension
Ownership 0.44%
PRAS A/S
Ownership 2.25%
Østifterne f.m.b.a.
Ownership 1.63%
Industriens Fond
Ownership 0.34%
Nykredit Group
Nykredit A/S
Profit for the year: DKK 5,507m
Equity: DKK 76,111m
Nykredit Realkredit Group
Nykredit Realkredit A/S
Profit for the year: DKK 5,759m
Equity: DKK 79,883m
Totalkredit A/S
Profit for the year: DKK 2,078m
Equity: DKK 28,229m
Nykredit Bank Group
Nykredit Portefølje Adm. A/S
Profit for the year: DKK 163m
Equity: DKK 887m
Nykredit Bank A/S
Profit for the year: DKK 1,660m
Equity: DKK 21,095m
Nykredit Leasing A/S
Profit for the year: DKK 84m
Equity: DKK 755m
Nykredit Mægler A/S
Profit for the year: DKK 67m
Equity: DKK 133m
Ejendomsselskabet Kalvebod A/S
Profit for the year: DKK 25m
Equity: DKK 256m

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 5 and the business areas (pages 13-22 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 year 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 50) includes all interest.

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

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers 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 etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest. "Trading, investment portfolio and other income" which includes income from swaps and derivatives transactions currently offered, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions, including income from the sale of real estate.

Supplementary financial ratios etc

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

Profit (loss) for the year as % pa of average business capital (ROAC). The return target appearing from the table in the financial highlights shows profit for the year 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 (loss) for the year as % pa of average equity. Profit (loss) for the year 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 year, %. Impairment charges are calculated based on impairment charges for loans and advances relative to loans and advances.

MANAGEMENT STATEMENT AND AUDIT REPORTS

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report the period 1 January – 31 December 2018 of Nykredit A/S and the Nykredit Group.

The Consolidated Financial Statements have been presented in accordance with International Financial Reporting Standards as adopted by the EU. The Financial Statements and the Management Commentary are prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 December 2018 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial year 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 Annual Report is recommended for approval by the General Meeting.

Copenhagen, 5 February 2019

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

Hans-Ole Jochumsen

Merete Eldrup
Deputy Chairman

Vibeke Krag

Nina Smith
Deputy Chairman

Allan Kristiansen*

Helge Leiro Baastad

Lasse Nyby

Olav Bredgaard Brusen*

Claus E. Petersen

Michael Demsitz

Inge Sand*

Per W. Hallgren

Leif Vinther*

Marlene Holm*

* Staff-elected member

INTERNAL AUDITORS' REPORT

Opinion
In our opinion, the Consolidated Financial Statements and the Financial Statements of Nykredit A/S give a true and fair view of the Group's and the Company's assets, liabilities, equity and financial position at 31 December 2018 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Financial Statements.

Further, in our opinion, the Company's risk management, compliance function, business procedures and internal control established in all material areas and risk areas have been organised and are working satisfactorily.

Our opinion is consistent with our audit book comments issued to the Audit Board and the Board of Directors.

Basis for opinion
We have audited the Consolidated Financial Statements and the Financial Statements of Nykredit A/S for the financial year 1 January – 31 December 2018. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Financial Statements are prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and with International Standards on Auditing concerning planning and performing of audits.

We conducted a review of the risk management, compliance function, business procedures and internal control of the Company in all material areas and risk areas.

We planned and performed the audit to obtain reasonable assurance that the Consolidated Financial Statements and the Financial Statements are free from material misstatement. We participated in the audit of all material areas and risk areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management Commentary
Management is responsible for the Management Commentary.

Our opinion on the Consolidated Financial Statements and the Financial Statements does not cover the Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Financial Statements, our responsibility is to read the Management Commentary and, in doing so, consider whether the Management Commentary is materially inconsistent with the Consolidated Financial Statements and the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management Commentary is in accordance with the Consolidated Financial Statements and the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management Commentary.

Copenhagen, 5 February 2019

Lars Maagaard	Kim Stormly Hansen
Chief Audit Executive	Deputy Chief Audit Executive

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Nykredit A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nykredit A/S for the financial year 1 January to 31 December 2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as for the Parent, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018, and of its financial performance and cash flow for the financial year 1 January to 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Also, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2018 and of its financial performance for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Board and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Nykredit A/S for the first time on 1 August 1991 for the financial year 1991. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 28 years up to and including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan impairment charges	How the matter was addressed in our audit
The Group's loans and advances amount to DKK 1,292,286 million at 31 December 2018 (DKK 1,247,964 million at 31 December 2017), and impairment charges therefor amount to DKK 380 million in 2018 (DKK 379 million in 2017) in the consolidated financial statements. We consider the measurement of impairment charges a key audit matter as the determination of expected losses is based on management judgement and subject to significant uncertainty. Due to the significance of such management judgement and the loan volumes of the Group and the Parent, auditing impairment charges for loans and advances is a key audit matter. The principles for determining expected credit losses are described in the Summary of significant accounting policies, and Management has described the management of credit risks and the review for impairment in more detail in notes 15 and 49 to the consolidated financial statements. The areas of loans and advances involving the highest level of management judgement, thus requiring greater audit attention, are: ▪ Identification of credit-impaired exposures ▪ Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses ▪ Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses.	Based on our risk assessment, our audit comprised a review of relevant central and decentral business procedures, test of controls and analysis of the amount of impairment charges. Our audit procedures included testing relevant controls regarding: ▪ Current assessment of credit risk ▪ Assessment and validation of input and assumptions applied in calculating Stage 1 and Stage 2 impairment charges ▪ Determining management judgements in the model and Stage 3. Furthermore, our audit procedures included: ▪ Reviewing, on a sample basis, exposures to ensure timely identification of credit-impaired loans and advances ▪ Challenging the parameters and significant assumptions applied in the calculation models and reviewing the staging methodology and the data used ▪ Challenging the procedures and methodologies applied for the areas involving the highest level of management judgement by using our industry knowledge and experience ▪ Challenging management judgements in the calculation model used with special focus on management consistency and bias, including documentation of the adequacy of management judgements ▪ Reviewing, on a sample basis, credit-impaired loans and advances, including checking for adequate impairment charges.

Fair value of swaps	How the matter was addressed in our audit
Determining the value of swaps is subject to significant uncertainty and complexity and is highly based on management judgement. Due to the significance of such management judgement, swaps are a key audit matter. The Group's swaps amount to DKK 17,438 million (DKK 18,161 million at 31 December 2017) and DKK 10,668 million (DKK 11,701 million at 31 December 2017) for positive and negative fair values at 31 December 2018. The principles for determining the value are described in the Summary of significant accounting policies, and Management has further described the management of market risks and the determination of value in notes 45 and 47 to the consolidated financial statements. The areas involving the highest level of judgements and complexity, thus requiring greater audit attention, are: ▪ Assessment of customers' ability to pay ▪ Practice for methodologies applied in the valuation of swaps.	Our audit comprised a review of relevant business procedures, test of key controls and analysis of valuations. Furthermore, our audit procedures included: ▪ Assessing the model applied to calculate the risk of customers' non-payment by using our industry knowledge and experience ▪ Assessing the changes in the assumptions against sector trends and historical observations ▪ Performing a risk-based test of valuation of swaps with customers.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements or the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Business Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 5 February 2019

Deloitte
Chartered Accountant Company
Business Registration No 33 96 35 56

Henrik Wellejus
State-Authorised
Public Accountant
Identification No 24807

Bjørn Philip Rosendal
State-Authorised
Public Accountant
Identification No 40039

INCOME STATEMENTS

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Note	Nykredit Group 2018	Nykredit Group 2017
		INCOME STATEMENTS			
0	0	Interest income	7	23,652	25,092
-	-	Interest income based on the effective interest method	7	2,023	2,068
0	0	Interest expenses	8	14,806	15,675
(0)	**(0)**	**Net interest income**		**10,869**	**11,485**
-	-	Dividend on equities etc	9	150	133
-	-	Fee and commission income	10	2,570	2,687
-	-	Fee and commission expenses	11	3,058	2,919
(0)	**(0)**	**Net interest and fee income**		**10,531**	**11,386**
-	-	Value adjustments	12	709	3,820
-	-	Value adjustment relating to sale of branch	12	15	(200)
-	1	Other operating income		1,057	501
89	25	Staff and administrative expenses	13	4,633	4,622
-	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	14	103	248
-	-	Other operating expenses		154	196
-	-	Impairment charges for loans, advances and receivables etc	15	380	379
7,841	5,526	Profit from investments in associates and Group enterprises	16	(9)	21
7,752	**5,502**	**Profit before tax**		**7,033**	**10,081**
(14)	(5)	Tax	17	1,293	2,077
7,766	**5,507**	**Profit for the year**		**5,740**	**8,004**
		Distribution of profit for the year			
7,766	5,507	Shareholders of Nykredit A/S		5,564	7,821
-	-	Holders of Additional Tier 1 capital notes, including tax effect		176	184
7,766	**5,507**	**Profit for the year**		**5,740**	**8,004**
		Proposal for the distribution of profit			
7,841	5,526	Statutory reserves			
(4,075)	(2,819)	Retained earnings			
4,000	2,800	Proposed dividend			
-	-	Additional Tier 1 capital			

STATEMENTS OF COMPREHENSIVE INCOME

				DKK million
Nykredit A/S				Nykredit Group
2017	2018		2018	2017
7,766	**5,507**	**Profit for the year**	**5,740**	**8,004**
		OTHER COMPREHENSIVE INCOME		
		Items that cannot be reclassified to profit or loss:		
-	-	Actuarial gains/losses on defined benefit plans	(9)	11
-	-	Tax on actuarial gains/losses on defined benefit plans	2	(2)
-	-	Fair value adjustment of owner-occupied properties	-	(10)
-	-	Tax on fair value adjustment of owner-occupied properties	-	2
1	(7)	Share of comprehensive income in associates and Group enterprises	-	-
1	**(7)**	**Total items that cannot be reclassified to profit or loss**	**(7)**	**1**
		Items that can be reclassified to profit or loss:		
-	-	Fair value adjustment of equities available for sale	-	6
-	-	Tax on fair value adjustment of equities available for sale	-	(12)
-	**-**	**Total items that can be reclassified to profit or loss**	**-**	**(6)**
1	**(7)**	**Other comprehensive income**	**(7)**	**(5)**
7,767	**5,500**	**Comprehensive income for the year**	**5,733**	**7,999**
		Distribution of comprehensive income		
7,767	5,500	Shareholders of Nykredit A/S	5,500	7,767
-	-	Holders of Additional Tier 1 capital notes	233	233
7,767	**5,500**	**Comprehensive income for the year**	**5,733**	**7,999**

BALANCE SHEETS

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Note	Nykredit Group 2018	Nykredit Group 2017
		ASSETS			
-	-	Cash balances and demand deposits with central banks		8,861	2,070
-	28	Receivables from credit institutions and central banks	18	20,829	45,961
-	-	Loans, advances and other receivables at fair value		1,193,975	1,191,378
-	-	Loans, advances and other receivables at fair value relating to sold foreign portfolio		-	499
-	**-**	**Loans, advances and other receivables at fair value**	19	**1,193,975**	**1,191,877**
-	-	Loans, advances and other receivables at amortised cost	20	98,311	56,087
-	-	Bonds at fair value	21	93,622	97,149
		Equities etc			
-	-	Equities measured at fair value through profit or loss		5,821	2,526
-	-	Equities available for sale		-	2,450
-	**-**	**Total**	22	**5,821**	**4,977**
-	-	Investments in associates	23	38	150
75,082	76,106	Investments in Group enterprises	24	-	-
-	-	Intangible assets	25	281	227
		Land and buildings			
-	-	Investment properties		-	50
-	-	Owner-occupied properties		86	223
-	**-**	**Total**	26	**86**	**273**
-	-	Other property, plant and equipment	27	108	117
3	6	Current tax assets	36	349	552
10	9	Deferred tax assets	37	134	153
-	-	Assets in temporary possession	28	160	184
-	1	Other assets	29	24,935	26,437
2	1	Prepayments		465	533
75,096	**76,151**	**Total assets**		**1,447,976**	**1,426,746**

BALANCE SHEETS

Nykredit A/S 2017	Nykredit A/S 2018	DKK million	Note	Nykredit Group 2018	Nykredit Group 2017
		LIABILITIES AND EQUITY			
79	33	Payables to credit institutions and central banks	30	15,692	13,319
-	-	Deposits and other payables	31	93,164	75,914
-	-	Bonds in issue at fair value		1,196,229	1,178,372
-	-	Bonds in issue at fair value relating to sold foreign portfolio		-	721
-	**-**	**Bonds in issue at fair value**	32	**1,196,229**	**1,179,093**
-	-	Bonds in issue at amortised cost	33	22,590	23,532
-	-	Other non-derivative financial liabilities at fair value	34	5,592	19,021
-	-	Current tax liabilities	36	47	43
13	8	Other liabilities	35	23,027	25,260
-	-	Deferred income		10	9
91	**41**	**Total payables**		**1,356,351**	**1,336,191**
		Provisions			
-	-	Provisions for pensions and similar obligations	38	130	141
-	-	Provisions for deferred tax	37	338	439
-	-	Repayable reserves in pre-1972 series	39	47	51
-	-	Provisions for losses under guarantees	40	117	58
-	-	Other provisions	41	100	153
-	**-**	**Total provisions**		**731**	**842**
-	**-**	**Subordinated debt**	42	**11,011**	**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	57,925	- statutory reserves		-	-
-	-	- series reserves		36,575	38,038
-	-	- non-distributable reserve fund		1,646	1,646
12,777	14,058	- retained earnings		33,757	29,003
4,000	2,800	- proposed dividend		2,800	4,000
75,005	**76,111**	**Shareholders of Nykredit A/S**		**76,111**	**75,005**
-	-	Holders of Additional Tier 1 capital		3,772	3,765
75,005	**76,111**	**Total equity**		**79,883**	**78,770**
75,096	**76,151**	**Total liabilities and equity**		**1,447,976**	**1,426,746**
		OFF-BALANCE SHEET ITEMS	43		
-	-	Contingent liabilities		5,913	7,055
-	-	Other commitments		16,948	8,443
-	**-**	**Total**		**22,861**	**15,498**

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

2018	Share capital[1]	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund[2]	Retained earnings	Proposed dividend	Shareholders of Nykredit A/S	Minority interests	Additional Tier 1 capital[3]	Total equity
Equity, end-2017, 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 year	-	-	-	-	-	2,707	2,800	5,507	-	233	5,740
Total other comprehensive income	-	-	-	-	-	(7)	-	(7)	-	-	(7)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**2,700**	**2,800**	**5,500**	**-**	**233**	**5,733**
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(233)	(233)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(11)	-	(11)	-	11	-
Tax on Additional Tier 1 capital	-	-	-	-	-	57	-	57	-	-	57
Distributed dividend	-	-	-	-	-	-	(4,000)	(4,000)	-	-	(4,000)
Adjustment pursuant to capital adequacy rules	-	-	-	(1,463)	-	1,463	-	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	-	1	-	1	-	-	1
Realised from the sale of properties	-	(14)	-	-	-	14	-	-	-	-	-
Portfolio of self-issued bonds	-	-	-	-	-	-	-	-	-	(4)	(4)
Equity, 31 December	**1,327**	**5**	**-**	**36,575**	**1,646**	**33,757**	**2,800**	**76,111**	**-**	**3,772**	**79,883**
2017											
Equity, 1 January	**1,327**	**26**	**979**	**35,198**	**1,646**	**28,016**	**-**	**67,192**	**3**	**3,760**	**70,955**
Profit for the year	-	-	-	-	-	3,772	4,000	7,772	-	233	8,004
Total other comprehensive income	-	(8)	(6)	-	-	9	-	(5)	-	-	(5)
Total comprehensive income	**-**	**(8)**	**(6)**	**-**	**-**	**3,780**	**4,000**	**7,767**	**-**	**233**	**7,999**
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	-	(233)	(233)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(5)	-	(5)	-	5	-
Tax on Additional Tier 1 capital	-	-	-	-	-	49	-	49	-	-	49
Additions relating to acquisition of Group enterprise	-	-	-	-	-	-	-	-	(3)	-	(3)
Adjustment pursuant to capital adequacy rules	-	-	-	2,840	-	(2,840)	-	-	-	-	-
Transferred from provisions – pre-1972 series	-	-	-	(0)	-	2	-	2	-	-	2
Equity, 31 December	**1,327**	**19**	**973**	**38,038**	**1,646**	**29,003**	**4,000**	**75,005**	**-**	**3,765**	**78,770**

[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.

Pursuant to the Danish Financial Business Act, the subsidiaries Nykredit Realkredit A/S, Nykredit Bank A/S and Totalkredit A/S are subject to a number of restrictions including regulatory capital requirements which determine the scope for distributing dividend of such companies to the parent.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit A/S

2018	Share capital[1]	Statutory reserves[2]	Retained earnings	Proposed dividend	Total equity
Equity, end-2017, 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 (loss) for the year	-	5,526	(2,819)	2,800	5,507
Total other comprehensive income	-	(7)	-	-	(7)
Total comprehensive income	**-**	**5,519**	**(2,819)**	**2,800**	**5,500**
Distributed dividend	-	-	-	(4,000)	(4,000)
Dividend received from subsidiaries	-	(4,100)	4,100	-	-
Adjustment relating to subsidiaries	-	46	-	-	46
Equity, 31 December	**1,327**	**57,925**	**14,058**	**2,800**	**76,111**
2017					
Equity, 1 January	**1,327**	**49,013**	**16,852**	**-**	**67,192**
Profit (loss) for the year	-	7,841	(4,075)	4,000	7,766
Total other comprehensive income	-	1	-	-	1
Total comprehensive income	**-**	**7,842**	**(4,075)**	**4,000**	**7,767**
Adjustment relating to subsidiaries	-	46	-	-	46
Equity, 31 December	**1,327**	**56,901**	**12,777**	**4,000**	**75,005**

[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.

Dividend policy

Nykredit's long-term ambition is to provide its owners with a competitive return in the form of dividend of around 50% profit for the year taking into account Nykredit's capital policy. Based on profit for the full year 2018 and Nykredit's strong capital position, the Board of Directors will recommend for approval by the Annual General Meeting that a cash dividend of DKK 2.8 billion be distributed.

CASH FLOW STATEMENT

Nykredit Group	2018	2017
		DKK million
Profit for the year	**5,740**	**8,004**
Adjustments		
Interest income, net	(10,869)	(11,485)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	103	248
Profit (loss) from investments in associates	9	(21)
Impairment charges for loans, advances and receivables etc	380	379
Prepayments/deferred income, net	70	(296)
Tax on profit for the year	1,293	2,077
Other adjustments	377	(622)
Total	**(2,897)**	**(1,715)**
Change in operating capital		
Loans, advances and other receivables	(44,702)	(37,827)
Deposits and payables to credit institutions	19,623	2,137
Bonds in issue	16,193	28,950
Other operating capital	(14,666)	(2,256)
Total	**(26,449)**	**(10,711)**
Interest income received	27,022	28,765
Interest expenses paid	(16,442)	(17,803)
Corporation tax paid, net	(977)	(2,188)
Cash flows from operating activities	**(16,846)**	**(1,938)**
Cash flows from investing activities		
Acquisition of associates	(1)	(6)
Sale of associates	36	4
Dividend received from associates	23	3
Purchase and sale of bonds and equities, net	2,384	14,843
Purchase of intangible assets	(131)	(154)
Sale of intangible assets	15	64
Purchase of property, plant and equipment	(52)	(54)
Sale of property, plant and equipment	241	441
Total	**2,515**	**15,142**
Cash flows from financing activities		
Distributed dividend	(4,000)	-
Total	**(4,000)**	**-**
Total cash flows for the year	**(18,332)**	**13,202**
Cash and cash equivalents, beginning of year	**48,031**	**34,829**
Foreign currency translation adjustment of cash	(9)	(1)
Total cash flows for the year	(18,332)	13,202
Cash and cash equivalents, year-end	**29,691**	**48,031**
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	8,861	2,070
Receivables from credit institutions and central banks	20,829	45,961
Total	**29,691**	**48,031**

NOTES

Nykredit Group

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Consolidated Financial Statements have furthermore been prepared in accordance with additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order governing financial companies issued pursuant to the Danish Financial Business Act and formulated by Nasdaq Copenhagen for issuers of listed bonds.

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

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

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, incorporating 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 Financial Statements thus follow the same accounting policies as described in note 1 of the Annual Report for 2017, to which reference is made.

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 increase in total impairment provisions at 1 January 2018 in the Nykredit Bank Group and the Nykredit Group. The increase has been offset against loans and advances at amortised cost at DKK 501 million and balances with credit institutions at DKK 3 million. In addition, provisions for guarantees and loan commitments increased by DKK 62 million. Reference is also made to note 57.

For mortgage lending in the subsidiaries Nykredit Realkredit A/S and Totalkredit A/S, total impairment provisions and the balance sheet have not been adjusted at 1 January 2018 following implementation of IFRS 9, as impairment of mortgage lending measured at fair value is not covered by the reporting standard. Consequently, value adjustment of financial assets measured at fair value is still determined subject to the provisions of IFRS 13, which remain unchanged, and the Danish Executive Order on Financial Reports.

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

In accordance with amendments to the Danish Executive Order on Financial Reports issued by the Danish FSA, 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 most 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.

Reclassifications

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 fair value", was at 1 January 2018 included in "Loans, advances and other receivables at amortised cost". Repo deposits, which were previously included in "Other non-derivative financial liabilities at fair value", were included in "Deposits and other payables". The reclassification has not given rise to value adjustments, as the net difference between fair value and 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 was reclassified to the effect that value adjustment will be recognised through profit or loss in line with other equities and be included in "Equities measured at fair value through profit or loss". The portfolio totalled approximately DKK 2.5 billion at 31 December 2017.

Other general comments on accounting policies

Apart from the above, the Group accounting policies are otherwise unchanged compared with the Annual Report for 2017.

For a better overview and to reduce the amount of note disclosures where figures and qualitative disclosures are considered of insignificant importance to the Financial Statements, certain disclosures have been excluded.

New and amended standards and interpretations

Implementation of new or amended standards and interpretations in force and effective for the financial year beginning on 1 January 2018:

IFRS 9 "Financial Instruments" (approved for use in the EU, effective from 1 January 2018).

IFRS 15 "Revenue from Contracts with Customers" (new standard) (approved for use in the EU; effective from 1 January 2018).

Annual improvements to IFRS 2014-2016. Issued on 8 December 2016 and comprise minor amendments to standards as a result of the IASB's annual improvements.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration". Issued on 8 December 2016 (approved for use in the EU, effective from 1 January 2018).

Amendments to IAS 40 "Investment Property" concerning transfers of investment property. Issued on 8 December 2016 (approved for use in the EU, effective from 1 January 2018).

Apart from the implementation of IFRS 9, the amendments have not had an impact on the financial reporting.

Reporting standards and interpretations not yet in force

At the time of presentation of the Annual Report, a number of new or amended standards and interpretations had not yet entered into force and/or had not been approved for use in the EU for the financial year beginning on 1 January 2018:

Amendments to IAS 1 and IAS 8 relating to minor amendments regarding the definition of materiality in IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (not approved for use in the EU, effective from 1 January 2020).

Amendment to IFRS 3 "Business Combinations" (not approved for use in the EU, effective from 1 January 2020).

Amendment to IFRS 9 "Financial Instruments". The amendment implies that the criterion for measurement at amortised cost is met, also in the event where reasonable compensation in case of prepayment constitutes payment to the party that triggers the early termination of the contract (approved for use in the EU, effective from 1 January 2019).

IAS 28 "Long-Term Interests in Associates and Joint Ventures" (amended standard) (not approved for use in the EU; effective from 1 January 2019).

IFRS 14 "Regulatory Deferral Accounts" (not approved for use in the EU; the effective date has been postponed).

IFRS 16 "Leases" (new standard). The standard will imply capitalisation of a lessee's rights to the leased assets, including leasehold premises, and the recognition of liabilities arising from the lease (approved for use in the EU, effective from 1 January 2019). For Nykredit the implementation primarily comprises a calculated liability corresponding to the present value of expected rents and capitalisation of a leased asset corresponding to the liability. This change is estimated to make up DKK 0.8 billion or about 0.1% of the balance sheet total. The rental expense has so far been recognised as administration costs through profit or loss. Going forward, the expense will be recognised as depreciation of the leased asset and interest on the lease commitment. Compared with current practice, the impact on profit after tax and comprehensive income will be insignificant.

Annual improvements to IFRS 2015-2017. Issued on 12 December 2017 and comprise minor amendments to standards as a result of the IASB's annual improvements (not approved for use in the EU; effective from 1 January 2019).

IFRIC 23 "Uncertainty over Income Tax Treatments" (approved for use in the EU, effective from 1 January 2019).

In Management's view, the implementation of the above standards and amendments to standards will have only a modest impact on Nykredit's Financial Statements.

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.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the Financial Statements are:

Determination of the value of assets and liabilities recognised at fair value

Value adjustment of financial assets and liabilities measured at fair value is based on officially listed prices. For financial instruments for which no listed prices in an active market or observable data are available, the valuation implies the use of significant estimates and assessments in connection with the choice of credit spread, maturity and extrapolation etc of each instrument.

Note 44 specifies the methods applied to determine the carrying amounts and the specific uncertainties related to the fair value measurement of financial instruments.

Particularly, the fair value measurement of unlisted derivative financial instruments involves significant estimates and assessments in connection with the choice of calculation methods and valuation and estimation techniques. Valuation of unlisted derivative financial instruments changes continuously, and Nykredit is closely monitoring market practice to ensure that the valuation of unlisted derivative financial instruments is consistent with market practice.

The valuation is based on yield curves, volatilities and market prices on which data is usually obtained through providers such as Reuters, Bloomberg and market makers. Market practice for the valuation of unlisted derivatives moreover includes increasing use of market inputs in the valuation. Nykredit thus uses FVA (Funding Valuation Adjustment), CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) in the measurement. FVA adjustment corresponds to future funding costs resulting from customers' insufficient or lacking provision of collateral, while CVA and DVA adjustments allow for the development in the credit quality of customers and Nykredit. The fair value of unlisted derivative financial instruments was 0.5% of the Group's assets at end-2018 (0.3% at end-2017).

Based on level 2 or level 3 inputs of the fair value hierarchy, the fair value of financial assets and liabilities was 89.5% and 0.3]%, respectively, of the balance sheet total at end-2018 for financial assets (88.3% and 0.3% at end-2017), and 1.3% and 0.0%, respectively, for financial liabilities (3.2% and 0.0% at end-2017).

The fair value of financial instruments for which no listed prices in an active market are available accounted for 95% of the Group's assets at end-2018 (90% at end-2017).

Measurement of loans and advances etc – impairments

Credit risk reflects the risk of loss following the non-performance of parties with whom Nykredit has contracted. The determination of credit risk relates to loans and advances without (stage 1) or with significant increase (stage 2) in credit risk and impaired loans and advances (stage 3).

As of 1 January 2018, impairments are calculated based on expected credit losses and are recognised in three stages depending on the credit quality of the customer. Stage 1 covers loans and advances without significant increase in credit risk, stage 2 covers loans and advances with significant increase in credit risk, while stage 3 covers impaired loans and advances subject to individual provisioning. Before the implementation of IFRS 9, impairment calculations included an assessment of whether there was objective evidence of impairment, and impairments were divided into two categories: individual and collective impairment provisions.

IFRS 9 implementation also implies that provisions for guarantees and unutilised credit commitments are governed by the same rules as loan impairment etc. Previously, these were based on IAS 37.

The determination of impairment of loans and advances etc involves significant estimates and assessments, including determining whether a significant increase in credit risk has occurred since initial recognition. 12-month expected credit losses are initially recognised for loans and advances measured at amortised cost. This does not apply to loans and advances measured at fair, as these are recognised at fair value under IFRS 13. A non-significant increase will subsequently imply higher 12-month expected credit losses, while a significant increase in the credit risk or impairment of a loan will imply calculation of expected credit losses corresponding to lifetime expected credit losses.

Add to this that the loss determination also depends on the value of collateral security received and expected dividend in liquidation from estates in bankruptcy, where measurement is subject to a number of estimates. Similarly, the determination of the period in which the cash flows are received involves significant estimates.

In a number of instances, the model-based impairment provisions in stages 1 and 2 need to be supplemented by management judgement. This is typically in connection with eg macroeconomic events that may affect the level of impairment provisioning, but which have not yet been captured by the model-based impairments (rating model). This estimate is made by managers and staff with in-depth knowledge of the credits area. The reasons may be changes in agricultural settlement prices due to changed economic trends and/or changed export opportunities as well as financial and legal conditions in the real estate sector that may affect credit risk beyond the result derived on the basis of model-based impairment provisions. The estimates are adjusted and evaluated on a regular basis.

RECOGNITION AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments, including loans, advances and receivables, bonds in issue and other debt as well as derivative financial instruments represented more than 95% of the Group's assets as well as liabilities (94% at end-2017).

Recognition

Financial instruments are recognised on the settlement date. With respect to financial instruments that are subsequently measured at fair value, changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities in "Other assets" and "Other liabilities", respectively, in the balance sheet and set off against "Value adjustments" in the income statement.

Assets measured at amortised cost following initial recognition are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and the Group has transferred all risks and returns related to ownership in all material respects.

Initially, financial instruments are recognised at fair value. Financial instruments are subsequently measured at amortised cost or fair value depending on the categorisation of the individual instrument. Financial instruments subsequently measured at amortised cost are recognised inclusive or exclusive of the transaction costs inherent in the issue.

Valuation and classification

Valuation principles and classification of financial instruments are described below as well as in note 46.

Financial instruments are classified as follows:

As at 1 January 2018, financial instruments were classified as follows based on Nykredit's 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 after initial recognition.
- The asset is held to collect cash flows from payments of principal and interest and selling the asset (hold to collect and sell business model). Measured at fair value with changes recognised through other comprehensive income with reclassification to the income statement on realisation of the assets.
- Other financial assets are measured at fair value through profit or loss. 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.
- Generally, financial liabilities are measured at amortised cost after initial recognition. 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. Financial liabilities may also be measured at fair value when such measurement reduces or eliminates an accounting mismatch.

For the first two categories, financial assets must be held within a business model whose objective is to hold assets to collect contractual cash flows representing payments of principal and interest etc combined with limited sales activity.

If this is not the objective of the business model, the financial assets will be placed in a category, which is subject to fair value adjustment through profit or loss. Financial assets, which, if measured at amortised cost would result in a measurement mismatch, are also recognised in this category.

The Group's financial assets and business models have been reviewed to ensure correct classification thereof. The review included an assessment of whether collecting cash flows is a significant element, including whether the cash flows represent solely payments of principal and interest.

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flows are 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 changes to the measurement and classification of financial assets compared with previous practice. Mortgage lending and the underlying bonds in issue are still measured at fair value, while balances with credit institutions as well as bank loans and deposits are essentially still measured at amortised cost.

Before the implementation of IFRS 9, the following classifications were used:

- Loans, advances and receivables as well as financial liabilities at amortised cost
- Financial assets and liabilities at fair value through profit or loss:
  - that are held for trading, or
  - under the fair value option
- Financial assets available for sale.

Loans, advances and receivables as well as financial liabilities at amortised cost

Receivables from and payables to credit institutions and central banks, the Group's bank lending, corporate bonds in issue, a part of the senior debt in issue and subordinated debt as well as deposits and other payables are included in this category.

Loans, advances and receivables as well as liabilities are measured at fair value on initial recognition and subsequently at amortised cost. For loans, advances and receivables, amortised cost equals cost less principal payments, impairment provisions for losses and other accounting adjustments, including any fees and transaction costs that form part of the effective interest of the instruments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Using this method, transaction costs are distributed over the life of the asset or liability.

If the interest rate risk of fixed-rate financial instruments is effectively hedged using derivative financial instruments, the amortised cost of the asset is added to or deducted from the fair value of the hedged interest rate risk.

Value adjustments due to credit risk are recognised in "Impairment charges for loans, advances and receivables etc".

Financial assets and liabilities measured at fair value through profit or loss

A financial asset or a financial liability is attributable to this category

- if the asset is not held within a business model whose objective is to hold assets to collect cash flows representing payments of principal and interest and which has limited sales activity
- if measurement of the asset or liability at amortised cost would result in a measurement mismatch.

Mortgage loans are still measured at fair value. 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, in some cases both IFRS 9 and IAS 39 allow fair value measurement with value adjustment 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 prevent a mismatch in profit or loss, 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.

The Group's equity and bond portfolio is generally measured at fair value through profit or loss.

The business model behind the bond 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.

Equity instruments are not based on cash flows which comprise payments of principal and interest. Therefore, these instruments are measured at fair value with value adjustment through profit or loss.

It is assessed on an ongoing basis whether a market is considered active or inactive.

If no objective prices from recent trades in unlisted equities are available, these equities are measured at fair value using the International Private Equity and Venture Capital Valuation Guidelines for unlisted equities or in some instances at equity value if this is deemed to correspond to the fair value of the instrument.

Derivative financial instruments (derivatives), which are assets or liabilities, are measured at fair value through profit or loss. In Nykredit, 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.

The fair values of derivative financial instruments are determined using generally accepted valuation methods based on market information and other generally accepted valuation methods. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Please also see note 45.

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" through profit or loss for the period in which they arose. Value adjustment of mortgage loans attributable to credit risk is recognised in "Impairment charges for loans, advances and receivables etc" together with other impairment charges for loans and advances and provisions for guarantees.

Financial assets value adjusted through other comprehensive income
Nykredit does not use this category.

Until 31 December 2017, the Group held a portfolio of strategic equity investments classified as financial assets available for sale, where unrealised value adjustments up to a potential sale were recognised in "Other comprehensive income" except for impairment charges resulting from material or permanent impairment, which was recognised in "Value adjustments".

As at 1 January 2018 this portfolio has been recognised in "Equities measured at fair value through profit or loss" in line with other equities. Changes have eg been made to adapt the accounting policies of the Consolidated Financial Statements and the Parent Financial Statements, which have been presented in accordance with the Danish Executive Order on Financial Reports, which does not allow the category to be used for shareholdings in the Parent Financial Statements.

Impairment charges for loans, advances and receivables
In 2018 new principles were implemented for impairment charges for loans, advances and receivables as well as provisions for guarantees and unutilised credit commitments etc (IFRS 9).

In accordance with previous rules, impairment was made assuming there was objective evidence of impairment.

The new accounting rules, however, are based on future expected credit losses and imply earlier recognition of impairment charges for loans and advances, as impairment representing 12-month expected credit losses must be made already on initial recognition. Mortgage lending measured at fair value is not subject to impairment for credit losses already at initial recognition, as the fair value at the time of recognition is based on IFRS 13. If there is a non-significant risk increase on stage 1 loans subsequently, impairments will increase.

If credit risk subsequently increases significantly, expected credit losses are generally recognised over the entire life of the asset/loan. This implies earlier recognition of impairment than previously and consequently higher total impairment provisions. Group Credits, which reports to a steering group, is responsible for these processes and calculations. The Group's Capital, Risk and Finance units participate in the determination of expected credit losses as stakeholders coordinating and performing the determination and presentation of impairment for accounting purposes. The procedures and calculations are widely based on the Group's current risk models.

As at 1 January 2018 impairment of loans, advances and receivables etc is recognised in three stages:

- Stage 1 covers loans and advances etc without significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over a period of 12 months for lending at amortised cost. For loans and advances measured at fair value, initial impairment is expected to be nil, as the value of the loan at the time of recognition is based on fair value in accordance with IFRS 13. Subsequently, impairments will be increased equal to 12-month expected credit losses based on analysis of the distribution of credit losses throughout the life of the loan.
- Stage 2 covers loans and advances etc with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the expected credit losses over the asset's time-to-maturity.
- Stage 3 covers loans and advances that are credit impaired, and which have been subject to individual provisioning on the specific assumption that the customers will default on their loans. This definition largely corresponds to the characteristics of exposures, which, according to previous policy, were subject to individual impairment provisioning.

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. An exposure is considered to be in default when mortgage customers' payment of a significant amount is 75 days past due and at the time when Nykredit Bank sends a third reminder. Both scenarios are shorter than the rule of assumption of 90 days under the accounting rules. Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

In expected credit loss calculations, the time-to-maturity corresponds at a maximum to the contractual maturity, 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.

Up to 31 December 2017 impairment charges for loans, advances and receivables were assigned to two categories: individual and collective impairment provisions. The Group's loans and advances were generally placed in groups of uniform credit risk. If there was objective evidence of impairment (OEI) and the event/s concerned was/were believed to have a reliably measurable impact on the size of expected future payments from the loan, individual impairment provisions were made for the loan, which was removed from the group it concerned and treated separately.

Impairment of mortgage lending measured at fair value

IFRS 9 does not comprise provisions governing impairment of mortgage lending measured at fair value. Value adjustment of financial assets measured at fair value will thus continue to be subject to IFRS 13, which is unchanged, and the Danish Executive Order on Financial Reports.

In accordance with amendments to the Danish Executive Order on Financial Reports issued by the Danish FSA, 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.

In 2018 the Danish FSA issued amendments to the IFRS-compatible Danish Executive Order on Financial Reports. The amended Executive Order includes significant IFRS 9 elements, and accordingly the Danish FSA has issued new guidelines on impairment of loans and advances measured at fair value due to credit losses.

Under the reporting provisions and guidelines issued by the Danish FSA, value adjustment of the credit risk element (impairment) regarding loans and advances measured at fair value (for instance, mortgage loans) within the framework of IFRS 13 can be made according to the same principles as those of IFRS 9. The impairment principles have thus been harmonised, which was also previously the case where the principles of IAS 39, to a large extent, formed the basis of the impairment of loans and advances measured at fair value.

Calculations of mortgage loan impairment measured at fair value involve some adjustments relative to loan impairment measured at amortised cost. As mortgage lending is measured at fair value, lending is not subject to impairment representing 12-month expected credit losses on initial recognition, as recognition is made under the principles of IFRS 13. However, in the assessment of stage 1 impairment, an analysis of the distribution of credit losses over the loan period is made, and on this basis it is assessed whether interest/administration margin income has been received in the financial period, which is expected to cover any expected credit losses in the following periods. If this is the case, stage 1 impairment of lending measured at fair value is made in the financial period.

Stage 1 and stage 2 impairments

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 apply:

- 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 impairment

Nykredit Realkredit makes continuous individual reviews and performs risk assessments of significant loans, advances and receivables to determine whether these are impaired.

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

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

Provisions in general

Provisions for loan impairment and receivables are taken to an allowance account and deducted from the relevant asset items. Similarly, provisions for guarantees and unutilised credit commitments are made under liabilities and equity. Expected credit loss impairment is the difference between the present value of the contractual payments and an amount, which, based on eg scenario assessments and the time value of money, constitutes the expected cash flows.

Write-offs, changes in loan impairment provisions for the year and provisions for guarantees are charged to the income statement in "Impairment charges for loans, advances and receivables etc".

For mortgage loans granted via Totalkredit, the partner banks are subject to a set-off and guarantee agreement. The agreement means that if a partner bank covers part of an incurred loss, "Impairment charges for loans, advances and receivables etc" will be reduced by this amount.

Where events subsequently occur showing a partial or complete impairment reduction, impairment provisions are reversed accordingly.

Impairment charges deemed to be conclusive are recorded as written off. Claims are recognised as a loss when deemed uncollectible. This assessment is based on a debtor's indisputable inability to pay, unsuccessful collection proceedings, insolvent estates of deceased persons, completed bankruptcy proceedings etc. Where possible, the Group pursues the claim. Personal liability claims are pursued in collaboration with an external business partner.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

Assets are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow to the Group, and if the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet if it is probable as a result of a previous event that future economic benefits will flow from the Group, and if the value of the liability can be measured reliably.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised in the income statement or in other comprehensive income for the period in which it arose.

All costs incurred by the Group are recognised in the income statement, including depreciation, amortisation, impairment charges, provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Hedge accounting

The Group applies derivative financial instruments (derivatives) to hedge interest rate risk on loans and advances, subordinated debt and bonds in issue measured at amortised cost as well as equity price risk on deposits where the return tracks an equity index.

Changes in the fair values of derivative financial instruments that are classified and qualify as fair value hedges of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability that are attributable to the hedged risk.

The hedges are established for individual assets and liabilities and at portfolio level. The hedge accounting effectiveness is measured and assessed on a regular basis.

If the criteria for hedge accounting are no longer met, the accumulated value adjustment of the hedged item is amortised over its residual life.

Offsetting

Financial assets and liabilities are offset and the net amount is reported when the Group has a legally enforceable right of set-off and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously.

Offsetting mostly takes place in connection with repo transactions and derivative financial instruments cleared through recognised clearing centres. Impairments are offset against the relevant assets (loans, advances and receivables etc as well as bonds).

Consolidation

Nykredit A/S (the Parent) and the enterprises in which Nykredit A/S exercises direct or indirect control over the financial and operational management and receives a variable return are included in the Consolidated Financial Statements. Nykredit A/S and its subsidiaries are collectively referred to as the Nykredit Group.

Enterprises in which the Nykredit Group has joint control together with other enterprises which are not part of the Group are considered joint ventures. The Group's investments in joint ventures are recognised and measured according to the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the individual enterprises by combining items of a uniform nature. The financial statements applied for the consolidation are prepared in accordance with the Group's accounting policies.

The financial statements of partly owned subsidiaries are fully consolidated, and minority interests' share of the Group's profit or loss and equity is stated as separate items in the income statement and under Group equity, respectively. All intercompany income and costs, dividends, intercompany shareholdings, intercompany derivatives and balances as well as realised and unrealised intercompany gains and losses are eliminated.

Acquired enterprises are included from the time of acquisition, which is when the acquiring party obtains control over the acquired enterprises' financial and operational decisions.

Divested enterprises are included up to the time of divestment.

Segment information and presentation of financial highlights

Segment information is provided for business areas, and the geographic distribution of income and lending is specified. Following the winding-up of Nykredit's lending business in Poland, the Group has very few business activities outside Denmark.

The income statement format of the financial highlights on page 5 and the business areas in note 3 reflect the internal management reporting. 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 50) includes all interest.

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

"Wealth management income" comprising asset management and administration fees etc. This item pertains to business with customers 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 areas serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt etc. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest.

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

Business areas are defined on the basis of differences in customer segments and services. Items not allocated to the business areas are included in Group Items.

Segment information is provided exclusively at Group level.

Currency

The Consolidated Financial Statements are presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Parent. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains and losses arising on the settlement of these transactions are recognised in the income statement.

On the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustments are recognised in the income statement.

Currency translation differences arising on translation of non-monetary assets and liabilities are recognised in the income statement as part of the fair value gain or loss.

The financial statements of foreign entities are translated into Danish kroner at the exchange rates prevailing on the balance sheet date with respect to balance sheet items and at average exchange rates with respect to income statement items.

Repo transactions and reverse repurchase lending

Securities sold as part of repo transactions are retained in the appropriate principal balance sheet item, eg "Bonds".

The amount received is recognised under payables to the counterparty or in "Deposits and other payables".

Securities acquired as part of reverse repurchase lending are stated as receivables from the counterparty or in "amortised cost".

Where the Group resells assets received in connection with reverse repurchase lending, and where the Group is obliged to return the instruments, the value thereof is included in "Other non-derivative financial liabilities at fair value".

Repo deposits from and reverse repurchase lending to customers and credit institutions are recognised and measured at amortised cost (2017: at fair value), and the return is recognised as interest income and interest expenses in the income statement.

Leases

Leases where Nykredit is the lessor are classified as finance leases when all material risk and returns associated with the title to an asset have been transferred to the lessee.

Receivables from the lessee under finance leases are included in "Loans, advances and other receivables at amortised cost". The leases are valued so that the carrying amount equals the net investment in the lease. Interest income from finance leases is recognised in "Interest income". Principal payments are deducted from the carrying amount as received.

Direct costs of establishment of leases are recognised in the net investment.

Leases where Nykredit acts as lessee are classified as operating leases. Nykredit has entered into leases in respect of rent, including rent paid for certain owner-occupied properties, as well as a few car leases.

Business combinations

On acquisition of new enterprises where control is obtained over the acquired enterprise, the purchase method is applied. Acquisitions are reported using the uniting-of-interests method of accounting in case of mergers between enterprises subject to joint control.

INCOME STATEMENT

Interest income and expenses

Interest comprises interest due and accrued up to the balance sheet date.

Interest income comprises interest and similar income, including commission similar to interest received and administration margin income as well as other income, forming an integral part of the effective interest of the underlying instruments. The item also includes interest payable or deductible relating to voluntary payment of tax on account and paid tax as well as index premiums on assets, forward premiums on securities and foreign exchange trades as well as adjustments over the life of financial assets measured at amortised cost and where the cost differs from the redemption price.

Interest income from loans and advances measured at amortised cost for which stage 3 impairment is made is included in "Interest income" at an amount reflecting the effective interest from the impaired value of loans and advances. Any interest income from the underlying loans and advances exceeding this amount is included in "Impairment charges for loans, advances and receivables".

Interest expenses comprise interest and similar expenses including adjustment over the life of financial liabilities measured at amortised cost and where the cost differs from the redemption price.

Negative interest

Negative interest income is recognised in "Interest income", and negative interest expenses are recognised in "Interest expenses". Negative interest is specified in a note.

Dividend

Dividend from equity investments is recognised as income in the income statement in the period in which the dividend is declared.

Fees and commissions

Fees and commissions comprise income and costs relating to services, including management fees. Fee income relating to services provided on a current basis is accrued over their terms.

For accounting purposes, fees, commissions and transaction costs relating to loans and advances measured at amortised cost are treated as interest if they form an integral part of the effective interest of a financial instrument.

Other fees and commissions are fully recognised in the income statement at the date of transaction.

Other operating income

"Other operating income" comprises operating income not attributable to other income statement items, including income under operating leases, contributions from Forenet Kredit as well as gain on the sale of investment and owner-occupied properties.

Value adjustments

Value adjustments consist of foreign currency translation adjustments and value adjustments of assets and liabilities measured at fair value.

Staff and administrative expenses

Staff expenses comprise wages and salaries as well as social security costs, pensions etc. Anniversary bonus, termination benefits as well as holiday pay/allowance obligations are recognised successively.

Administrative expenses comprise IT and marketing costs as well as leasehold rent.

Other operating expenses

"Other operating expenses" comprises operating expenses not attributable to other income statement items, including contributions to guarantee and resolution schemes for mortgage banks as well as one-off expenses.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax and adjustment of tax for previous years, is recognised in the income statement, unless the tax effect concerns items recognised in "Other comprehensive income".
Tax relating to "Other comprehensive income" items is recognised in the same item, while tax on interest relating to Additional Tier 1 capital is recognised in equity.

Current tax liabilities and current tax assets are recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date. The Danish tax of the jointly taxed companies is payable in accordance with the scheme for payment of tax on account.

Based on the balance sheet liability method, deferred tax on all temporary differences between the carrying amounts and the tax base of an asset or liability is recognised.

Deferred tax is determined on the basis of the intended use of each asset or the settlement of each liability. Deferred tax is measured using the tax rates expected to apply to temporary differences upon reversal and the tax rules prevailing on the balance sheet date.

Deferred tax assets, including the tax base of any tax loss carryforwards, are recognised in the balance sheet at the value at which they are expected to be realised, either by set-off against deferred tax liabilities or as net tax assets for set-off against tax on future positive taxable income. On each balance sheet date, it is assessed whether it is probable that a deferred tax asset can be used.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to do so.

The Nykredit Group's Danish companies are jointly taxed with Forenet Kredit. Current Danish corporation tax payable is distributed among the jointly taxed Danish companies relative to their taxable income (full distribution subject to refund for tax losses).

ASSETS

Loans, advances and other financial assets

Reference is made to the above description under "Significant accounting estimates and assessments" and "Financial instruments" for these items.

Investments in associates

Investments in associates include enterprises that the Nykredit Group does not control, but in which the Group exercises significant influence. Enterprises in which the Group holds between 20% and 50% of the voting rights are generally considered associates.

Investments in associates are recognised and measured according to the equity method and are therefore measured at the proportional ownership interest of the enterprises' equity value determined in accordance with the Group's accounting policies less/plus the proportionate share of unrealised intercompany gains and losses plus goodwill.

The proportionate share of associates' profit or loss after tax is recognised in the consolidated income statement.

Intangible assets

Goodwill

Goodwill comprises positive balances between the cost of enterprises acquired and the fair value of the net assets of such enterprises at the time of acquisition. Goodwill is tested for impairment at least once a year, and the carrying amount is written down to the lower of the recoverable amount and the carrying amount in the income statement.

Impairment charges are recognised in the income statement and are not reversed.

Other intangible assets

Fixed-term rights are recognised at cost less accumulated amortisation. Fixed-term rights are amortised on a straight-line basis over their remaining terms. Fixed-term rights lapse after a period of 5-10 years.

Costs relating to development projects are recognised as intangible assets provided that there is sufficient certainty that the value in use of future earnings will cover actual development costs.

Capitalised development projects comprise salaries and other costs directly attributable to the Group's development activities.

Other development costs are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation. Capitalised development costs are amortised on completion of the development project on a straight-line basis over the period in which it is expected to generate economic benefits. The amortisation period is 3-5 years.

Customer relationships are recognised at cost less accumulated amortisation. Customer relationships are amortised on a straight-line basis over the estimated useful lives of the assets. The amortisation period is 3 years.

Other intangible assets are written down to the recoverable amount where OEI is identified.

Land and buildings

Investment properties

Properties which are not occupied by the Group and which are held for the purpose of obtaining rental income and/or capital gains are classified as investment properties.

On acquisition, investment properties are recognised at cost, which includes the purchase price of the property and any direct costs. Subsequently, investment properties are measured at fair value, and value adjustments are carried in the income statement.

Fair value is determined on the basis of prices in active markets or the return method. Where prices in active markets are applied, adjustment is made for any differences in the nature, location or state of repair of the asset concerned.

Under the return method, operating income from the properties is considered in relation to the required rates of return on the properties. The required rates of return under this method take into account the nature, location and state of repair of the property concerned as well as sales efforts within a reasonable period. The valuation is not carried out by an external valuer, as Nykredit makes use of an internal valuer.

Owner-occupied properties

Owner-occupied properties are properties which the Group uses for administration, sales and customer contact centres or for other service activities.

On acquisition, owner-occupied properties are recognised at cost and subsequently measured at a reassessed value, equal to the fair value at the revaluation date less subsequent accumulated depreciation and impairment charges. Revaluations are made annually to prevent the carrying amounts from differing significantly from the values determined using the fair value on the balance sheet date.

Subsequent costs are recognised in the carrying amount of the asset concerned or as a separate asset where it is probable that costs incurred will lead to future economic benefits for the Group, and the costs can be measured reliably. The costs of ordinary repair and maintenance are recognised in the income statement as incurred.

Fair value is determined in accordance with the return method, under which operating income from the properties is considered in relation to the required rates of return on the properties. The required rates of return under this method take into account the nature, location and state of repair of the property concerned as well as sales efforts within a reasonable period. The valuation is performed by an internal valuer.

Positive value adjustments less deferred tax are added to revaluation reserves under equity via "Other comprehensive income". Impairment charges offsetting former revaluation of the same property are deducted from revaluation reserves via "Other comprehensive income", while other impairment charges are recognised through profit or loss.

When the asset is ready for entry into service, it is depreciated on a straight-line basis over the estimated useful life of 10-50 years, allowing for the expected scrap value at the expiry of the expected useful life. Land is not depreciated.

Gains and losses on divested assets are determined by comparing sales proceeds with carrying amounts and are recognised in the income statement under "Other operating income" or "Other operating expenses". On divestment of revalued assets, revaluation amounts contained in the revaluation reserves are transferred to "Retained earnings" under equity without recognition in the income statement.

Other property, plant and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation is made on a straight-line basis over the expected useful lives of:

- Computer equipment and machinery etc up to five years
- Equipment and motor vehicles up to five years
- Leasehold improvements; maximum term of the lease is 15 years.

The residual values and useful lives of the assets are revalued at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the divestment of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof as well as investments in subsidiaries and associates in respect of which:

- the Group's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

Properties acquired in connection with the termination of an exposure are recognised in "Assets in temporary possession".

Liabilities directly attributable to the assets concerned are presented as liabilities relating to assets in temporary possession in the balance sheet.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs. Assets are not depreciated or amortised once classified as assets in temporary possession.

Impairment arising on initial classification as assets in temporary possession and gains and losses on subsequent measurement at the lower of the carrying amount and the fair value less selling costs are recognised in "Impairment charges for loans, advances and receivables etc" in the income statement.

Income and expenses relating to subsidiaries in temporary possession are recognised separately in the income statement if the impact is significant.

LIABILITIES AND EQUITY

Payables

Reference is made to the above description under "Financial instruments" for these items.

Provisions

Provisions are recognised where, as a result of an event having occurred on or before the balance sheet date, the Group has a legal or constructive obligation which can be measured reliably, and where it is probable that economic benefits must be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour the obligation.

Provisions for pensions and similar obligations

The Group has entered into pension agreements with the majority of its staff. The agreements may be divided into two main types of plans:

- Defined contribution plans according to which the Group makes fixed contributions to staff pension plans on a current basis. The Group is under no obligation to make further contributions. The contributions to defined contribution plans are recognised in the income statement for the period concerned, and any contributions payable are recognised in "Other payables" in the balance sheet.
- Defined benefit plans under which the Group is obliged to pay certain benefits in connection with retirement. Defined benefit plans are subject to an annual actuarial calculation (the projected unit credit method) of the value in use of future benefits payable under the plans.

The value in use of defined benefit plans is based on assumptions of the future development in eg wages, interest rates, inflation and mortality. Discounting is based on an interest rate determined in accordance with IAS 19. The value in use is only calculated for benefits to which staff members have become entitled through their employment with the Group.

The fair value of assets relating to defined benefit plans less the actuarial value in use of the pension obligations is recognised in the balance sheet under "Other assets" or "Other liabilities". Actuarial gains and losses are recognised in "Other comprehensive income" in the year in which they arose.

A number of the Group's staff members are entitled to receive a bonus on attaining retirement age and when having been employed by the Group for 25 and 40 years. The obligations are recognised successively up to the date when the staff member is entitled to receive the benefit. The measurement of the size of the obligation allows for actuarial conditions, including the probability of staff members retiring before the benefit vests and therefore losing entitlement to the benefit. The obligations are recognised at present value using a zero-coupon rate plus a risk margin. The present value changes prompted by changes to the discount rate within the financial year are recognised in "Other interest income" or "Other interest expenses". Other present value changes are recognised in "Staff and administrative expenses".

Repayable reserves in pre-1972 series

Repayable reserves include reserves in pre-1972 series repayable after full or partial redemption of mortgage loans in compliance with the articles of association of the series concerned.

Provisions for losses under guarantees etc

Provisions for losses under guarantees and unutilised credit commitments etc are recognised applying the same principles as are used for impairment charges for loans, advances and receivables. Reference is made to the preceding paragraph.

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 measured at fair value on initial recognition and subsequently at amortised cost.

Nykredit has raised subordinated debt in the form of bonds in issue which are subject to permanent write-down through profit or loss if Nykredit's Common Equity Tier 1 capital ratio drops to 7% or less. Until this level is reached, Nykredit is obliged to pay interest to bondholders, which combined with the current high capital level has resulted in the issue being classified as subordinated debt.

Equity

Share capital

Shares in issue are classified as equity where there is no legal obligation to transfer cash or other assets to the shareholder.

Revaluation reserves

Revaluation reserves include positive value adjustment of owner-occupied properties less deferred tax on the value adjustment. Increases in the reassessed value of properties are recognised directly in this item unless the increase cancels out a decrease previously recognised in the income statement. The item is adjusted for any impairment fully or partially cancelling out previously recognised value gains. The item is also adjusted on divestment of properties.

Value adjustment of equities available for sale

The reserve includes unrealised value adjustment of equities available for sale (strategic equities) less deferred tax on the value adjustment. If there is impairment of a significant or permanent nature, the accumulated unrealised loss is reclassified from the reserve to the income statement.

This item has been discontinued as at 1 January 2018.

Series reserves

Series reserves include series reserves where there is no obligation to repay the borrowers.

Non-distributable reserve fund

Includes a non-distributable reserve fund in Totalkredit A/S.

Retained earnings

Retained earnings comprise reserves which are in principle distributable to the Company's shareholders. However, under the Danish Financial Business Act, distribution must in certain circumstances ensure Nykredit's compliance with the so-called combined capital buffer requirement in respect of the Parent and the Group.

Proposed dividend

Dividend expected to be distributed for the year is carried as a separate item in equity. Proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (time of declaration).

Minority interests

Minority interests comprise the share of a subsidiary's equity owned by other parties than the Group companies.

Additional Tier 1 capital

Perpetual Additional Tier 1 capital with discretionary payment of principal and interest is recognised as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes. Interest is deducted from equity at the time of payment.

CASH FLOW STATEMENT

The consolidated cash flow statement is prepared according to the indirect method based on profit or loss for the year. The consolidated cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing activities
- Financing activities.

Operating activities include the Group's principal and other activities which are not part of its investing or financing activities.

Investing activities comprise the purchase and sale of non-current assets and financial investments not included in cash and cash equivalents.

Financing activities comprise subordinated debt raised as well as redeemed, including the sale and purchase of self-issued subordinated debt, and payments to or from shareholders as well as holders of Additional Tier 1 capital.

Furthermore, the cash flow statement shows the changes in the Group's cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.
Cash and cash equivalents consist of "Cash balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

ACCOUNTING POLICIES APPLYING SPECIFICALLY TO THE PARENT NYKREDIT A/S

The Financial Statements of the Parent Nykredit A/S are prepared in accordance with the Danish Financial Business Act and the Danish FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on Financial Reports).

In all material respects, these rules comply with the International Financial Reporting Standards (IFRS) and the Group's accounting policies as described above. An exception to these accounting policies includes recognition of "Equities available for sale". This exception and other special circumstances relating to the Parent are described below.

Amendments to the Danish Executive Order on Financial Reports

In 2018 the Danish Financial Supervisory Authority made amendments following the implementation of IFRS 9, see previous mention in the accounting policies relating to the Nykredit Group. The Danish Executive Order on Financial Reports has also been amended in respect of implementation of IFRS 16, Leases, which becomes effective as at 1 January 2019. The Danish Executive Order remains IFRS compatible.

Other ordinary income

The item "Other operating expenses" contains a large share of income from administrative services, etc, provided by the Parent to the other Group companies, for which settlement is made on the basis of intercompany agreements. In addition, the item contains operating income not attributable to other income statement items, including income relating to gains on the sale of investment and owner-occupied properties as well as other non-current assets.

Financial assets fair value adjusted through other comprehensive income

Nykredit has no assets in this category in its Financial Statements for 2018.

In 2017 some assets were, however, classified as available for sale with fair value adjustment recognised in "Other comprehensive income". This classification cannot be used under the Danish FSA's Executive Order as opposed to the IFRS.

Investments in Group enterprises

Investments in Group enterprises (subsidiaries) are recognised and measured according to the equity method.

The proportional ownership interest of the equity value of the enterprises less/plus unrealised intercompany gains and losses is recognised as goodwill in "Investments in Group enterprises" in the Parent's balance sheet. Any positive difference between the total cost of investments in Group enterprises and the fair value of the net assets at the time of acquisition is recognised in "Intangible assets" in the balance sheet.

Nykredit's share of the enterprises' profit or loss after tax and elimination of unrealised intercompany gains and losses less depreciation, amortisation and impairment charges is recognised in the Parent's income statement.

Total net revaluation of investments in Group enterprises is transferred to equity in "Statutory reserves" through the distribution of profit for the year.

Statutory reserves

The Parent's statutory reserves include value adjustment of investments in subsidiaries and associates (net revaluation according to the equity method). The reserves are reduced by dividend distribution to the Parent and are adjusted for other changes in the equity of subsidiaries and associates. The reserves are non-distributable.

The non-distributable reserve fund concerns the reserve fund of the subsidiary Totalkredit A/S.

DKK million

Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		2. CAPITAL AND CAPITAL ADEQUACY		
75,005	76,111	Equity for accounting purposes	79,883	78,770
-	-	Minority interests not included	-	(1,646)
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,772)	(3,765)
75,005	**76,111**	**Equity excluding Additional Tier 1 capital**	**76,111**	**73,359**
(4,000)	(2,800)	Proposed dividend	(2,800)	(4,000)
-	-	Prudent valuation adjustment	(57)	(65)
-	-	Minority interests	-	815
-	-	Intangible assets excluding deferred tax liabilities	(221)	(184)
-	-	Other additions/deductions	(327)	(327)
-	-	Deduction for treasury shares	(302)	(260)
-	-	Transitional adjustment of deductions	-	65
(4,000)	**(2,800)**	**Common Equity Tier 1 capital deductions**	**(3,706)**	**(3,955)**
71,005	**73,311**	**Common Equity Tier 1 capital**	**72,404**	**69,404**
-	-	Additional Tier 1 capital	1,862	2,240
-	-	Additional Tier 1 capital deductions	(28)	(159)
-	-	Transitional adjustment of deductions	-	32
-	**-**	**Total Additional Tier 1 capital after deductions**	**1,835**	**2,113**
71,005	**73,311**	**Tier 1 capital**	**74,239**	**71,518**
-	-	Tier 2 capital	6,208	8,300
-	-	Tier 2 capital additions/deductions	454	461
-	-	Transitional adjustment of deductions	-	16
71,005	**73,311**	**Own funds**	**80,900**	**80,295**
277,805	281,595	Credit risk	290,524	289,684
-	-	Market risk	27,390	24,724
0	0	Operational risk	25,709	21,246
277,806	**281,595**	**Total risk exposure amount**	**343,623**	**335,655**
		Financial ratios		
25.5	26.0	Common Equity Tier 1 capital ratio, %	21.0	20.6
25.5	26.0	Tier 1 capital ratio, %	21.6	21.3
25.5	26.0	Total capital ratio, %	23.5	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 as well as the Danish transitional rules laid down by the Danish FSA.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the 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 1.89%, applicable to all financial institutions.

2. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and the Executive Board to ensure that Nykredit has the required own funds. The required own funds are the minimum capital required, in Management's judgement, to cover all significant risks.

The determination takes into account the business objectives and capital policy targets by allocating capital for all relevant risks, including calculation uncertainties.

Stress tests and capital projection

Nykredit applies a number of model-based stress tests and capital projections to determine the required own funds in different macroeconomic scenarios. The results are applied at both Group and company level and are included in the annual assessment by the individual Boards of Directors of the internal capital adequacy requirement as well as in the continuous capital planning. In the determination of the capital requirements, the stress tests are not the only element, but are included in an overall assessment along with the company's capital policy, risk profile and capital structure.

The stress test calculations include the macroeconomic factors of greatest importance historically to Nykredit's customers.

The most important macroeconomic factors identified are:

- Property prices
- Interest rates
- Unemployment
- GDP growth.

Nykredit generally operates with three macroeconomic scenarios: a baseline scenario, a slightly weaker economic climate and a severe recession.

Nykredit Realkredit Group
Stress scenarios for determination of capital requirement

	2019	2020	2021
Baseline scenario			
Property prices, growth	2.2%	3.2%	2.1%
Interest rates[1]	0.0%	0.5%	0.5%
Unemployment	4.9%	4.8%	4.8%
GDP growth	1.8%	1.7%	1.8%
Slightly weaker economic climate (scenario applied under Pillar II)			
Property prices, growth	(3.0)%	(3.0)%	(2.0)%
Interest rates[1]	(0.1)%	(0.1)%	(0.1)%
Unemployment	5.9%	6.5%	7.1%
GDP growth	1.5%	0.5%	0.1%
Severe recession (scenario applied for capital policy)			
Property prices, growth	(12.0)%	(10.0)%	(5.0)%
Interest rates[1]	(0.1)%	(0.1)%	(0.1)%
Unemployment	7.1%	8.7%	9.4%
GDP growth	(3.0)%	(2.0)%	0.0%

[1] Average of 3-month money market rates and 10-year government bond yield

The capital requirement for credit risk builds primarily on correlations between the macroeconomic factors, the Probability of Default (PD) and Loss Given Default (LGD).

These correlations are an essential element of the capital projection model. Operating losses in a stress scenario increase the capital requirement, while operating profits are not included.

The scenarios operate with the impacts of both rising and falling interest rates. The capital charge is calculated based on the most severe scenario.

Other stress scenarios are used as required for Nykredit Bank and Totalkredit, and/or the scenarios are supplemented with assessments of factors that may have an adverse impact on the companies' risk exposures or capital.

Baseline scenario

This scenario is a neutral projection of the Danish economy based on Nykredit's assessment of the current economic climate.

Stress scenario: Slightly weaker economic climate

The stress scenario is designed to illustrate a slightly weaker economic climate relative to the baseline scenario. The capital charge is calculated on the basis of rising interest rates, which is the more severe of the two scenarios. The capital charge reflects how much Nykredit's capital requirement would increase if this scenario occurred. The results are included in the determination of the internal capital adequacy requirement.

Stress scenario: Severe recession

A central element of Nykredit's capital policy is to have sufficient own funds, also in the long term and in a severe recession. Nykredit continually calculates the impact of severe recession combined with rising interest rates. The stress scenario reflects an unusual, but not unlikely, situation.

The calculations are factored into the current assessments of capital targets going forward.

Other stress scenarios

As part of the Group's capital policy, in addition to calculating its own stress scenarios, Nykredit also assesses the stress scenarios prepared by the Danish FSA. The results are compared regularly.

Nykredit also participates in the stress test exercises of the EBA, most recently in 2018. The results have confirmed Nykredit's strong capital position under the current capital requirements. The Boards of Directors of the individual Group companies determine at least annually the required own funds and internal capital adequacy requirement (ICAAP result) of their respective companies.

The Boards of Directors will reassess the ICAAP results if any major unexpected events occur. The determination of the internal capital adequacy requirements of the individual companies by the Boards of Directors is based on a number of stress tests as well as an assessment of the company's business model, risk profile and capital structure.

Furthermore, the Risk Board and the Risk Committee of the Board of Directors closely monitor the development in the internal capital adequacy requirements of the individual companies and are briefed at least quarterly. The Asset/Liability Committee monitors and coordinates the capital, funding and liquidity of the Group and the individual Group companies. The report Risk and Capital Management 2018, available at nykredit.com/reports, contains a detailed description of the determination of required own funds and internal capital adequacy requirement of Nykredit as well as all Group companies. The report is not audited.

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.

RESULTS 2018	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA										
Net interest income	1,881	2,864	4,745	2,577	1,546	-	1,546	118	(2)	8,984
Net fee income	555	476	1,032	478	454	-	454	24	(36)	1,951
Wealth management income	361	147	508	-	122	-	122	714	16	1,361
Net interest from capitalisation	(72)	(159)	(231)	(177)	(102)	(10)	(112)	(8)	172	(356)
Trading, investment portfolio and other income	1	308	308	14	69	258	327	12	(579)	83
Income	**2,725**	**3,636**	**6,362**	**2,893**	**2,089**	**248**	**2,337**	**860**	**(428)**	**12,023**
Costs	2,040	1,074	3,114	562	396	229	625	453	136	4,890
Business profit (loss) before impairment charges	**685**	**2,563**	**3,248**	**2,331**	**1,693**	**19**	**1,712**	**407**	**(564)**	**7,133**
Impairment charges for loans and advances	85	46	131	122	117	-	117	18	(9)	380
Business profit (loss)	**600**	**2,516**	**3,117**	**2,209**	**1,576**	**19**	**1,595**	**388**	**(555)**	**6,753**
Legacy derivatives	1	176	177	-	73	31	104	(0)	-	280
Profit (loss) before tax	**601**	**2,692**	**3,293**	**2,209**	**1,649**	**50**	**1,699**	**388**	**(555)**	**7,033**
Of which transactions between the business areas	118	155	273	(35)	172	(347)	(176)	(126)	64	-
Average allocated business capital	5,801	16,415	22,216	12,527	10,438	1,258	11,695	829	7,379	54,646
Business profit as % of average business capital	10.3	15.3	14.0	17.6	15.1	1.5	13.6	46.8		12.4
BALANCE SHEET										
Assets										
Mortgage loans etc at fair value	175,954	234,560	410,514	577,298	197,027	-	197,027	8,828	-	1,193,667
Reverse repurchase lending									37,427	37,427
Loans and advances at amortised cost	11,507	21,236	32,743	-	23,342	-	23,342	3,955	526	60,566
Assets by business area	**187,461**	**255,796**	**443,257**	**577,298**	**220,370**	**-**	**220,370**	**12,783**	**37,953**	**1,291,660**
Unallocated assets										156,316
Total assets										**1,447,976**
Liabilities and equity										
Repo deposits									16,245	16,245
Bank deposits and other payables at amortised cost	30,332	19,055	49,388	-	11,708	-	11,708	12,090	3,787	76,974
Liabilities by business area	**30,332**	**19,055**	**49,388**	**-**	**11,708**	**-**	**11,708**	**12,090**	**20,033**	**93,219**
Unallocated liabilities										1,274,874
Equity										79,883
Total liabilities and equity										**1,447,976**

Geographical markets

Income from international lending came to DKK 489 million (2017: DKK 335 million). The international loan portfolio totalled DKK 59 billion at end-2018 (2017: DKK 58 billion).

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

RESULTS 2017	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
Results by business area										
Net interest income	1,913	2,879	4,791	2,657	1,456	-	1,456	99	3	9,006
Net fee income	717	671	1,389	498	571	-	571	23	(11)	2,470
Wealth management income	359	176	535	-	106	-	106	739	22	1,402
Net interest from capitalisation	(78)	(178)	(256)	(178)	(86)	(7)	(92)	(6)	172	(360)
Trading, investment portfolio and other income	(207)	307	100	4	101	393	493	14	882	1,492
Income	**2,704**	**3,855**	**6,559**	**2,981**	**2,148**	**386**	**2,534**	**869**	**1,067**	**14,010**
Costs	2,065	1,116	3,181	631	404	228	632	453	170	5,067
Business profit before impairment charges	**640**	**2,738**	**3,378**	**2,350**	**1,744**	**158**	**1,902**	**416**	**898**	**8,944**
Impairment charges for loans and advances	5	(326)	(321)	91	(403)	-	(403)	16	996	379
Business profit (loss)	**635**	**3,064**	**3,699**	**2,259**	**2,147**	**158**	**2,305**	**400**	**(97)**	**8,564**
Legacy derivatives	(1)	358	357	-	1,130	30	1,160	0	-	1,517
Profit (loss) before tax	**634**	**3,422**	**4,056**	**2,259**	**3,276**	**188**	**3,465**	**400**	**(97)**	**10,081**
Of which transactions between the business areas	356	151	506	(36)	65	(395)	(330)	(371)	231	-
Average allocated business capital	6,199	16,444	22,643	11,565	10,137	955	11,092	692	8,226	54,218
Business profit as % of average business capital	10.2	18.6	16.3	19.5	21.2	16.5	20.8	57.8		15.8
BALANCE SHEET										
Assets										
Mortgage loans etc at fair value	181,324	240,149	421,473	544,861	189,940	-	189,940	7,605	-	1,163,879
Reverse repurchase lending									27,566	27,566
Loans and advances at amortised cost	12,039	20,233	32,272	-	19,780	-	19,780	3,362	673	56,087
Assets by business area	**193,362**	**260,383**	**453,745**	**544,861**	**209,720**	**-**	**209,720**	**10,967**	**28,239**	**1,247,532**
Unallocated assets										179,214
Total assets										**1,426,746**
Liabilities and equity										
Repo deposits									16,714	16,714
Bank deposits and other payables at amortised cost	27,214	19,432	46,645	-	14,164	-	14,164	13,464	1,640	75,914
Liabilities by business area	**27,214**	**19,432**	**46,645**	**-**	**14,164**	**-**	**14,164**	**13,464**	**18,355**	**92,628**
Unallocated liabilities										1,255,347
Equity										78,770
Total liabilities and equity										**1,426,746**

DKK million

Nykredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	2018			2017		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	8,984	1,884	10,869	9,006	2,479	11,485
Dividend on equities etc		150	150		133	133
Fee and commission income, net	1,951	(2,439)	(487)	2,470	(2,703)	(232)
Net interest and fee income		**(404)**	**10,531**		**(90)**	**11,386**
Wealth management income	1,361	(1,361)	-	1,402	(1,402)	-
Net interest from capitalisation	(356)	356	-	(360)	360	-
Trading, investment portfolio and other income	85	(85)	-	1,492	(1,492)	-
Value adjustments		724	724		3,620	3,620
Other operating income		1,057	1,057		501	501
Total income	**12,023**			**14,011**		
Costs	4,890	-	4,890	5,067	-	5,067
Business profit before impairment charges	**7,133**			**8,945**		
Impairment charges for loans and advances etc	380	-	380	379	-	379
Profit (loss) from investments in associates		(9)	(9)		21	21
Business profit	**6,753**			**8,565**		
Legacy derivatives	280	(280)	-	1,517	(1,517)	-
Profit before tax	**7,033**	**-**	**7,033**	**10,081**	**-**	**10,081**

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

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

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

Nykredit Group	2018	2017
5. INCOME		
Interest income (IFRS 9 instruments)		
Interest income	25,532	27,022
Income from leasing activities, net		
Interest income	143	138
Revenue from contracts with customers (IFRS 15)		
Fees, net:		
- fees from asset management activities and other fiduciary activities	1,175	1,155
- other fees	1,395	1,532
Other ordinary income		
Other income	1,056	501
Revenue from contracts with customers (IFRS 15) by business area		
Total Retail	856	955
Totalkredit Partners	454	454
Total Wholesale	300	334
Wealth Management	909	858
Group Items	51	86
Total	**2,570**	**2,687**

DKK million

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

IFRS 15 was implemented as at 1 January 2018 without impacting profit, comprehensive income, balance sheet and equity. The standard implies that revenue is not recognised until control of goods or services is passed to the customer. The standard also specifies rules on how companies should identify contracts with customers, the related performance obligations and determination of the transaction price.

Nykredit's revenue consists of net income recognised in items governed by the accounting standards IFRS 9 (Financial Instruments) and IAS 17 (Leases). Fees and transaction costs that are integral to the effective interest rate of an instrument are covered by IFRS 9.

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

Revenue comprised by IFRS 15 mainly relates to:

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

Revenue from specific custody and asset management activities are determined based on the price movements of the underlying contracts, and therefore earnings cannot be finally calculated until at a specified, agreed date. Revenue arising from these activities will not be determined until at the end of the financial year at the latest, and revenue recognised in the Annual Report is consequently considered final as at 31 December.

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

DKK million

Nykredit Group

6. NET INTEREST INCOME ETC AND VALUE ADJUSTMENTS

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	1	50	(49)	-	-	(49)
Lending and deposits	1,996	(25)	2,021	-	27	2,047
Repo transactions and reverse repurchase lending	(167)	(130)	(37)	-	-	(37)
Subordinated debt	-	358	(358)	-	-	(358)
Other financial instruments	96	79	17	-	-	17
Total	**1,927**	**332**	**1,594**	**-**	**27**	**1,621**
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue[1]	23,482	14,473	9,009	-	127	9,136
Bonds	470	-	470	-	70	540
Equities etc	-	-	-	150	(340)	(190)
Derivative financial instruments etc	(204)	-	(204)	-	735	531
Total	**23,748**	**14,473**	**9,275**	**150**	**591**	**10,016**
Foreign currency translation adjustment					107	107
Net interest income etc and value adjustments	**25,675**	**14,806**	**10,869**	**150**	**724**	**11,743**
KundeKroner and ErhvervsKroner discounts recognised under interest income for the period (charge)	1,099					

2017	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	(28)	10	(38)	-	-	(38)
Lending and deposits	1,968	17	1,951	-	-	1,951
Subordinated debt	-	359	(359)	-	-	(359)
Other financial instruments	99	80	18	-	-	18
Total	**2,038**	**466**	**1,572**	**-**	**-**	**1,572**
Financial portfolios at fair value and financial instruments at fair value						
Mortgage loans and bonds in issue[1]	24,869	15,323	9,546	-	(4)	9,542
Repo transactions and reverse repurchase lending	(99)	(114)	15	-	7	22
Bonds	688	-	688	-	806	1,494
Equities etc	-	-	-	133	419	552
Investment properties	-	-	-	-	(7)	(7)
Derivative financial instruments	(336)	-	(336)	-	2,314	1,978
Total	**25,121**	**15,209**	**9,912**	**133**	**3,535**	**13,580**
Foreign currency translation adjustment					85	85
Net interest income etc and value adjustments	**27,160**	**15,675**	**11,485**	**133**	**3,620**	**15,238**
KundeKroner and ErhvervsKroner discounts recognised under interest income for the period (charge)	304					

[1] Recognised at fair value through fair value option.

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		7. INTEREST INCOME		
-	-	Receivables from credit institutions and central banks	(22)	(37)
-	-	Loans, advances and other receivables	16,378	17,219
-	-	Administration margin income	8,956	9,527
		Bonds		
-	-	- self-issued covered bonds (SDOs, ROs)	217	293
-	-	- other covered bonds	335	476
-	-	- government bonds	33	70
-	-	- other bonds	114	155
		Derivative financial instruments		
-	-	- foreign exchange contracts	64	40
-	-	- interest rate contracts	(266)	(366)
-	-	- equity contracts	(1)	(10)
-	-	- other contracts	(1)	(0)
0	0	Other interest income	96	99
0	**0**	**Total**	**25,903**	**27,467**
-	-	Set-off of interest from self-issued covered bonds – note 8	(217)	(293)
-	-	Set-off of interest from other self-issued bonds – note 8	(12)	(13)
0	**0**	**Total**	**25,675**	**27,160**
-	-	Of which negative interest income excluding other financial instruments	522	266
-	-	Of which interest income based on the effective interest method	2,023	2,068
		Of which interest income from reverse repurchase lending entered as:		
-	-	Receivables from credit institutions and central banks	(23)	(9)
-	-	Loans, advances and other receivables	(143)	(90)
		Of total interest income:		
-	-	Interest income accrued on impaired financial assets measured at amortised cost	115	24
-	-	Interest income accrued on fixed-rate bank loans	87	85
-	-	Interest income from finance leases	143	138

Interest income accrued on bank loans subject to stage 3 impairment totalled DKK 115 million (2017: DKK 24 million). Nykredit Bank A/S generally does not charge interest on individually impaired loans. Interest income attributable to the impaired part of loans after the first time of impairment is offset against subsequent impairment.

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		8. INTEREST EXPENSES		
0	0	Credit institutions and central banks	23	(15)
-	-	Deposits and other payables	(127)	(73)
-	-	Bonds in issue	14,702	15,629
-	-	Subordinated debt	358	359
-	0	Other interest expenses	79	80
0	**0**	**Total**	**15,034**	**15,981**
-	-	Set-off of interest from self-issued covered bonds – note 7	(217)	(293)
-	-	Set-off of interest from other self-issued bonds – note 7	(12)	(13)
0	**0**	**Total**	**14,806**	**15,675**
-	-	Of which negative interest expenses	655	344
		Of which interest expenses from repo transactions entered as:		
-	-	Credit institutions and central banks	(28)	(25)
-	-	Deposits and other payables (2017: Non-derivative financial liabilities at fair value)	(102)	(89)

DKK million

Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		9. DIVIDEND ON EQUITIES ETC		
-	-	Dividend	150	45
-	-	Dividend on equities available for sale	-	88
-	**-**	**Total**	**150**	**133**
		10. FEE AND COMMISSION INCOME		
-	-	Fees etc relating to financial instruments measured at amortised cost	197	213
-	-	Fees from asset management activities and other fiduciary activities	1,175	1,155
-	-	Other fees	1,198	1,319
-	**-**	**Total**	**2,570**	**2,687**
		11. FEE AND COMMISSION EXPENSES		
-	-	Fees etc relating to financial instruments measured at amortised cost	18	24
-	-	Fees from asset management activities and other fiduciary activities	62	69
-	-	Other fees	2,977	2,826
-	**-**	**Total**	**3,058**	**2,919**
		Other fees primarily include loan commission in the subsidiary Totalkredit A/S		
		12. VALUE ADJUSTMENTS		
		Assets measured at fair value through profit or loss		
-	-	Mortgage loans, a)	(3,217)	8,286
-	-	Other loans, advances and receivables at fair value, a)	27	7
-	-	Bonds, a)	70	806
-	-	Equities etc, a)	(340)	419
-	-	Investment properties	-	(7)
-	-	Foreign exchange	107	85
-	-	Foreign exchange, interest rate and other contracts as well as derivative financial instruments, a)	730	1,575
-	-	Other assets	5	739
		Liabilities measured at fair value through profit or loss		
-	-	Bonds in issue, a)	3,344	(24,230)
-	-	Other liabilities	-	15,940
-	**-**	**Total**	**724**	**3,620**
		[1] In 2017 Nykredit Realkredit A/S decided to wind up the Polish branch, leading to a negative value adjustment of DKK 200 million in 2017 and a reversal of DKK 15 million in 2018. In recent years, the Polish branch has generated income of around DKK 10 million and expenses of the same size. The branch has no activity and is expected to be wound up in 2019.		
		[2] Of which value adjustment of assets and liabilities recognised at amortised cost.	(371)	1,334
		[3] Of which value adjustment of interest rate swaps.	584	1,890
		a) Financial assets and liabilities classified at fair value on initial recognition.		
		Of which value adjustment relating to fair value hedging for accounting purposes		
-	-	Fair value hedging	1	(1)

Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Group's trading activities. No value adjustments have been made for own credit risk of bonds in issue or other financial liabilities.

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		13. STAFF AND ADMINISTRATIVE EXPENSES		
8	9	Remuneration of Board of Directors and Executive Board	62	57
0	1	Staff expenses	2,869	2,783
81	15	Other administrative expenses	1,703	1,782
89	**25**	**Total**	**4,633**	**4,622**
		Remuneration of Board of Directors and Executive Board		
		Board of Directors		
5	6	Fees etc	10	9
		Executive Board		
-	-	Base salaries	40	39
3	-	Pensions	5	6
3	3	Variable remuneration	7	3
8	**9**	**Total**	**62**	**57**

Terms and conditions applying to the Board of Directors

The 15 members of the Board of Directors receive fixed fees and a refund of any costs incurred in connection with board meetings.

Fees paid to the Board of Directors

2018	Nykredit A/S	Nykredit Realkredit A/S	Nykredit A/S/Nykredit Realkredit A/S	Nykredit Group	Forenet Kredit f.m.b.a.	Forenet Kredit Group[2]
Fees (DKK '000)	Fees paid to the Board of Directors	Fees paid to the Board of Directors	Group-level boards	Total	Fees paid to the Board of Directors	Total
Steffen Kragh	819	395	200	1,414	-	1,414
Merete Eldrup	546	263	425	1,234	-	1,234
Nina Smith	546	263	100	909	195	1,104
Hans Bang-Hansen[1]	68	33	-	100	33	133
Helge Leiro Baastad	273	132	150	555	-	555
Olav Bredgaard Brusen	273	132	-	405	75	480
Michael Demsitz	273	132	150	555	116	671
Per W. Hallgren	273	132	325	730	75	805
Marlene Holm	273	132	-	405	-	405
Hans-Ole Jochumsen[1]	206	99	113	417	-	417
Vibeke Krag	273	132	113	517	34	551
Allan Kristiansen[3]	273	132	-	405	-	405
Bent Naur[1]	68	33	63	163	-	163
Lasse Nyby	273	-	-	273	-	273
Claus E. Petersen	273	-	-	273	-	273
Erling Bech Poulsen[1]	68	33	-	100	-	100
Inge Sand	273	132	-	405	75	480
Lars Peter Skaarup[1]	227	-	-	227	-	227
Leif Vinther	273	132	50	455	75	530
Total	**5,549**	**2,301**	**1,688**	**9,537**	**678**	**10,215**

1 Hans-Ole Jochumsen joined Nykredit A/S and Nykredit Realkredit A/S in 2018, and Hans Bang-Hansen, Bent Naur and Erling Bech Poulsen resigned from Nykredit A/S and Nykredit Realkredit A/S in 2018. Lars Peter Skaarup resigned from Nykredit A/S in 2018.

2 As Forenet Kredit and the Nykredit Group are consolidated companies and due to the requirement pursuant to the Danish Financial Business Act, information regarding total fees paid to the Board of Directors of the Nykredit Group and the Forenet Kredit Group is included.

3 In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Bank A/S of DKK 60 thousand. Claus E. Petersen and Lasse Nyby have moreover received fees as members of the Board of Directors of Totalkredit of DKK 150 thousand and DKK 100 thousand, respectively.

DKK '000

Nykredit Group

13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)

Annual fees, end-2018 (applicable from 1 July 2018)

Fees paid to the Board of Directors	Independent director	Director	Deputy Chairman	Chairman
Nykredit Realkredit A/S		133	266	399
Nykredit A/S		276	552	828
Forenet Kredit	200	75	130	195

Fees paid to boards	Audit Board	Risk Board	Nomination Board	Remuneration Board
Chairman	225	225	100	100
Other directors	150	150	50	50

For the Audit and Risk Boards in particular, fees are reduced by DKK 50 thousand if directors join both boards. Members of the Committee of Representatives of Forenet Kredit f.m.b.a receive fees of DKK 30 thousand.

No agreements have been made for pension plans, bonus schemes or special termination benefits for members of the Board of Directors elected by the General Meeting.

Fees paid to the Board of Directors

2017	Nykredit A/S	Nykredit Realkredit A/S	Nykredit A/S/Nykredit Realkredit A/S	Nykredit Group	Forenet Kredit f.m.b.a.[2]	Forenet Kredit Group
Fees (DKK '000)	Fees paid to the Board of Directors	Fees paid to the Board of Directors	Fees paid to the Board	Total	Fees paid to the Board of Directors	Total
Steffen Kragh	683	390	138	1,210	-	1,210
Merete Eldrup	455	288	338	1,080	-	1,080
Nina Smith	455	288	75	818	195	1,013
Hans Bang-Hansen	228	125	-	353	130	483
Olav Bredgaard Brusen	228	125	-	353	75	428
Helge Leiro Baastad	228	125	100	453	-	453
Michael Demsitz	228	125	125	478	75	553
Per W. Hallgren	228	125	263	615	75	690
Marlene Holm	228	125	-	353	-	353
Vibeke Krag[1]	181	95	-	276	144	420
Allan Kristiansen[3]	228	125	-	353	-	353
Bent Naur	228	125	225	578	-	578
Lasse Nyby	228	-	-	228	-	228
Anders C. Obel[1]	46	30	50	126	19	145
Claus E. Petersen	228	-	-	228	-	228
Erling Bech Poulsen	228	125	-	353	-	353
Inge Sand	228	125	-	353	75	428
Lars Peter Skaarup	228	-	-	228	-	228
Leif Vinther	228	125	50	403	75	478
Total	**5,005**	**2,465**	**1,363**	**8,833**	**863**	**9,695**

1 Vibeke Krag joined Nykredit A/S and Nykredit Realkredit A/S in 2017, and Anders C. Obel resigned from Nykredit A/S and Nykredit Realkredit A/S in 2017.
2 As Forenet Kredit and the Nykredit Group are consolidated companies and due to the requirement pursuant to the Danish Financial Business Act, information regarding total fees paid to the Board of Directors of the Nykredit Group and the Forenet Kredit Group is included.
3 In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Bank A/S of DKK 60 thousand. Claus E. Petersen and Lasse Nyby have moreover received fees as members of the Board of Directors of Totalkredit of DKK 150 thousand and DKK 40 thousand, respectively.

DKK '000

Nykredit Group

13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)

2018

Remuneration of the Executive Board	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	David Hellemann	Total
Contractual salary	11,045	6,527	6,527	6,527	6,527	37,153
Pension contributions[1]	2,557	-	-	1,501	1,501	5,559
Total	**13,602**	**6,527**	**6,527**	**8,028**	**8,028**	**42,712**
Defined benefit plans for a maximum of five years	-	852	852	-	-	1,703
Total expenses for accounting purposes/earned income	**13,602**	**7,379**	**7,379**	**8,028**	**8,028**	**44,416**
Various benefits[2]	17	13	14	19	16	79

[1] In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and David Hellemann receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm are covered by defined benefit pension plans.

[2] In addition to total expenses for accounting purposes/earned income, the Executive Board receives the following benefits: company car, telephone free of charge, medical examination, critical illness insurance, group life insurance, accident and health insurance as well as payment of costs of security surveillance.

With the exception of Michael Rasmussen, Executive Board members receive the same contractual salary, but are covered by different pension plans. The pension plans have varying impacts on expenses for accounting purposes. Members of the Executive Board entitled to pension contributions receive 23% of their contractual salary, whereas the carrying amount of expenses for defined pension plans are provisions for expected future pension contributions for the persons concerned.

Members of the Executive Board receive fixed salaries covering all directorships and executive positions in Nykredit A/S as well as Group enterprises and associates. Neither bonus schemes nor other variable remuneration plans have been established for the members of the Executive Board. However, the Board of Directors considers it important to Nykredit's value creation, the realisation of the business plan behind the new capital structure and the successful delivery of the Winning the Double strategy that the members of Nykredit's Executive Board who are not covered by defined benefit pension plans, be incentivised by a retention agreement, see the table below.

Kim Duus has given notice of resignation and will leave his position by end-June 2019. After his resignation Kim Duus will receive 60% of his fixed salary for five years as from 1 July 2019, as agreed under his contract.

Pension, retention and termination benefits	Michael Rasmussen	Kim Duus[1]	Søren Holm[1]	Anders Jensen	David Hellemann
Pension plan	-	Defined benefit	Defined benefit	-	-
Pension terms	-	60% of fixed salary for up to five years from the age of 60	60% of fixed salary for up to five years from the age of 60	-	-
Retention terms[2, 3]	1 year's salary excl pensions			1 year's salary excl pensions	1 year's salary excl pensions
Termination benefit	23 mths			12 mths	12 mths
Notice of termination by the member of the Executive Board	6 mths	12 mths	12 mths	6 mths	6 mths
Notice of termination by Nykredit	6 mths	6 mths	6 mths	6 mths	6 mths

[1] If Group Managing Director Søren Holm chooses to resign, he must give 12 months' notice from the age of 60 until the age of 70 and will be entitled to pension benefits equal to 60% of his fixed salary. Pension benefits are paid for a maximum of five years, and the benefits entitlement lapses when the Group Managing Director attains the age of 70. Further, Nykredit may ask a Group Managing Director to retire in this period subject to six months' notice.

[2] Nykredit A/S has entered into a retention agreement with Group Chief Executive, Michael Rasmussen. The retention payments payable by 50% at end-December 2019 and 50% at end-June 2020 have been set at one year's salary, excluding pension. The retention payment is disbursed only if Michael Rasmussen has not resigned his position and is not in breach of his contractual duties at 1 January 2020. Provisions are made for the retention payment during the vesting period running from 1 April 2017 to end-December 2019. A retention payment of DKK 3.1 million for Michael Rasmussen was charged to the income statement in 2018.

[3] Nykredit Realkredit A/S has entered into retention agreements with each of Group Managing Directors Anders Jensen and David Hellemann. The retention payments payable by 50% at end-December 2020 and 50% at end-June 2021 have been set at one year's salary, excluding pension. The retention payments are disbursed only if Anders Jensen or David Hellemann have not resigned their positions at 1 January 2021 or are not in breach of their contractual duties. Provisions are made for the retention payment during the vesting period running from 1 January 2018 to end-December 2020. Retention payments of DKK 2.1 million and DKK 2.1 million, respectively, for Anders Jensen and David Hellemann were charged to the income statement in 2018.

Group Managing Directors will retire in the month they attain the age of 70 at the latest.

DKK '000

Nykredit Group

2017

Remuneration of the Executive Board	Michael Rasmussen	Kim Duus	Søren Holm	Anders Jensen	David Hellemann	Total
Contractual salary	10,786	6,374	6,374	6,374	6,374	36,282
Pension contributions[1]	2,497	-	-	1,466	1,466	5,429
Total	**13,283**	**6,374**	**6,374**	**7,840**	**7,840**	**41,711**
Defined benefit plans for a maximum of five years	-	1,511	1,511	-	-	3,022
Total expenses for accounting purposes/earned income	**13,283**	**7,885**	**7,885**	**7,840**	**7,840**	**44,733**
Various benefits[2]	30	16	16	25	12	99

[1] In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and David Hellemann receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm are covered by defined benefit pension plans.

[2] In addition to total expenses for accounting purposes/earned income, the Executive Board receives the following benefits: Telephone free of charge, medical examination, critical illness insurance, group life insurance, accident and health insurance as well as payment of costs of security surveillance.

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Staff expenses		
-	-	Salaries	2,229	2,169
-	-	Pensions	245	249
0	1	Payroll tax	375	343
-	-	Other social security expenses	19	22
0	**1**	**Total**	**2,869**	**2,783**
-	-	In addition to the Board of Directors and Executive Board, Nykredit has designated the following number (average) of staff whose activities significantly affect Nykredit's risk profile (material risk takers). The average number:	158	180
		Details of Nykredit's remuneration policy appear from page 39 of the Management Commentary under Remuneration and at nykredit.com.		
		Remuneration of material risk takers is included in "Staff expenses" and breaks down into:		
-	-	Base salaries	210	236
-	-	Termination benefit	-	24
-	-	Variable remuneration	56	99
-	-	Adjustment of variable remuneration provided for in previous years	-	(7)
-	**-**	**Total**	**266**	**353**
		Material risk takers are only covered by defined contribution pension plans.		
		Variable remuneration comprises variable remuneration components in the financial year as well as bonus provided for at the end of the financial year. The final bonus is determined during the first quarter of the following financial year. The difference between the bonus provided for and the final bonus is recognised in "Adjustment of variable remuneration provided for in previous years".		
		Number of staff		
-	-	Average number of staff for the financial year, full-time equivalent	3,382	3,505
		Fees to auditor appointed by the General Meeting		
3	0	Deloitte	17	15
		Total fees include:		
0	0	Statutory audit of the Financial Statements	6	4
0	0	Other assurance engagements	1	1
-	0	Tax advice	0	1
3	0	Other services	10	9
3	**0**	**Total**	**17**	**15**
		Fees for non-auditing services provided by Deloitte Chartered Accountant Company to the Group such as advice relating to IT platform, data analysis, sundry statements, review in connection with ongoing recognition of earnings and general accounting, regulatory and tax advice.		
		14. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
		Intangible assets		
-	-	- amortisation	46	87
-	-	- impairment charges	16	56
		Property, plant and equipment		
-	-	- depreciation	40	108
-	-	- impairment charges	0	5
-	-	- reversal of impairment charges	-	(8)
-	**-**	**Total**	**103**	**248**

DKK million

Nykredit Group

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

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

	Loans and advances at fair value 2018	Loans and advances at fair value 2017	Loans and advances at amortised cost 2018	Loans and advances at amortised cost 2017	Credit institutions and other 2018	Credit institutions and other 2017	Guarantees etc 2018	Guarantees etc 2017	Total 2018	Total 2017
Total impairment provisions										
Beginning of year	**5,567**	**5,751**	**2,290**	**2,538**	**-**	**44**	**58**	**52**	**7,916**	**8,384**
Impact following implementation of IFRS 9			506		3		62		571	
Balance, 1 January 2018	**5,567**		**2,796**		**3**		**120**		**8,486**	
New impairment provisions as a result of additions and change in credit risk	2,957	2,051	1,278	644	21		82	27	4,338	2,722
Releases as a result of redemptions and change in credit risk	2,990	1,568	1,059	692	3	44	84	21	4,136	2,325
Impairment provisions written off	511	571	249	199	-		-		758	771
Transferred to "Impairment provisions for properties acquired by foreclosure"	(1)	95	-	-	-	-	-		-	95
Total impairment provisions	**5,025**	**5,567**	**2,767**	**2,290**	**21**	**-**	**117**	**58**	**7,930**	**7,916**
Earnings impact										
Change in impairment provisions for loans and advances (individual and collective)		483		(48)		(44)		6		397
Change in impairment provisions for loans and advances (stages 1-3)	(32)		219		18		(3)		201	-
Write-offs for the year, not previously written down for impairment	377	353	94	43	-		-		470	396
Recoveries on claims previously written off	(72)	81	(48)	80					(119)	162
Total	**272**	**755**	**265**	**(86)**	**18**	**(44)**	**(3)**	**6**	**552**	**632**
Value adjustment of assets in temporary possession	24	(10)	-	9					24	(1)
Value adjustment of claims previously written off	(13)	(30)	3	(9)					(10)	(39)
Losses offset, in accordance with partnership agreement[1]	(186)	(212)	-	-					(186)	(212)
Earnings impact	**98**	**502**	**268**	**(85)**	**18**	**(44)**	**(3)**	**6**	**380**	**379**

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

The contractual amounts outstanding on financial assets written off in 2018 and still sought to be recovered totalled DKK 1,030 million at 31 December 2018 (2017: DKK 1,100 million).

Of total impairments determined under IFRS 9 for bank lending to business customers of DKK 1.8 billion, approx DKK 0.4 billion, or 24%, is attributable to exposures to customers whose financial circumstances have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.

Loans are impaired if a customer is deemed to be in serious financial difficulty, or forbearance has been granted as a result of financial difficulty. When assessing whether loans are impaired, factors such as non-performance of contractual obligations and personal circumstances such as divorce, unemployment or long-term illness are taken into consideration.

In the Annual Report 2017 where impairments were determined according to IAS 39, total individual impairment provisions for bank lending to business customers came to DKK 1.4 billion, of which about DKK 0.2 billion, or 17%, was attributable to exposures to customers whose financial circumstances have led to bankruptcy, bankruptcy proceedings or compulsory dissolution.

DKK million

Nykredit Group

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

15 b. 2018: Total impairment provisions by stage

	Stage 1 (12-month 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 owing to implementation of IFRS 9				571
Total, 1 January 2018	**1,474**	**1,993**	**5,020**	**8,486**
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles				
Transfer of impairment provisions at the beginning of the year to stage 1	639	(354)	(286)	-
Transfer of impairment provisions at the beginning of the year to stage 2	(160)	474	(314)	-
Transfer of impairment provisions at the beginning of the year to stage 3	(47)	(398)	444	-
Impairment provisions for new loans and advances (additions)	81	93	278	453
Additions as a result of change in credit risk	915	1,003	1,969	3,886
Releases as a result of change in credit risk	1,587	970	1,580	4,137
Previously written down for impairment, now written off	-	-	758	758
Total impairment provisions, year-end	**1,315**	**1,841**	**4,774**	**7,930**
Impairment provisions, year-end, are attributable to:				
Mortgage lending	953	1,626	2,447	5,025
Loans and advances	305	187	2,274	2,767
Credit institutions	21	-	-	21
Guarantees	36	29	53	117
Earnings impact, 2018	**(593)**	**126**	**668**	**201**

DKK million

Nykredit Group

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

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

	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Total, 1 January 2018	**975**	**1,791**	**2,801**	**5,567**
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles				
Transfer of impairment provisions at the beginning of the year to stage 1	599	(335)	(264)	-
Transfer of impairment provisions at the beginning of the year to stage 2	(81)	230	(149)	-
Transfer of impairment provisions at the beginning of the year to stage 3	(34)	(343)	377	-
Impairment provisions for new loans and advances (additions)	40	75	107	222
Additions as a result of change in credit risk	724	862	1,150	2,735
Releases as a result of change in credit risk	1,269	655	1,065	2,990
Previously written down for impairment, now written off	-	-	510	510
Total impairment provisions, year-end	**953**	**1,626**	**2,447**	**5,025**
Impairment provisions, year-end, are attributable to:				
Mortgage lending	953	1,626	2,447	5,025
Earnings impact, 2018	**(506)**	**282**	**192**	**(32)**

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

	Stage 1 (12-month 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
Adjustment at 1 January owing to implementation of IFRS 9				509
Total, 1 January 2018	**463**	**177**	**2,160**	**2,799**
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles				
Transfer of impairment provisions at the beginning of the year to stage 1	40	(18)	(22)	-
Transfer of impairment provisions at the beginning of the year to stage 2	(75)	230	(155)	-
Transfer of impairment provisions at the beginning of the year to stage 3	(12)	(46)	58	-
Impairment provisions for new loans and advances (additions)	37	17	161	216
Additions as a result of change in credit risk	167	117	800	1,083
Releases as a result of change in credit risk	294	289	479	1,062
Previously written down for impairment, now written off	-	-	249	249
Total impairment provisions, year-end	**326**	**187**	**2,274**	**2,787**
Impairment provisions, year-end, are attributable to:				
Loans and advances etc	305	187	2,274	2,767
Credit institutions	21	-	-	21
Earnings impact, 2018	**(91)**	**(155)**	**483**	**237**

DKK million

Nykredit Group

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

15 b. 2018: Total impairment provisions by stage regarding guarantees

	Stage 1 (12-month 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)				58
Adjustment at 1 January owing to implementation of IFRS 9				62
Total, 1 January 2018	**36**	**25**	**59**	**120**
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles				
Transfer of impairment provisions at the beginning of the year to stage 1	0	(0)	(0)	-
Transfer of impairment provisions at the beginning of the year to stage 2	(4)	14	(10)	-
Transfer of impairment provisions at the beginning of the year to stage 3	(0)	(9)	9	-
Impairment provisions for new loans and advances (additions)	4	1	10	15
Additions as a result of change in credit risk	24	24	20	68
Releases as a result of change in credit risk	24	26	35	85
Total impairment provisions, year-end	**36**	**29**	**53**	**117**
Impairment provisions, year-end, are attributable to:				
Guarantees	36	29	53	117
Earnings impact, 2018	**4**	**(2)**	**(5)**	**(3)**

2017: Total impairment provisions

	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total
Impairment provisions, beginning of year	**6,003**	**2,285**	**44**	**52**	**8,384**
Additions as a result of new loans and advances and change in credit risk	1,429	1,268		27	2,724
Releases as a result of change in credit risk	1,637	624	44	21	2,326
Impairment provisions for properties acquired by foreclosure	95				95
Previously written down for impairment, now written off	771				771
Total impairment provisions, year-end	**4,929**	**2,929**	**-**	**58**	**7,916**
Earnings impact, 2017	**(209)**	**644**	**(44)**	**6**	**397**

DKK million

Nykredit Group

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

15 c. 2018: Distribution of provisions for loan impairment and guarantees etc, year-end

	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Loans and advances at fair value etc, gross				
Loans and advances etc at fair value, gross	1,155,517	32,947	10,079	1,198,543
Total impairment provisions, year-end	953	1,625	2,298	4,876
Loans and advances, carrying amount	**1,154,564**	**31,322**	**7,781**	**1,193,667**
Loans and advances at amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	93,898	3,853	3,009	100,760
Total impairment provisions, year-end	305	187	2,274	2,767
Loans and advances, carrying amount	**93,593**	**3,666**	**735**	**97,993**
Guarantees and loan commitments				
Guarantees etc	39,923	481	218	40,622
Total impairment provisions, year-end	36	29	53	117
Guarantees and loan commitments, carrying amount	**39,887**	**452**	**165**	**40,505**

2017: Total impairment provisions by loans and advances etc	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Total
Loans and advances etc				
Impaired loans and advances before impairment	17,627	128,284	6,997	152,908
Total impairment provisions, year-end	4,929	2,929	58	7,916
Loans and advances etc, carrying amount	**12,698**	**125,356**	**6,938**	**144,992**

DKK million

Nykredit Group

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

15 d. 2018: Financial assets, gross, at fair value by stage

	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Gross lending etc, 1 January 2018	**1,108,522**	**54,062**	**6,606**	**1,169,190**
Transfer of financial assets to stage 1	9,703	(9,053)	(650)	-
Transfer of financial assets to stage 2	(8,656)	8,841	(186)	-
Transfer of financial assets to stage 3	(926)	(507)	1,433	-
Other movements	46,874	(20,396)	2,876	29,353
Total, 31 December 2018	**1,155,517**	**32,947**	**10,079**	**1,198,543**
Total provisions	953	1,625	2,298	4,876
Carrying amount	**1,154,564**	**31,322**	**7,781**	**1,193,667**

15 d. 2018: Loans and advances, at amortised cost by stage

	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Gross lending etc, 1 January 2018	**85,534**	**1,625**	**3,248**	**90,407**
Transfer of financial assets to stage 1	443	(339)	(104)	-
Transfer of financial assets to stage 2	(2,967)	3,100	(133)	-
Transfer of financial assets to stage 3	(461)	(153)	614	-
Other movements	11,349	(380)	(616)	10,353
Total, 31 December 2018	**93,898**	**3,853**	**3,009**	**100,760**
Total provisions	305	187	2,274	2,767
Carrying amount	**93,593**	**3,666**	**735**	**97,993**

DKK million

Nykredit Group

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

15 e. 2018. Financial assets, gross, by stage

	Financial assets, gross				Financial assets excluding impairment			
	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Financial assets at fair value	1,155,517	32,947	10,079	1,198,543	-	-	-	-
Financial assets at amortised cost	93,898	3,853	3,009	100,760	37,541	16	11	37,568
Balances with credit institutions	7,770	-	-	7,770	-	-	-	-
Guarantees and loan commitments	39,923	481	218	40,622	24,008	197	12	24,217
Total, 31 December 2018	**1,297,108**	**37,281**	**13,306**	**1,347,695**	**61,549**	**213**	**23**	**61,785**

DKK million

Nykredit Group

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

15 f. 2018: Loans and advances by rating category

2018	Mortgage lending, gross			Total impairment provisions		
Rating category	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)
10	110,293	449	-	47	1	-
9	142,941	113	-	81	5	-
8	280,537	271	-	145	11	-
7	253,346	397	-	157	15	-
6	153,863	674	-	120	11	-
5	74,005	405	-	82	6	-
4	62,798	412	-	69	7	-
3	35,599	580	-	43	6	-
2	28,439	2,523	-	105	77	-
1	11,875	9,251	-	105	759	-
0	-	11,489	252	-	256	-
Exposures in default	-	8,203	9,827	-	472	2,447
Total	**1,153,695**	**34,769**	**10,079**	**953**	**1,626**	**2,447**

DKK million

Nykredit Group

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

15 f. 2018: Loans and advances by rating category

2018	Bank loans and advances, gross			Total impairment provisions		
Rating category	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)
10	13,505	33	-	28	2	-
9	15,063	57	-	26	3	-
8	8,880	64	-	50	4	-
7	9,364	80	-	54	3	-
6	29,250	539	-	62	9	-
5	9,752	488	-	33	18	-
4	4,543	703	-	32	31	-
3	2,312	383	-	8	20	-
2	815	528	-	7	20	-
1	265	544	-	5	53	-
0	-	310	-	0	19	-
Exposures in default	-	273	3,010	-	5	2,274
Total	**93,750**	**4,001**	**3,010**	**305**	**187**	**2,274**

DKK million

Nykredit Group ¤

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

15 g. 2018: Bank loans, advances and guarantees etc and total impairment provisions by sector

	Bank loans, advances and guarantees			Total impairment provisions		
	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)
Public sector	639	0	2	1	0	1
Agriculture, hunting, forestry and fishing	3,033	280	148	17	10	98
Manufacturing, mining and quarrying	4,141	264	341	24	9	240
Energy supply	2,060	11	19	9	0	8
Construction	2,648	139	204	12	6	153
Trade	3,899	187	384	22	17	296
Transport, accommodation and food service activities	4,119	265	73	16	5	40
Information and communication	2,602	48	28	12	5	28
Finance and insurance	45,037	589	314	47	21	175
Real estate	11,145	512	593	59	23	393
Other	10,687	466	436	52	31	365
Total business customers	**90,010**	**2,761**	**2,542**	**272**	**126**	**1,797**
Personal customers	25,627	1,782	685	68	90	531
Total	**115,637**	**4,543**	**3,227**	**340**	**216**	**2,328**
- of which intercompany guarantees	**16,154**	**387**	**73**			

15 h. 2018: Mortgage lending and total impairment provisions by property category

	Mortgage lending			Total impairment provisions		
	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Stage 1 (12-month expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)
Owner-occupied dwellings	729,282	19,939	2,383	52	319	538
Private rental[2]	94,695	2,441	921	41	55	214
Industry and trades	20,955	499	185	8	14	38
Office and retail	112,219	3,172	1,204	45	71	355
Agricultural property	81,635	5,132	3,824	405	182	726
Public housing	68,583	522	138	345	829	228
Cooperative housing	34,341	993	1,296	14	31	282
Other	13,807	249	128	43	124	67
Fair value	**1,155,517**	**32,947**	**10,079**	**953**	**1,626**	**2,447**

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		15. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)		
		15 i. Impairment provisions for properties acquired by foreclosure		
-	**-**	**Impairment provisions, beginning of year**	**139**	**272**
-	-	Transfer from impairment provisions for loans and advances	(1)	95
-	-	Impairment provisions for the year	45	39
-	-	Impairment provisions reversed	21	49
-	-	Impairment provisions written off	75	218
-	**-**	**Impairment provisions, year-end**	**88**	**139**
		Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".		
		16. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
-	-	Profit (loss) from investments in associates	(9)	21
7,841	5,526	Profit from investments in Group enterprises	-	-
7,841	**5,526**	**Total**	**(9)**	**21**
		17. TAX		
		17 a. Tax on profit for the year		
		Tax on profit for the year has been calculated as follows:		
(3)	(6)	Current tax	1,435	1,970
(10)	1	Deferred tax	(94)	133
(2)	(0)	Adjustment of tax relating to previous years	(77)	(51)
-	(0)	Adjustment of deferred tax relating to previous years	29	25
(14)	**(5)**	**Tax**	**1,293**	**2,077**
		Tax on profit for the year can be specified as follows:		
1,705	1,210	Calculated 22% tax on profit before tax	1,547	2,218
		Tax effect of:		
(1,725)	(1,216)	Non-taxable income	(438)	(183)
8	0	Non-deductible expenses and other adjustments	231	68
(2)	(0)	Adjustment of tax relating to previous years	(48)	(26)
(14)	**(6)**	**Total**	**1,292**	**2,077**
22.0	22.0	Current tax rates, %	22.0	22.0
22.2	22.1	Permanent deviations	3.6	1.4
(0.2)	**(0.1)**	**Effective tax rate, %**	**18.4**	**20.6**
		Permanent deviations are attributable to investments in Group enterprises and associates as well as equities available for sale in 2017.		
		17 b. Payroll tax		
		In addition to corporation tax, the Nykredit Group has paid a payroll tax. The payroll tax is included in "Staff expenses", see note 13.	364	343

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		18. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
-	-	Receivables from central banks	12,823	34,058
-	28	Receivables from credit institutions	6,365	9,671
-	-	Reverse repo transactions with central banks	236	231
-	-	Reverse repurchase lending to credit institutions	1,405	2,002
-	**28**	**Total**	**20,829**	**45,961**
		Receivables from credit institutions and central banks by time-to-maturity		
-	-	On demand	5,110	10,184
-	-	Up to 3 months	15,719	35,701
-	-	Over 5 years	-	77
-	**-**	**Total**	**20,829**	**45,961**
		19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
-	-	Mortgage loans	1,193,667	1,163,879
-	-	Arrears and outlays	308	432
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	-	27,566
-	**-**	**Total**	**1,193,975**	**1,191,877**
		19 a. Mortgage loans		
-	**-**	**Balance, beginning of year, nominal value**	**1,138,109**	1,107,135
-	-	New loans	206,869	217,933
-	-	Indexation	258	120
-	-	Foreign currency translation adjustment	(823)	(428)
-	-	Ordinary principal payments	(25,942)	(25,394)
-	-	Prepayments and extraordinary principal payments	(147,023)	(161,257)
-	**-**	**Balance, year-end, nominal value**	**1,171,449**	**1,138,109**
-	-	Loans transferred relating to properties in temporary possession	(72)	(36)
-	**-**	**Total**	**1,171,376**	**1,138,073**
-	-	Adjustment for interest rate risk etc	27,167	31,117
-	-	- of which adjustment relating to sold foreign portfolio	-	(200)
		Adjustment for credit risk		
-	-	Impairment provisions	(4,876)	(5,311)
-	**-**	**Balance, year-end, fair value**	**1,193,667**	**1,163,879**

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		19. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)		
		As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
-	-	Supplementary guarantees totalling	74,117	63,479
-	-	Interim loan guarantees totalling	20,554	18,776
-	-	Mortgage registration guarantees etc totalling	19,847	25,792
		Mortgage loans at nominal value by property category:		
		Loans and advances as %, year-end		
-	-	Owner-occupied dwellings	60	59
-	-	Holiday homes	3	3
-	-	Public housing	8	9
-	-	Private residential rental properties	8	8
-	-	Industry and trades properties	2	2
-	-	Office and retail properties	10	10
-	-	Agricultural properties etc	8	8
-	-	Properties used for social, cultural or educational purposes	1	1
-	**-**	**Total**	**100**	**100**
		For more details on mortgage lending by loan type and property category, please refer to page 35 of the Management Commentary.		
		19 b. Arrears and outlays		
-	-	Arrears before impairment provisions	403	340
-	-	Outlays before impairment provisions	53	348
-	-	Individual impairment provisions for arrears and outlays	(148)	(256)
-	**-**	**Total**	**308**	**432**
		Non-impaired loans and advances in arrears at fair value		
		5-90 days	554	619
		91-180 days	207	231
		181-270 days	93	110
		271-360 days	85	41
		Over 360 days	235	305
		Total	**1,174**	**1,306**
		Non-impaired loans and advances in arrears at fair value (as % of loans and advances)		
		5-90 days	0.05	0.05
		91-180 days	0.02	0.02
		181-270 days	0.01	0.01
		271-360 days	0.01	0.00
		Over 360 days	0.02	0.03
		Total	**0.11**	**0.11**
		Mortgage loans, arrears and outlays as well as other loans and advances by time-to-maturity		
-	-	Up to 3 months	8,713	36,059
-	-	Over 3 months and up to 1 year	24,950	21,894
-	-	Over 1 year and up to 5 years	157,000	151,915
-	-	Over 5 years	1,003,311	982,009
-	**-**	**Total**	**1,193,975**	**1,191,877**
		The breakdown by time-to-maturity is based on mortgage loans at fair value, arrears and outlays as well as other loans and advances after impairment provisions.		

Nykredit A/S 2017	Nykredit A/S 2018	DKK million	Nykredit Group 2018	Nykredit Group 2017
		20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
		Loans, advances and other receivables at amortised cost by time-to-maturity		
-	-	Bank loans and advances	63,333	58,034
-	-	Mortgage loans	12	16
-	-	Reverse repurchase lending	37,427	-
-	-	Other loans and advances	305	345
-	**-**	**Balance, year-end**	**101,078**	**58,395**
		Adjustment for credit risk		
-	-	Impairment provisions	(2,767)	(2,290)
-	**-**	**Balance after impairment, year-end**	**98,311**	**56,105**
-	-	Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 33	-	(18)
-	**-**	**Total**	**98,311**	**56,087**
		The Nykredit Group hedges the interest rate risk of fixed-rate bank loans and advances on a current basis using derivatives. This enables the Group to manage its overall interest rate sensitivity taking into consideration expected interest rate developments.		
		The bank loan portfolio has been fair value adjusted through profit or loss as a result of the use of hedge accounting.		
-	-	Of total loans and advances, fixed-rate bank loans represent	712	712
-	-	Market value of fixed-rate loans	701	1

Nykredit A/S 2017	Nykredit A/S 2018	DKK million	Nykredit Group 2018	Nykredit Group 2017
		20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
		Loans, advances and other receivables at amortised cost by time-to-maturity		
-	-	On demand	4,536	5,184
-	-	Up to 3 months	48,072	13,233
-	-	Over 3 months and up to 1 year	7,232	7,066
-	-	Over 1 year and up to 5 years	26,727	18,199
-	-	Over 5 years	11,744	12,405
-	**-**	**Total**	**98,311**	**56,087**
		The breakdown by time-to-maturity is based on loans and advances after impairment and after set-off of self-issued securities.		
		Non-impaired loans and advances in arrears at amortised cost		
		5-10 days	77	39
		11-30 days	140	70
		31-90 days	31	177
		91-360 days	70	65
		Over 360 days	3	33
		Total, excluding reverse repurchase lending	**321**	**384**
		Non-impaired loans and advances in arrears at amortised cost (as % of loans and advances)		
		5-10 days	0.13	0.07
		11-30 days	0.23	0.13
		31-90 days	0.05	0.32
		91-360 days	0.12	0.12
		Over 360 days	-	0.06
		Total, excluding reverse repurchase lending	**0.53**	**0.69**
		20 a. Bank loans and advances		
		Non-accrual loans or loans carrying a reduced interest rate		
-	-	Non-accrual loans	115	175
-	-	Loans carrying a reduced interest rate	0	4
		Bank loans, advances and guarantee debtors by sector		
%	%	Loans and advances as %, year-end	%	%
-	-	**Public sector**	1	1
		Business customers		
-	-	Agriculture, hunting, forestry and fishing	3	4
-	-	Manufacturing, mining and quarrying	4	8
-	-	Energy supply	2	4
-	-	Construction	2	4
-	-	Trade	4	6
-	-	Transport, accommodation and food service activities	4	4
-	-	Information and communication	2	1
-	-	Finance and insurance	44	12
-	-	Real estate	9	16
-	-	Other	10	18
-	**-**	**Total business customers**	**85**	**78**
-	-	Personal customers	15	22
-	**-**	**Total**	**100**	**100**
		The sector distribution is based on the official Danish activity codes.		

				DKK million
Nykredit A/S				Nykredit Group
2017	2018		2018	2017
		20. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
		20 a. Bank loans and advances (continued)		
		Finance leases		
		Of total loans and advances at amortised cost, finance leases represent		
-	**-**	**Balance, beginning of year**	**5,055**	**4,525**
-	-	Additions	2,618	2,360
-	-	Disposals	(2,153)	(1,831)
-	**-**	**Balance, year-end**	**5,521**	**5,055**
-	-	Impairment provisions for finance leases represent	76	45
-	-	Non-guaranteed residual values on expiry of the leases represent DKK 0.	-	-
		Finance leases by time-to-maturity		
-	-	Up to 3 months	581	460
-	-	Over 3 months and up to 1 year	1,161	1,060
-	-	Over 1 year and up to 5 years	3,595	3,376
-	-	Over 5 years	183	159
-	**-**	**Total**	**5,521**	**5,055**
		Where loans and advances under finance leases are concerned, amortised cost represents their fair value. The leases comprise equipment as well as real estate. The leases have been concluded on an arm's length basis. The term of the leases is generally 3 to 6 years, but may be up to 20 years for leased properties.		
		Gross investments in finance leases		
		Gross investments in finance leases by time-to-maturity		
-	-	Up to 1 year	1,804	1,588
-	-	Over 1 year and up to 5 years	3,789	3,520
-	-	Over 5 years	435	396
-	**-**	**Total**	**6,028**	**5,504**
-	-	Non-earned income	507	449
		21. BONDS AT FAIR VALUE		
-	-	Self-issued SDOs	57,145	88,418
-	-	Self-issued ROs	22,661	34,324
-	-	Self-issued corporate bonds	175	722
-	-	Self-issued senior debt	274	200
-	-	Other covered bonds	79,174	80,094
-	-	Government bonds	8,656	12,031
-	-	Other bonds	5,792	5,023
-	**-**	**Total**	**173,878**	**220,812**
-	-	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 32	(57,133)	(88,402)
-	-	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 33	(13)	(16)
-	-	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 32	(22,661)	(34,324)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 33	(175)	(722)
-	-	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 32	(197)	(200)
-	-	Set-off of self-issued senior unsecured debt against "Bonds in issue at fair value" – note 32	(77)	-
-	**-**	**Total**	**93,622**	**97,149**

				DKK million
Nykredit A/S				Nykredit Group
2017	2018		2018	2017
		21. BONDS AT FAIR VALUE (CONTINUED)		
		Of bonds at fair value before set-off of self-issued bonds:		
-	-	Redeemed bonds	377	374
-	-	As collateral security for the Danish central bank and foreign clearing centres, bonds and certificates of deposit have been deposited of a total market value of	13,696	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.		
		As the majority – around DKK 94 billion – of the Group's bond portfolio is included in the Group's trading activities, the actual maturities of these bonds are expected to be less than one year. Of the bond portfolio, bonds of approximately DKK 12 billion are expected to have a maturity of up to five years.		
		22. EQUITIES ETC		
-	-	Equities measured at fair value through profit or loss	5,821	2,526
-	-	Equities available for sale	-	2,450
-	**-**	**Total**	**5,821**	**4,977**
		22 a. Equities measured at fair value through profit or loss		
-	-	Listed on Nasdaq Copenhagen	2,469	713
-	-	Listed on other stock exchanges	325	161
-	-	Unlisted equities carried at fair value	3,027	1,652
-	**-**	**Total**	**5,821**	**2,526**
		22 b. Equities available for sale		
-	-	Listed on Nasdaq Copenhagen	-	1,435
-	-	Unlisted equities measured at fair value	-	1,015
-	**-**	**Total**	**-**	**2,450**
-	**-**	**Balance, beginning of year**	**2,450**	2,445
-	-	Additions	(2,450)	-
-	-	Market value adjustment	-	6
-	**-**	**Balance, year-end**	**-**	**2,450**
		Equities in Spar Nord Bank A/S, Sydbank A/S, DLR Kredit A/S and VP Securities A/S were in 2017 and previously classified as equities available for sale. Equities available for sale were value adjusted until a potential sale at fair value through "Other comprehensive income".		

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		23. INVESTMENTS IN ASSOCIATES		
-	**-**	**Cost, beginning of year**	**111**	**109**
-	-	Additions	5	6
-	-	Disposals	(104)	(3)
-	**-**	**Cost, year-end**	**12**	**111**
-	**-**	**Revaluations and impairment charges, beginning of year**	**39**	**22**
-	-	Profit	5	21
-	-	Dividend	(23)	(3)
-	-	Reversal of revaluations and impairment charges	3	(0)
-	**-**	**Revaluations and impairment charges, year-end**	**26**	**39**
-	**-**	**Balance, year-end**	**38**	**150**
		24. INVESTMENTS IN GROUP ENTERPRISES		
18,181	**18,181**	**Cost, beginning of year**	**-**	**-**
-	-	Disposals	-	-
18,181	**18,181**	**Cost, year-end**	**-**	**-**
49,013	**56,901**	**Revaluations and impairment charges, beginning of year**	**-**	**-**
7,841	5,526	Profit	-	-
-	(4,100)	Dividend	-	-
47	(402)	Other movements in capital	-	-
56,901	**57,925**	**Revaluations and impairment charges, year-end**	**-**	**-**
75,082	**76,106**	**Balance, year-end**	**-**	**-**
-	-	Of which credit institutions	-	-
		Subordinated receivables		
-	-	Other enterprises	2,001	1,732
-	**-**	**Total**	**2,001**	**1,732**
		25. INTANGIBLE ASSETS		
-	-	Goodwill	14	14
-	-	Fixed-term rights	10	13
-	-	Software	28	68
-	-	Development projects in progress	229	132
-	**-**	**Total**	**281**	**227**

		DKK million		
Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		26. LAND AND BUILDINGS		
-	-	Investment properties	-	50
-	-	Owner-occupied properties	78	223
-	-	Property under construction	7	-
-	**-**	**Total**	**86**	**273**
		26 a. Investment properties		
-	**-**	**Fair value, beginning of year**	**50**	**232**
-	-	Disposals for the year	(50)	(171)
-	-	Fair value adjustment for the year	-	(11)
-	**-**	**Fair value, year-end**	**-**	**50**
-	-	Of which land and buildings leased under operating leases	-	50
-	-	Lease income from investment properties	-	10
-	-	Direct costs relating to investment properties generating rental income	-	3
-	-	The carrying amount of mortgaged investment properties represents	-	50
		Rental income under non-cancellable operating leases		
-	-	Up to 1 year	-	-
-	-	Over 1 year and up to 5 years	-	-
-	**-**	**Total**	**-**	**-**

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		26. LAND AND BUILDINGS (CONTINUED)		
		26 b. Owner-occupied properties		
-	**-**	**Cost, beginning of year**	**275**	**540**
-	-	Additions, including improvements	1	2
-	-	Disposals	(164)	(267)
-	**-**	**Cost, year-end**	**113**	**275**
-	**-**	**Revaluations, beginning of year**	**20**	**30**
-	-	Additions for the year recognised in "Other comprehensive income"	0	(10)
-	-	Reversal of revaluations	(12)	-
-	**-**	**Revaluations, year-end**	**8**	**20**
-	**-**	**Depreciation and impairment, beginning of year**	**73**	**138**
-	-	Depreciation for the year	1	4
-	-	Impairment for the year	-	(25)
-	-	Reversal of depreciation and impairment	(31)	(44)
-	**-**	**Depreciation and impairment, year-end**	**43**	**73**
-	**-**	**Balance, year-end**	**78**	**223**
		Owner-occupied properties are depreciated over a period of 20-50 years.		
-	-	Residual depreciation period at 31 December (average number of years)	11	15
		The latest revaluation of owner-occupied properties was made at end-2018.		
		The valuations were carried out by an internal valuer based on the return method. In 2018 the required rate of return ranged between 6.0% and 7.5% (6.7% on average) depending on the nature, location and state of repair of the owner-occupied property.		
-	-	If no revaluations had been made, the carrying amount of owner-occupied properties would have been:	88	239
		26 c. Property under construction		
-	**-**	**Cost, beginning of year**	**-**	**-**
-	-	Additions, including improvements	7	-
-	**-**	**Cost, year-end**	**7**	**-**

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		27. OTHER PROPERTY, PLANT AND EQUIPMENT		
-	**-**	**Cost, beginning of year**	**703**	**738**
-	-	Additions	44	49
-	-	Disposals	(113)	(84)
-	**-**	**Cost, year-end**	**634**	**703**
-	**-**	**Depreciation and impairment, beginning of year**	**585**	**561**
-	-	Depreciation for the year	38	102
-	-	Impairment	-	2
-	-	Reversal of depreciation and impairment	(98)	(80)
-	**-**	**Depreciation and impairment, year-end**	**525**	**585**
-	**-**	**Balance, year-end**	**108**	**117**
		Other assets are depreciated over 4-15 years.		
2	2	Residual depreciation period at 31 December (average number of years)	2	2
		28. ASSETS IN TEMPORARY POSSESSION		
-	-	Properties acquired by foreclosure for sale	160	184
-	**-**	**Total**	**160**	**184**
		If the Group acquires a mortgaged property through a forced sale by public auction to reduce its loss on the exposure in default, the Group will seek to divest the mortgaged property at the highest obtainable price within 12 months. The assets are recognised in Group Items in the segment financial statements.		
		29. OTHER ASSETS		
-	-	Interest and commission receivable	2,834	3,489
-	-	Positive market value of derivative financial instruments etc	18,457	19,269
-	-	Defined benefit plans	327	327
0	1	Other	3,317	3,352
0	**1**	**Total**	**24,935**	**26,437**

DKK million

Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		29. OTHER ASSETS (CONTINUED)		
		29 a. Defined benefit plans		
		The majority of the Group's pension plans are defined contribution plans. The contributions are charged against income on a current basis.		
		The Group's defined benefit plans are funded through contributions from Nykredit Realkredit A/S into the pension fund Nykredits Afviklingspensionskasse, which acts in the members' interests by investing the contributions made to cover the pension obligations.		
		Due to the excess coverage of the pension fund, Nykredit Realkredit A/S has not made any contributions since 2009. The pension fund is subject to Danish legislation on company pension funds. The scheme is closed to new members and covers staff employed before 1972.		
-	-	Present value of defined benefit plans	(428)	(458)
-	-	Fair value of plan assets	756	785
-	**-**	**Net assets, year-end**	**327**	**327**
-	**-**	**Obligations, beginning of year**	**(458)**	**(496)**
-	-	Calculated interest expenses relating to the obligations	6	(2)
-	-	Actuarial changes relating to demographic assumptions	0	-
-	-	Actuarial changes relating to financial assumptions	(9)	3
-	-	Pension benefits paid	33	36
-	**-**	**Obligations, year-end**	**(428)**	**(458)**
-	**-**	**Plan assets, beginning of year**	**785**	**737**
-	-	Calculated interest expenses relating to plan assets	4	9
-	-	Actuarial changes relating to financial assumptions	(0)	8
-	-	Fair value of plan assets	-	-
-	-	Pension benefits paid	(33)	(36)
-	-	Tax, change relating to previous years	-	68
-	**-**	**Plan assets, year-end**	**756**	**785**
-	**-**	**Net assets, year-end**	**327**	**327**
		Pension costs/income relating to defined benefit plans recognised in "Staff and administrative expenses" in the income statement		
-	-	Calculated interest from net assets	10	8
-	**-**	**Total**	**10**	**8**
		Pension costs/income relating to defined benefit plans recognised in "Actuarial gains/losses on defined benefit plans" in "Other comprehensive income"		
-	-	Actuarial changes relating to demographic assumptions	0	-
-	-	Actuarial changes relating to financial assumptions	(9)	11
-	**-**	**Total**	**(9)**	**11**
		Plan assets break down as follows:		
-	-	Bonds	748	793
-	-	Cash and other receivables	7	9
-	-	Tax etc	-	(85)
-	**-**	**Total assets**	**756**	**718**

All pension fund assets are valued on the basis of listed prices (level 1 inputs).

The pension fund extensively seeks to match the maturity of its assets with the expected term of its obligations. Further, expected pension benefit increases are matched through investment in index-linked bonds.

Nykredit Group	2018	2017	2016	2015	2014
					DKK million
29. OTHER ASSETS (CONTINUED)					
29 b. Defined benefit plans (continued)					
Average actuarial calculation assumptions					
Inflation, %	2.0	2.0	2.0	2.0	2.0
Discount rate, %	1.2	1.1	1.1	1.2	2.1
Wage growth, %	3.1	1.2	0.8	0.5	2.0
Nykredit Group pension obligations					
Plan obligations	(428)	(458)	(496)	(521)	(555)
Plan assets	756	785	737	748	769
Net assets	**327**	**327**	**241**	**227**	**214**
Net actuarial changes					
Actuarial changes to plan obligations	(9)	3	(5)	1	(33)
Actuarial changes to plan assets	(0)	7	16	(2)	58
Tax adjustments	0	1	(1)	11	(3)
Total actuarial changes	**(9)**	**11**	**10**	**10**	**22**
Expected maturity of pension obligations					
Within 1 year	(31)	(33)			
1-5 years	(112)	(118)			
5-10 years	(118)	(119)			
Over 10 years	(167)	(188)			
Total pension obligations	**(428)**	**(458)**			

The expected maturity of the pension obligations is based on the discounted obligation.

Sensitivities	End-2018		End-2017	
Effect (DKK million) on pension obligations in case of changes to:	+1%/+10%	(1)%/(10)%	+1%/+10%	(1)%/(10)%
Discount rate (+/- 1 percentage point)	34	(38)	36	(42)
Wage growth and pension benefit increases (+/- 1 percentage point)	(42)	37	(47)	41
Life expectancy (+/- 10%)	(21)	21	(22)	22

Sensitivities are computed subject to "all things being equal", meaning that one parameter is adjusted, while the remaining parameters are left unchanged. This will rarely be the case in practice, and assumption changes may also be correlated.

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		30. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
79	33	Payables to credit institutions	5,203	6,353
-	-	Payables to central banks	6,685	3,337
-	-	Repo transactions with credit institutions	3,568	3,398
-	-	Repo transactions with central banks	236	231
79	**33**	**Total**	**15,692**	**13,319**
		Payables to credit institutions and central banks by time-to-maturity		
-	-	On demand	4,565	9,303
-	33	Up to 3 months	9,325	3,467
79	-	Over 3 months and up to 1 year	1,802	278
-	-	Over 1 year and up to 5 years	0	270
79	**33**	**Total**	**15,692**	**13,319**
		31. DEPOSITS AND OTHER PAYABLES		
-	-	On demand	66,664	64,528
-	-	At notice	176	1,286
-	-	Time deposits	7,092	7,484
-	-	Special deposits	2,986	2,616
-	-	Repo deposits	16,245	-
-	**-**	**Total**	**93,164**	**75,914**
		Deposits and other payables by time-to-maturity		
-	-	On demand	66,279	62,263
-	-	Up to 3 months	20,757	10,727
-	-	Over 3 months and up to 1 year	3,709	645
-	-	Over 1 year and up to 5 years	617	695
-	-	Over 5 years	1,801	1,584
-	**-**	**Total**	**93,164**	**75,914**
		32. BONDS IN ISSUE AT FAIR VALUE		
-	-	ROs	147,490	192,360
-	-	SDOs	1,126,449	1,100,930
-	-	Senior secured debt	4,900	4,981
-	-	Senior unsecured debt	3,740	3,748
-	**-**	**Total**	**1,282,579**	**1,302,019**
-	-	Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost"	(86,350)	(122,926)
-	**-**	**Total**	**1,196,229**	**1,179,093**

Changes in the fair values of covered bonds (ROs and SDOs) and senior debt issues attributable to the Nykredit Group's own credit risk can be determined relative to changes in option-adjusted yield spreads (OAS) against government bonds or relative to changes in yield spreads against equivalent bonds from other Danish mortgage lenders.

Determined relative to other Danish mortgage lenders, the fair value has not been subject to changes attributable to the Nykredit Group's own credit risk in 2018 or since the issue, as there are no measurable price differences between bonds with identical properties issued by different lenders.

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		32. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)		

Yield spreads between government bonds and senior debt issues were unchanged in 2018, whereas spreads between government bonds and ROs/SDOs widened. The yield changes in 2018 caused a fall in the fair value of bonds in issue of about DKK 10 billion, which is attributable to Nykredit's own credit risk. Since 2007 spread widening between government bonds and ROs/SDOs has resulted in a fair value decline of approximately DKK 11 billion attributable to Nykredit's own credit risk, whereas spread tightening between government bonds and senior debt issues has resulted in a fair value increase of senior debt in issue of approximately DKK 0 billion.

Equity and profit/loss have not been affected by the changes in fair value for ROs and SDOs, as the value of mortgage lending has changed correspondingly.

The determination allows for both maturity and nominal holding, but is to some extent based on estimates.

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		32 a. ROs		
-	-	ROs at nominal value	138,809	183,226
-	-	Fair value adjustment	8,681	9,134
-	**-**	**ROs at fair value**	**147,490**	**192,360**
-	-	Self-issued ROs transferred from "Bonds at fair value" – note 21	(22,661)	(34,324)
-	**-**	**Total**	**124,828**	**158,035**
-	-	Of which pre-issuance	478	44
-	-	ROs redeemed and maturing at next creditor payment date	4,686	34,354
		32 b. SDOs		
-	-	SDOs at nominal value	1,107,963	1,078,747
-	-	Fair value adjustment	18,486	22,183
-	**-**	**SDOs at fair value**	**1,126,449**	**1,100,930**
-	-	Self-issued SDOs transferred from "Bonds at fair value" – note 21	(57,133)	(88,402)
-	**-**	**Total**	**1,069,316**	**1,012,528**
-	-	Of which pre-issuance	5,867	4,544
-	-	SDOs redeemed and maturing at next creditor payment date	55,200	71,305
		32 c. Senior secured debt		
-	-	Senior secured debt at nominal value	4,704	4,690
-	-	Fair value adjustment	195	291
-	**-**	**Senior secured debt at fair value**	**4,900**	**4,981**
-	-	Self-issued senior secured debt transferred from "Bonds at fair value" – note 21	(197)	(200)
-	**-**	**Total**	**4,703**	**4,781**
-	-	Senior secured debt maturing at next creditor payment date	-	-

Nykredit A/S 2017	2018	DKK million	Nykredit Group 2018	2017
		32. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)		
		32 d. Senior unsecured debt		
-	-	Senior unsecured debt at nominal value	3,734	3,723
-	-	Fair value adjustment	7	26
-	**-**	**Total**	**3,740**	**3,748**
-	-	Self-issued senior unsecured debt transferred from "Bonds at fair value" – note 21	(77)	-
-	**-**	**Total**	**3,663**	**3,748**
-	-	Senior unsecured debt redeemed at next creditor payment date	-	-
		Bonds in issue at fair value by time-to-maturity		
-	-	Up to 3 months	45,311	67,296
-	-	Over 3 months and up to 1 year	174,513	164,931
-	-	Over 1 year and up to 5 years	546,527	549,946
-	-	Over 5 years	429,877	396,920
-	**-**	**Total**	**1,196,229**	**1,179,093**
		Bonds in issue by time-to-maturity are stated at fair value after set-off against self-issued bonds.		
		33. BONDS IN ISSUE AT AMORTISED COST		
-	-	Corporate bonds	5,585	7,196
-	-	SDOs	13	16
-	-	Senior secured debt	-	3,735
-	-	Senior unsecured debt	17,152	13,314
-	-	Other securities	27	27
-	**-**	**Total**	**22,777**	**24,288**
-	-	Self-issued corporate bonds transferred from "Bonds at fair value" – note 21	(175)	(722)
-	-	Self-issued SDOs transferred from "Bonds at fair value" – note 21	(13)	(16)
-	-	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 20	-	(18)
-	**-**	**Total**	**22,590**	**23,532**
		Bonds in issue at amortised cost by time-to-maturity		
-	-	Up to 3 months	6,783	2,624
-	-	Over 3 months and up to 1 year	275	5,420
-	-	Over 1 year and up to 5 years	15,532	15,463
-	-	Over 5 years	-	25
-	**-**	**Total**	**22,590**	**23,532**
		Bonds in issue by time-to-maturity are stated at amortised cost after set-off against self-issued bonds.		
		33 a. Corporate bonds		
		Issues		
-	-	EMTN issues*	2,339	4,624
-	-	ECP issues*	3,237	2,513
-	-	Other issues*	10	58
-	**-**	**Total**	**5,585**	**7,196**

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

DKK million

Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		34. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	-	Repo transactions with undertakings other than credit institutions and central banks	-	16,714
-	-	Negative securities portfolios	5,592	2,307
-	**-**	**Total**	**5,592**	**19,021**
		Other non-derivative financial liabilities by time-to-maturity		
-	-	On demand	-	4,471
-	-	Up to 3 months	5,592	14,551
-	**-**	**Total**	**5,592**	**19,021**
		35. OTHER LIABILITIES		
-	-	Interest and commission payable	7,773	8,457
-	-	Negative market value of derivative financial instruments etc	11,731	12,905
13	8	Other	3,523	3,898
13	**8**	**Total**	**23,027**	**25,260**

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		36. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax		
4	**3**	**Current tax, beginning of year**	**509**	**152**
-	-	Transferred to/from tax liabilities	11	-
3	6	Current tax for the year recognised in profit for the year	(1,435)	(2,012)
-	-	Current tax for the year recognised in other comprehensive income	-	(12)
-	-	Current tax for the year recognised in equity	165	142
2	0	Adjustment relating to previous years	76	50
(6)	(3)	Corporation tax paid for the year, net	976	2,188
3	**6**	**Current tax, year-end**	**302**	**509**
		Current tax recognised in the balance sheet:		
3	6	Current tax assets	349	552
-	-	Current tax liabilities	47	43
3	**6**	**Current tax, year-end**	**302**	**509**
		37. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS		
		Deferred tax		
-	**10**	**Deferred tax, beginning of year**	**(286)**	**(13)**
-	-	Plan assets, adjustment of tax, beginning of year	-	(68)
-	0	Disposals	(2)	2
10	(1)	Deferred tax for the year recognised in profit for the year	52	(122)
-	-	Deferred tax for the year recognised in other comprehensive income	2	(2)
-	0	Deferred tax for the year recognised in equity	59	(59)
-	-	Adjustment of deferred tax relating to previous years	(29)	(25)
10	**9**	**Deferred tax, year-end**	**(204)**	**(286)**
		Deferred tax recognised in the balance sheet		
10	9	Deferred tax assets	134	153
-	-	Provisions for deferred tax	338	439
10	**9**	**Deferred tax, year-end, net**	**(204)**	**(286)**
		Deferred tax relates to:		
-	-	Loans and advances	(140)	(125)
-	-	Equities	3	3
-	-	Intangible assets	(56)	(42)
-	-	Property, plant and equipment, including buildings	16	12
10	9	Other assets and prepayments	(45)	(22)
-	-	Bonds in issue	(8)	15
-	-	Other liabilities	69	72
-	-	Provisions	97	100
-	-	Subordinated debt	(140)	(298)
-	-	Tax loss carryforward	-	-
10	**9**	**Total**	**(204)**	**(286)**
		Deferred tax not recognised in the balance sheet		
-	-	Deferred tax relating to land, buildings and provisions	89	60
-	**-**	**Total**	**89**	**60**
		The asset has not been recognised, as it is not likely to crystallise in the near future.		

DKK million

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		38. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS		
-	**-**	**Balance, beginning of year**	**141**	**155**
-	-	Utilised for the year	(12)	(22)
-	-	Provisions for the year	6	25
-	-	Adjustment for the year as a result of changes to the discount rate and discount period	-	-
-	-	Reversal of unutilised amounts	(4)	(17)
-	**-**	**Balance, year-end**	**130**	**141**
		39. REPAYABLE RESERVES IN PRE-1972 SERIES		
-	**-**	**Balance, beginning of year**	**51**	**55**
-	-	Utilised for the year	(4)	(5)
-	-	Adjustment for the year as a result of changes to the discount rate and discount period	0	1
-	**-**	**Balance, year-end**	**47**	**51**

Repayable reserves in pre-1972 series stem from loan agreements under which the borrowers on full or partial repayment of their outstanding amounts are paid their share of the series reserve fund in compliance with the terms of the series concerned. This obligation will be gradually reduced up until 2033 as the borrowers repay their loans.

Nykredit A/S 2017	Nykredit A/S 2018		Nykredit Group 2018	Nykredit Group 2017
		40. PROVISIONS FOR LOSSES UNDER GUARANTEES		
-	**-**	**Balance, beginning of year**	**58**	**52**
-	-	IFRS 9 adjustment	62	-
-	-	Provisions for the year	82	27
-	-	Disposals for the year	84	21
-	**-**	**Balance, year-end**	**117**	**58**
		41. OTHER PROVISIONS		
-	**-**	**Balance, beginning of year**	**153**	**224**
-	-	Utilised for the year	(16)	(141)
-	-	Provisions for the year	(6)	94
-	-	Adjustment for the year as a result of changes to the discount rate and discount period	(0)	0
-	-	Other	(32)	(25)
-	**-**	**Balance, year-end**	**100**	**153**

Nykredit A/S 2017	Nykredit A/S 2018	DKK million	Nykredit Group 2018	Nykredit Group 2017
		42. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
		Subordinated debt is included in Nykredit's own funds etc in accordance with the EU's Capital Requirements Regulation.		
		Subordinate loan capital		
-	-	Nominally EUR 600 million. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down	4,586	4,584
-	-	Nominally EUR 800 million. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next five years	6,052	5,986
-	-	Nominally EUR 50 million. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first two years after issuance. In the remaining loan term, the interest rate will be fixed every six months	373	372
-	**-**	**Total subordinate loan capital**	**11,011**	**10,942**
-	-	Portfolio of self-issued bonds	-	-
-	**-**	**Total subordinated debt**	**11,011**	**10,942**
-	-	Subordinated debt that may be included in own funds	6,208	8,300
-	-	Costs related to raising and redeeming subordinated debt	-	-
-	-	Extraordinary principal payments and redemption of subordinated debt in the financial period	-	-
		Hedge accounting		
		The exposure to fair value changes in the price of the bonds as a result of changes in market rates is hedged. The Nykredit Group has countered this risk by entering into interest rate swaps:		
-	-	Market value of interest rate swaps of EUR 50 million (nominal)	0	0
-	-	Market value of interest rate swaps of EUR 600 million (nominal)	119	136
-	-	Market value of interest rate swaps of EUR 800 million (nominal)	95	51
-	-	Market value of subordinate loan capital of EUR 50 million (nominal)	450	372
-	-	Market value of subordinate loan capital of EUR 600 million (nominal)	4,659	4,467
-	-	Market value of subordinate loan capital of EUR 800 million (nominal)	6,202	5,956
-	**-**	**Total**	**11,525**	**10,982**

		DKK million		
Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		43. 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	5,913	7,055
-	-	Other commitments	16,948	8,443
-	**-**	**Total**	**22,861**	**15,498**
		43 a. Contingent liabilities		
-	-	Financial guarantees	391	1,362
-	-	Registration and refinancing guarantees	106	108
-	-	Other contingent liabilities	5,416	5,585
-	**-**	**Total**	**5,913**	**7,055**
		"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
		Contingent liabilities by remaining terms		
-	-	Up to 1 year	3,557	4,282
-	-	Over 1 year and up to 5 years	1,227	1,579
-	-	Over 5 years	1,128	1,193
-	**-**	**Total**	**5,913**	**7,055**
		Remaining terms are partly based on estimates as not all guarantees have a fixed term and as it may depend on the time of registration etc.		
		43 b. Other commitments		
-	-	Irrevocable credit commitments	15,282	6,617
-	-	Other	1,666	1,826
-	**-**	**Total**	**16,948**	**8,443**
		"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds and non-callable lease payments.		
		The following non-callable lease payments are recognised in "Other" under "Other commitments":		
-	-	Up to 1 year	171	154
-	-	Over 1 year and up to 5 years	435	440
-	-	Over 5 years	52	77
-	**-**	**Total**	**658**	**670**

Non-callable lease payments comprise Nykredit's rental obligations.

43. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

Owing to its size and business scope, the Nykredit Group is continuously involved in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Group's financial position.

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

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 2015. The Danish Resolution Fund is funded by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits.

Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

Bankernes EDB Central (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. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends of these companies.

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

44. 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 A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in 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 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 at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, see section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 1.7 billion as at 31 December 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 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.

Nykredit A/S 2017	Nykredit A/S 2018	DKK million	Nykredit Group 2018	Nykredit Group 2017
		44. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
		44 a. Transactions with subsidiaries		
		Asset items		
-	28	Receivables from credit institutions and central banks	-	-
		Liability items		
45	7	Payables to credit institutions and central banks	-	-
		44 b. Transactions with joint venture		
		Income statement		
-	-	Staff and administrative expenses	180	209
		Asset items		
-	-	Other assets	0	0
		44 c. Transactions with associates		
		Income statements		
-	-	Interest income	-	0
		Liability items		
-	-	Deposits and other payables	-	1
		44 d. Transactions with the Board of Directors and Executive Board		
		Interest expenses of:		
-	-	Members of the Executive Board	0	0
-	-	Members of the Board of Directors	1	1
-	-	Related parties of the Executive Board and Board of Directors	0	2
		Loans, charges or guarantees granted to:		
-	-	Members of the Executive Board	23	24
-	-	Members of the Board of Directors	26	32
-	-	Related parties of the Executive Board and Board of Directors	10	90
		Deposits from:		
-	-	Members of the Executive Board	10	8
-	-	Members of the Board of Directors	14	9
-	-	Related parties of the Executive Board and Board of Directors	1	1

The facilities of related parties were granted on standard business terms. Rates applying to ordinary loans range between 0.35% and 9.5% (2017: between 0.55% and 12.40%), and deposit rates were around 0.00%.

Facilities granted to the Executive Board, the Board of Directors or related parties thereof have not given rise to provisions for impairment or otherwise.

45. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 45 a. and 45 b. show the fair values of all instruments compared with the carrying amounts at which the instruments are recognised in the balance sheet.

Financial instruments measured at fair value

The Group's fair value assets and liabilities are generally measured based on publicly listed prices or market terms in active markets on the balance sheet date. If an asset or liability measured at fair value has both a purchase and a sales price, the mean value is used as a basis for measurement. The measurement is the value at which a financial asset may be traded, or the amount at which a financial liability may be settled, between two independent and willing parties.

If the market for a financial asset or liability is illiquid, or if there are no publicly recognised prices, Nykredit determines the fair value using generally accepted valuation techniques. These techniques include corresponding recent transactions between independent parties, reference to other corresponding instruments and an analysis of discounted cash flows as well as option and other models based on observable market data.

Valuation techniques are generally applied to OTC derivatives and unlisted assets and liabilities.

Unlisted equities are measured at fair value using valuation methods according to which the fair value is estimated as the price of an asset traded between independent parties or based on the company's equity value, if the equity value is assumed equal to the fair value of the instrument.

Financial instruments measured at amortised cost

In connection with the determination of the fair value of the financial instruments measured at amortised cost in the Financial Statements, the following methods and significant assumptions have been applied:

- For loans, advances and receivables as well as deposits and other payables measured at amortised cost, carrying a variable interest rate and entered into on standard credit terms, the carrying amounts are estimated to correspond to the fair values.
- The fair value of fixed-rate assets and financial liabilities measured at amortised cost has been determined using generally accepted valuation methods.
- The credit risk of fixed-rate financial assets (loans and advances) has been assessed in relation to other loans, advances and receivables.
- The fair value of assets and liabilities without a fixed term has been assumed to be the value disbursable at the balance sheet date.
- The fair value of bonds in issue is measured based on valuation techniques, taking into account comparable transactions and observable inputs such as yield curves, at which Nykredit might launch issues.

Note 45 a shows the fair value of the financial instruments measured at amortised cost and the instances where the fair value does not correspond to the carrying amount.

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

Net value adjustment due to CVA, DVA and FVA amounted to DKK 588 million at 31 December 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 31 December 2018, the non-amortised minimum margin amounted to DKK 147 million against DKK 157 million at end-2017. With regard to liquidity and credit risk, DKK 201 million for end-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".

Following value adjustment, the fair value came to DKK 1,495 million at 31 December 2018. Credit value adjustments came to DKK 2,308 million at 31 December 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 86 million.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 December 2018, the proportion was thus 0.4% compared with 1.2% at end-2017. The proportion of financial liabilities was 0.0% against 0.0% at end-2017.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 4.6 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 460 million at 31 December 2018 (0.58% of equity at 31 December 2018). The earnings impact for 2017 was estimated at DKK 402 million (0.51% 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 2018, financial assets of DKK 24.2 billion have been transferred from Listed prices to Observable inputs and DKK 0.3 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.1 billion were transferred from Listed prices to Observable inputs and DKK 0.0 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 31 December 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.

DKK million

Nykredit Group

45. FAIR VALUE DISCLOSURES (CONTINUED)

45 a. Fair value disclosures of assets and liabilities recognised at amortised cost

				Fair value calculated on the basis of		
2018	Carrying amount	Fair value	Balance	Listed prices	Observable inputs	Unobserva-ble inputs
Assets						
Loans, advances and other receivables at amortised cost	98,310	98,582	272	-	12	98,570
Total	**98,310**	**98,582**	**272**	**-**	**12**	**98,570**
Liabilities						
Bonds in issue at amortised cost	22,590	22,571	19	-	17,102	5,468
Subordinated debt	11,011	11,524	(513)	-	11,524	-
Total	**33,601**	**34,095**	**(493)**	**-**	**28,626**	**5,468**
Transfer from assets			272			
Total balance			**(221)**			

2017						
Assets						
Loans, advances and other receivables at amortised cost	56,126	56,347	220	-	16	56,330
Total	**56,126**	**56,347**	**220**	**-**	**16**	**56,330**
Liabilities						
Bonds in issue at amortised cost	23,532	23,654	(123)	-	23,644	10
Subordinated debt	10,942	11,834	(892)	-	11,834	-
Total	**34,474**	**35,489**	**(1,015)**	**-**	**35,479**	**10**
Transfer from assets			220			
Total balance			**(795)**			

DKK million

Nykredit Group

45. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2018

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	8,308	85,250	64	93,622
- equities measured at fair value through profit or loss	2,865	-	2,956	5,821
- positive fair value of derivative financial instruments	63	16,899	1,495	18,457
- mortgage loans, arrears and outlays[3]	-	1,193,975	-	1,193,975
- owner-occupied properties	-	-	86	86
Total	**11,236**	**1,296,124**	**4,601**	**1,311,961**
Percentage	**0.9**	**98.8**	**0.4**	**100.0**
Financial liabilities:				
- other non-derivative financial liabilities at fair value	2,574	3,018	-	5,592
- negative fair value of derivative financial instruments	62	11,669	-	11,731
- bonds in issue at fair value[3]	1,192,143	4,085	-	1,196,229
Total	**1,194,779**	**18,772**	**-**	**1,213,552**
Percentage	**98.5**	**1.5**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs	Real estate	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	**273**	**22**	**2,623**	**1,104**	**4,022**
Value adjustment recognised through profit or loss	41	18	261	377	697
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	-	-	-
Purchases for the year	-	51	182	-	234
Sales for the year	(229)	(27)	(110)	(57)	(422)
Transferred from Listed prices and Observable inputs[1]	-	-	-	(493)	(493)
Transferred to Listed prices and Observable inputs[2]	-	-	-	564	564
Fair value, year-end, assets	**86**	**65**	**2,956**	**1,495**	**4,601**

[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.
[3] Designated at fair value through fair value option.

DKK million

Nykredit Group

45. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2017

Financial assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	47,883	49,243	22	97,149
- equities measured at fair value through profit or loss	918	-	1,608	2,526
- positive fair value of derivative financial instruments	48	18,117	1,104	19,269
- reverse repurchase lending to credit institutions and central banks	-	2,233	-	2,233
- other reverse repurchase lending	-	27,566	-	27,566
- mortgage loans, arrears and outlays[3]	-	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[3]	1,178,585	4,219	-	1,182,804
Total	**1,178,816**	**39,543**	**-**	**1,218,359**
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 year, 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, year-end, 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.
[3] Designated at fair value through fair value option.

DKK million

Nykredit Group

46. OFFSETTING

2018	Gross amounts	Financial instruments offset	Carrying amount after offsetting	Further offsetting, master netting agreements	Collateral	Net amounts
Financial assets:						
Derivatives with a positive fair value	27,096	8,639	18,457	7,663	2,663	8,131
Reverse repo transactions	40,800	1,732	39,068	-	38,885	183
Total	**67,897**	**10,371**	**57,526**	**7,663**	**41,548**	**8,314**
Financial liabilities:						
Derivatives with a negative fair value	20,370	8,639	11,731	7,663	3,927	141
Repo transactions	21,782	1,732	20,050	-	20,043	6
Total	**42,151**	**10,371**	**31,781**	**7,663**	**23,970**	**147**
2017						
Financial assets:						
Derivatives with a positive fair value	31,615	12,346	19,269	8,467	1,175	9,627
Reverse repo transactions	31,735	1,936	29,799	-	29,572	227
Total	**63,350**	**14,282**	**49,068**	**8,467**	**30,747**	**9,854**
Financial liabilities:						
Derivatives with a negative fair value	25,251	12,346	12,905	8,467	4,235	203
Repo transactions	22,278	1,936	20,342	-	20,257	85
Total	**47,529**	**14,282**	**33,247**	**8,467**	**24,492**	**288**

In the balance sheet, reverse repo transactions are classified as receivables from credit institutions or loans, advances and other receivables at amortised cost (2017: loans and advances at fair value). In the balance sheet, repo transactions are classified as payables to credit institutions as well as deposits and other payables (2017: non-derivative financial liabilities at fair value).

Financial assets and liabilities are offset and the net amount reported when the Group and the counterparty have a legally enforceable right of set-off and have agreed to settle on a net basis or to realise the asset and settle the liability.

Positive and negative fair values of derivative financial instruments with the same counterparty are offset if it has been agreed to settle contractual payments on a net basis when cash payments are made or collateral is provided on a daily basis in case of fair value changes. The Group's netting of positive and negative fair values of derivative financial instruments may be cleared through LCH (CCP clearing).

Furthermore, netting is carried out in accordance with enforceable master netting agreements. Master netting agreements and similar entitle parties to offset in the event of default, which further reduces the exposure to a defaulting counterparty who fails to meet the conditions for accounting offsetting in the balance sheet.

DKK million

Nykredit Group

47. DERIVATIVE FINANCIAL INSTRUMENTS

By time-to-maturity	Net market value				Gross market value			
2018	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	39	8	3	-	148	99	50	32,070
Forward contracts/futures, sold	(63)	(13)	(3)	-	68	147	(79)	25,684
Swaps	-	10	88	48	194	48	145	4,329
Options, purchased	0	0	-	-	1	-	1	82
Options, written	(0)	(1)	-	-	-	1	(1)	101
Interest rate contracts								
Forward contracts/futures, purchased	49	2	-	-	60	9	51	20,063
Forward contracts/futures, sold	(86)	(0)	-	-	4	90	(86)	38,856
Forward rate agreements, purchased	5	0	-	-	5	0	5	23,079
Forward rate agreements, sold	(5)	(1)	-	-	0	5	(5)	23,812
Swaps	(180)	(37)	982	5,859	17,244	10,620	6,624	668,668
Options, purchased	524	(0)	14	126	702	38	665	36,556
Options, written	(534)	(0)	(86)	(31)	-	651	(651)	18,765
Equity contracts								
Forward contracts/futures, purchased	(0)	-	-	-	0	0	(0)	30
Forward contracts/futures, sold	6	-	-	-	6	0	6	22
Swaps	-	-	(0)	-	-	0	(0)	10
Options, purchased	-	-	-	-	-	-	-	-
Credit contracts								
Credit default swaps, purchased	-	-	-	-	-	-	-	-
Credit default swaps, sold	-	-	-	-	-	-	-	-
Swaps	-	0	-	-	0	-	0	10
Unsettled spot transactions	3	-	-	-	25	22	3	25,583
Total	**(241)**	**(31)**	**998**	**6,001**	**18,457**	**11,730**	**6,727**	**917,720**

DKK million

Nykredit Group

47. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

By time-to-maturity	Net market value				Gross market value			
2017	Up to 3 months	3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive market value	Negative market value	Net market value	Nominal value
Foreign exchange contracts								
Forward contracts/futures, purchased	(171)	(17)	(1)	-	87	276	(189)	31,867
Forward contracts/futures, sold	81	16	1	-	221	123	98	29,714
Swaps	(23)	(47)	88	65	197	113	83	6,964
Options, purchased	3	1	-	-	4	-	4	361
Options, written	(3)	(1)	-	-	-	4	(4)	361
Interest rate contracts								
Forward contracts/futures, purchased	32	0	-	-	61	28	32	27,415
Forward contracts/futures, sold	(26)	(0)	-	-	50	76	(27)	72,022
Forward rate agreements, purchased	(2)	0	-	-	1	3	(2)	72,471
Forward rate agreements, sold	2	(0)	-	-	3	2	2	73,487
Swaps	(38)	(109)	1,306	5,219	17,947	11,569	6,378	763,353
Options, purchased	1	-	521	123	663	19	645	35,308
Options, written	(0)	(0)	(589)	(45)	-	634	(634)	20,484
Equity contracts								
Forward contracts/futures, purchased	(8)	-	-	-	0	8	(8)	122
Forward contracts/futures, sold	(5)	-	-	-	0	5	(5)	45
Swaps	(1)	17	(18)	-	17	19	(2)	543
Options, purchased	-	-	-	-	-	-	-	-
Credit contracts								
Credit default swaps, purchased	-	-	-	-	-	-	-	-
Credit default swaps, sold	-	-	-	-	-	-	-	-
Swaps	-	-	0	-	0	-	0	27
Unsettled spot transactions	(6)	-	-	-	17	23	(6)	32,215
Total	**(164)**	**(140)**	**1,309**	**5,362**	**19,269**	**12,903**	**6,366**	**1,166,758**

DKK million

Nykredit A/S 2017	2018		Nykredit Group 2018	2017
		48. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING		
		The Nykredit Group applies repo transactions and reverse repurchase lending in its day-to-day business operations. All transactions were entered into using bonds as the underlying asset.		
		Of the asset items below, reverse repurchase lending represents:		
-	-	Receivables from credit institutions and central banks	1,641	2,233
-	-	Bonds received as collateral but not offset against the balance	(1,633)	(2,218)
-	**-**	**Total less collateral**	**8**	**15**
-	-	Loans, advances and other receivables at fair value, gross	39,159	29,502
-	-	Set-off against "Other non-derivative financial liabilities at fair value"[1]	(1,732)	(1,936)
-	**-**	**Loans, advances and other receivables at fair value, net**	**37,427**	**27,566**
-	-	Bonds received as collateral but not offset against the balance[1]	(37,251)	(27,351)
-	**-**	**Total less collateral**	**176**	**215**
-	-	[1] Of which self-issued bonds	11,814	8,440
		Of the liability items below, repo transactions represent:		
-	-	Payables to credit institutions and central banks	3,804	3,629
-	-	Bonds provided as collateral	3,813	(3,613)
-		Other non-derivative financial liabilities at fair value, gross	17,977	18,650
-	-	Set-off against "Loans, advances and other receivables at fair value" [1]	(1,732)	(1,936)
-	**-**	**Other non-derivative financial liabilities at fair value, net**	**16,245**	**16,714**
-	-	Bonds provided as collateral[1]	16,293	16,641
-	**-**	**Total less collateral**	**(48)**	**73**
-	-	[1] Of which self-issued bonds	4,658	2,602
		Assets sold as part of repo transactions:		
-	-	Bonds at fair value	20,105	26,275

49. RISK MANAGEMENT

Risk profile

The business activities and the management of the investment portfolio involve credit, market, liquidity and operational risks, including IT and compliance risks.

As Nykredit mainly provides mortgage loans against mortgages on real estate, Nykredit's primary risk is credit risk. Mortgage lending and the underlying funding are regulated by the balance principle, which means that Nykredit has a low exposure to market and liquidity risk. Liquidity and market risks are further reduced by the Danish act regulating refinancing risk, which provides for the refinancing of mortgage loans in special situations.

Credit, market and operational risks are mitigated by the holding of adequate capital. Liquidity risk is mitigated by the holding of a sufficient stock of liquid assets.

Nykredit publishes a report annually entitled Risk and Capital Management, available at Nykredit.com/riskandcapitalmanagement. It describes Nykredit's risk and capital management in detail and contains a wide selection of risk key figures in accordance with the disclosure requirements of the Capital Requirements Regulation (CRR). The report is not audited.

Credit risk

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

Credit risk is managed in accordance with the credit policy. The credit policy is reviewed and adopted by the Boards of Directors and is based on the Nykredit Group's strategy and the aim that customers should perceive Nykredit as a reliable and qualified financial partner. Building long-term, financially sound customer relationships is an integral part of Nykredit's strategy. The credit policy lays down the Group's risk appetite.

All credit applications are assessed against the credit policy by financially trained staff. Specifically, they assess the willingness and ability of customers to meet their obligations to Nykredit and Totalkredit. The assessment is based on an overall evaluation of the customer's financial circumstances and other risk elements against Nykredit's total exposure to the customer. The assessment of a customer's creditworthiness is the core element, supported by any security provided, including mortgages on real estate.

Totalkredit's mortgage lending is based on a strategic alliance with 55 Danish local and regional banks undertaking the distribution of Totalkredit loans, customer advisory services, credit assessments and case processing. Totalkredit loans are subject always to final approval by Totalkredit.

The credit policy ensures that credit is granted in accordance with the objectives of the credit policy and with the Totalkredit concept, Danish mortgage legislation, the Danish Financial Business Act, good business practice and any other relevant rules and regulations.

The aggregate credit granting by the Group companies is undertaken within the credit policy limits for large exposures as well as limits for portfolio distribution by industry, geography and other risk types.

Nykredit's customer centres have been authorised to process most credit applications independently, as it is Nykredit's aim that most credit decisions should be made locally by a financially trained, qualified customer adviser. The authority comes with a requirement of regular credit policy and business process certification.

Nykredit has five regional credit units that process business customers' credit applications that exceed the authority assigned to the customer centres. Larger applications are processed centrally by Group Credits, unless they involve exposures requiring escalation to the Credits Committee, the Bank's Executive Board, the Group Executive Board or the Boards of Directors.

Which level of the credit approval hierarchy determines the credit applications of personal customers of Nykredit depends on a combination of the size of the exposure and any credit circumstances requiring particular attention (policy rules). The level of the credit approval hierarchy determines whether credit applications are processed by the customer centres or centrally by Group Credits.

However, which level of the credit approval hierarchy determines a mortgage loan application in Totalkredit depends on the value of the property serving as security for the loan. As regards credit applications of business customers of Totalkredit, the level is determined by the size of the exposure, in the same way as for customers of Nykredit.

All customers are divided into ordinary exposures and weak exposures, where weak exposures are identified on the basis of the customers' ratings and ability to meet their payment obligations. All weak exposures are reviewed at least once a year. Banking exposures are reviewed quarterly. As a minimum, the review must include an assessment of whether the customer rating is appropriate, and it must be checked that the strategy designed for the customer is adhered to.

The Boards of Directors of the Group companies are presented with the largest credit applications for approval/granting or briefing on a current basis. The Boards of Directors are also presented with the largest exposures as part of the annual asset review, and they are briefed quarterly on the levels of losses and impairments.

Credit models

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

Modelling principles

According to the CRR, PDs must be estimated on the basis of historical 1-year PDs while at the same time reflecting a suitable weighting between the long-term average and the current level. For the purpose of determining capital requirements, LGD estimates must always reflect an economic downturn.

The above principles applied to estimate the risk parameters ensure that the Group's risk exposure amount (REA) remains more stable throughout an economic cycle than if the calculations had exclusively reflected the current economic climate.

Elements of credit risk determination

PD	Probability of Default (PD) is the probability of a customer defaulting on an obligation to Nykredit.
LGD	Loss Given Default (LGD) is the loss rate of an exposure in case of the customer's default.
EAD	Exposure at Default (EAD) is the total estimated exposure to a customer in DKK at the time of default, including any drawn part of a credit commitment.
REA	Risk Exposure Amount (REA) is credit exposures factoring in the risk relating to the individual customer. REA is calculated by risk-weighting credit exposures. The risk weighting is calculated on the basis of PD and LGD levels.
Default	An exposure is deemed to be in default where a significant amount has been in arrears for 75 days (mortgage loans) or at the time of sending the third reminder (bank loans). Exposures for which impairment provisions have been made under certain circumstances are also considered in default. This applies to customers classified in stage 3 and some customers classified in stage 2 in accordance with the rules of IFRS 9. The stages are described in detail in the accounting policies. Finally, exposures for which a direct loss has been incurred are also considered in default.

Rating scale and limit values

Rating category	PD floor	PD ceiling
10	0.00%	0.15%
9	0.15%	0.25%
8	0.25%	0.40%
7	0.40%	0.60%
6	0.60%	0.90%
5	0.90%	1.30%
4	1.30%	2.00%
3	2.00%	3.00%
2	3.00%	7.00%
1	7.00%	25.00%
0	25.00%	<100.00%
Exposures in default	100.00%	100.00%

Probability of Default (PD)

PD expresses the probability of a customer defaulting on an obligation to Nykredit within a period of one year. Nykredit calculates a PD for each individual customer.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Exposures in default are placed in a category of their own. At Nykredit, an exposure is considered in default when Nykredit estimates that the customer is unable or unwilling to repay its debt. The individual rating categories have been defined based on fixed PD ranges, which means that, in periods of high business activity, a high rating will be assigned to relatively more customers, while the opposite will apply during an economic downturn.

A rating reflects the customer's financial position and creditworthiness, and besides being included in the determination of capital requirements, the customer rating is also a key element of any customer assessment.

Manual correction of a customer's rating is possible if, due to objective data not already factored into the model, the calculated rating is not deemed to reflect the customer's real probability of default. Manual correction of the calculated rating is referred to as override.

Loss Given Default (LGD)

For each customer product, Nykredit calculates an LGD, reflecting the percentage share of the exposure which is expected to be lost in case of customer default.

Expected LGDs vary with economic trends. In periods of high business activity, default will often not lead to any loss, as the value of the security will typically exceed the value of the loan. This applies in particular to loans secured by mortgages on real estate. Conversely, more and greater losses would be expected during an economic downturn.

For the determination of capital requirements, LGDs are calibrated to reflect losses during a severe economic downturn.

Exposure at Default (EAD)

Nykredit estimates an EAD for all exposures relating to a customer, reflecting the total expected exposure to the customer at the time of default, including any additional drawn parts of approved credit commitments. The latter is factored in using conversion factors (CF).

Model validation and reliability

Nykredit continuously develops and improves its credit risk models, including internal models for calculation of impairment under IFRS 9. Focus is on achieving models that are accurate and yield consistent and stable parameters.

A subcommittee of the Risk Committee approves the validation process and results on a current basis, and the overall validation conclusions are reported to the Risk Committee and the Risk Board of the Board of Directors.

Nykredit Group

Credit exposure

The Nykredit Group's maximum credit exposure constitutes DKK 1,462 billion. The credit exposure primarily arises from mortgage loans (loans, advances and other receivables at fair value), which amount to DKK 1,194 billion.

Loans and advances by rating category, property type and sector

78.4% of Nykredit's mortgage and bank customers make timely payments, while possessing solid financial strength. Exposures to these customers are considered "ordinary exposures" (ratings 6-10).

Overall, 14.8% of Nykredit's exposures are considered "ordinary exposures with minor signs of weakness" (ratings 3-5). These customers also make timely payments, but their financial strength is lower than that of "ordinary exposures".

The rest of Nykredit's exposures are weak exposures (ratings 0-2) and exposures in default, making up 6.7% of exposures.

Weak exposures are exposures where customers:

- have not made timely payments
- have a negative net worth or negative equity
- have low or negative earnings
- have objective evidence of credit impairment.

Mortgage loans were primarily granted for the financing of private residential housing, comprising 62.8% of total lending. The portfolio of business loans mainly comprises loans to the private residential rental and agricultural sectors, which make up 50.9% of the total portfolio of business loans.

Bank lending mainly comprises loans to business customers, which account for 86% of total lending, and loans to personal customers, accounting for 13%.

Large exposures

Nykredit had no large exposures to non-financial counterparties that exceeded 10% of eligible capital. Nykredit's largest exposure to a non-financial counterparty amounted to DKK 7.2 billion at end-2018, equivalent to 8% of eligible capital.

Nykredit's 20 largest exposures to non-financial counterparties totalled DKK 65.7 billion before deductions according to the rules on large exposures, equivalent to 75% of eligible capital at end-2018 (determined according to the CRR). At end-2017 the 20 largest exposures to non-financial counterparties represented 73% of eligible capital. The vast majority of these exposures are mortgage loans with underlying security.

Nykredit has 23 non-financial counterparties to which the exposure represents over 2% of eligible capital (large exposures). The majority of these have good ratings.

DKK million

Nykredit Group	2018	2017
Credit risk		
The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
Total credit exposure		
Balance sheet items	Net	Net
Demand deposits with central banks	8,486	1,877
Receivables from credit institutions and central banks	20,829	45,961
Loans, advances and other receivables at fair value	1,193,975	1,191,877
Loans, advances and other receivables at amortised cost	98,311	56,087
Bonds at fair value	93,622	97,149
Other assets	25,072	26,643
Off-balance sheet items		
Contingent liabilities	5,913	7,055
Irrevocable credit commitments	15,282	6,617
Total	**1,461,490**	**1,433,266**

DKK million

Nykredit Group

49. RISK MANAGEMENT (CONTINUED)

Mortgage lending by property and rating category, nominal value

The rating illustrates the customer's ability to pay, but not the probability of loss. Substantial security is usually provided for mortgage loans, which mitigates or minimises the risk of loss – regardless of customer ratings.

2018

Rating category	Owner-occupied dwellings	Private rental	Industry and trades	Office and retail	Agricultural property	Public housing	Other	Total
10	66,406	14,266	10,382	10,688	2,555	3,571	279	108,148
9	103,487	11,406	2,158	10,770	7,626	4,115	405	139,967
8	182,420	18,974	4,029	21,556	11,561	28,867	6,068	273,476
7	142,034	25,204	1,951	36,428	15,561	21,669	4,993	247,840
6	87,473	28,184	1,068	15,674	14,491	3,906	958	151,754
5	43,159	12,333	452	6,385	9,664	435	388	72,816
4	35,325	10,638	525	6,101	8,736	248	457	62,029
3	20,809	4,761	144	1,520	8,197	144	98	35,673
2	24,983	1,532	180	1,819	1,905	40	43	30,501
1	18,632	612	61	450	968	28	18	20,770
0	4,261	1,215	327	1,867	3,624	136	108	11,539
Exposures in default	6,690	3,229	254	1,774	4,688	148	156	16,937
Total	**735,678**	**132,353**	**21,531**	**115,033**	**89,575**	**63,309**	**13,970**	**1,171,449**

2017

Rating category	Owner-occupied dwellings	Private rental	Industry and trades	Office and retail	Agricultural property	Public housing	Other	Total
10	58,457	14,010	4,498	10,161	2,170	3,440	140	92,877
9	92,978	7,576	7,627	12,231	6,058	4,347	1,261	132,079
8	171,511	12,907	2,562	22,684	9,034	26,281	6,620	251,598
7	141,449	28,680	2,728	32,708	11,713	25,224	4,233	246,735
6	91,072	28,310	1,129	15,819	14,365	3,622	1,456	155,773
5	43,467	12,172	464	5,479	11,623	425	568	74,197
4	33,543	8,870	672	3,179	11,046	196	171	57,677
3	20,547	5,420	266	6,095	6,520	196	291	39,335
2	23,952	946	147	606	8,610	21	25	34,307
1	18,474	658	89	432	1,673	19	87	21,433
0	3,946	1,031	226	1,819	3,484	168	88	10,763
Exposures in default	7,710	4,769	353	3,415	4,739	185	163	21,335
Total	**707,107**	**125,350**	**20,762**	**114,628**	**91,037**	**64,124**	**15,102**	**1,138,109**

Nykredit Group	DKK million 2018

49. RISK MANAGEMENT (CONTINUED)

Bank lending by sector and rating category at amortised cost determined before impairments

The rating illustrates the customer's ability to pay, but not the probability of loss.

2018

Rating category	Manufacturing and construction	Credit and finance	Property management and trade etc	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	1,190	6,971	590	702	2,714	1,371	13,538
9	334	9,674	605	2,078	1,332	1,098	15,120
8	1,315	1,333	2,257	1,340	1,603	1,095	8,943
7	1,013	1,358	1,949	1,211	2,773	1,141	9,444
6	2,443	18,299	1,577	1,288	3,718	2,465	29,789
5	1,318	4,554	1,071	652	937	1,708	10,240
4	377	827	540	178	1,653	1,672	5,246
3	45	1,450	210	87	247	655	2,694
2	130	39	165	125	266	619	1,344
1	49	155	37	29	291	247	808
0	138	3	17	10	30	114	310
Exposures in default	580	189	630	490	647	747	3,283
Total	**8,931**	**44,849**	**9,647**	**8,190**	**16,212**	**12,931**	**100,760**

Bank lending by sector and rating category

2017

Rating category	Manufacturing and construction	Credit and finance	Property management and trade etc	Transport, trade and accommodation	Other trade and public	Personal customers	Total
10	1,950	582	435	141	1,094	1,638	5,839
9	594	1,600	798	842	1,133	1,239	6,206
8	1,375	1,329	1,652	583	1,364	1,325	7,628
7	2,023	1,270	2,211	1,770	2,951	1,204	11,429
6	1,638	1,063	1,633	1,037	4,517	1,812	11,700
5	479	419	702	767	885	1,802	5,055
4	100	424	466	146	499	1,674	3,309
3	124	104	308	124	527	866	2,054
2	138	9	64	235	412	351	1,209
1	15	11	42	28	84	220	400
0	63	74	22	15	40	39	254
Exposures in default	529	105	912	308	458	639	2,951
Total	**9,028**	**6,991**	**9,245**	**5,996**	**13,964**	**12,810**	**58,034**

Nykredit Group

Risk exposure amount for credit risk

Nykredit's total REA for credit risk was DKK 291 billion at end-2018, which was broadly unchanged compared with 2017.

REA for credit risk is mainly calculated using the IRB approach and primarily comprises exposures to business and personal customers. REA calculated using the standardised approach primarily comprises credit institution and sovereign exposures.

Totalkredit and the individual partner bank share the credit risk on the loans arranged via the individual partner banks, which provide security by way of a right of set-off and guarantees to Totalkredit. This security provides an incentive for the partner banks to carry out a thorough and comprehensive assessment of customer creditworthiness and the property value. Nykredit has the approval of the Danish FSA to apply a statistical model in the valuation of certain owner-occupied dwellings with no physical inspection. The statistical valuations are performed centrally and must be endorsed before use.

Nykredit Group
Risk exposure amount – credit risk

DKK million	2018	2017
Standardised approach	13,038	12,762
IRB approach	276,601	277,274
Credit Valuation Adjustment (CVA)	819	530
Default fund contribution (CCP)	66	78
Total credit risk exposure	**290,524**	**290,644**

Security

Nykredit's main type of security provided for loans is mortgages on real estate. The security value is reassessed regularly relative to market trends.

In addition to mortgages on real estate, Nykredit accepts guarantees issued by public authorities or banks as security for loans. Guarantees issued by public authorities mitigate credit risk – mainly relating to mortgage lending for public housing. Mortgage lending guaranteed by public authorities amounted to DKK 39 billion at end-2018.

The bank guarantees comprise guarantees for the registration of mortgages free from any adverse endorsements barring registration, guarantees for interim loans in connection with new building and loss guarantees.

Statutory LTV limits for mortgage lending by property category	
Owner-occupied dwellings for all-year habitation	80[1]
Private cooperative housing	80[1]
Private residential rental properties	80[1]
Public housing	80[1]
Youth housing	80[1]
Senior housing	80[1]
Properties used for social, cultural or educational purposes	60[1]
Holiday homes	75[1]
Agricultural and forestry properties, market gardens, etc[2]	60[1]
Office and retail properties	60[1]
Industry and trades properties	60[1]
Utilities	60[1]
Other properties – including undeveloped land	40[1]

[1] Some loan types offered for residential properties are subject to a lower LTV limit than 80%, but no additional security is required unless the LTV ratio subsequently exceeds 80%.
[2] The LTV limit may be extended up to 70% against additional security for the part in excess of 60%.

DKK million

	2018				2017			
Bank lending	Public sector	Personal customers	Business customers	Total	Public sector	Personal customers	Business customers	Total
Unsecured lending	44	4,370	38,000	42,414	22	6,071	29,587	35,680
Lending secured by way of legal charge or other collateral security:								
Fully secured	385	3,206	41,532	45,123	541	2,496	33,702	36,739
Partially secured	212	5,355	7,656	13,223	153	4,331	8,736	13,220
Total lending before impairment	**641**	**12,931**	**87,188**	**100,760**	**716**	**12,898**	**72,025**	**85,639**

Nykredit Group

Loan-to-value ratios (LTVs)

The LTV ratio expresses the debt outstanding relative to the estimated property value. At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the mortgaged property pursuant to Danish legislation. After disbursement of a loan, the LTV ratio will change with the amortisation of the loan and/or as a result of changes in the market value of the property or the underlying covered bonds.

Nykredit closely monitors the development in LTV ratios. To ensure sustainable credit and capital policies in the long term, scenario analyses and stress tests are used to assess the effect of significant price decreases in the housing market.

At end-2018 the LTV level of the Group's total loan portfolio was 62.3%, down 0.4 percentage points on end-2017. The table "Debt outstanding relative to estimated property values" shows the LTVs of Nykredit's mortgage lending by property type.

Nykredit Group
Debt outstanding relative to estimated property values

	LTV (loan-to-value)[2]							LTV
DKK million	0-40	40-60	60-80	80-90	90-100	>100	Total	average, %
Owner-occupied dwellings	471,566	175,883	95,145	6,480	2,339	1,972	753,385	66.9
Private rental[1]	88,524	29,295	12,440	1,155	573	593	132,581	62.8
Industry and trades	18,196	2,930	205	29	24	48	21,432	45.3
Office and retail	87,671	22,840	2,403	312	166	227	113,618	52.2
Agricultural property	60,331	19,998	7,328	869	359	467	89,352	62.2
Public housing	0	0	0	0	0	0	69,212	-
Other	11,335	2,213	461	35	16	27	14,088	48.5
Total 2018	**737,623**	**253,159**	**117,982**	**8,880**	**3,477**	**3,334**	**1,193,667**	**62.3**
Total 2017	**718,351**	**238,377**	**116,266**	**12,109**	**4,633**	**4,310**	**1,163,879**	**62.7**

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

Note: The figures are actual LTV ratios including 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
Debt outstanding relative to estimated property values

	LTV (loan-to-value)[2]					
%	0-40	40-60	60-80	80-90	90-100	>100
Owner-occupied dwellings	62.6	23.3	12.6	0.9	0.3	0.3
Private rental[1]	66.8	22.1	9.4	0.9	0.4	0.4
Industry and trades	84.9	13.7	1.0	0.1	0.1	0.2
Office and retail	77.2	20.1	2.1	0.3	0.1	0.2
Agricultural property	67.5	22.4	8.2	1.0	0.4	0.5
Public housing	-	-	-	-	-	-
Other	80.5	15.7	3.3	0.3	0.1	0.2
Total 2018	**65.6**	**22.5**	**10.5**	**0.8**	**0.3**	**0.3**
Total 2017	**65.7**	**21.8**	**10.6**	**1.1**	**0.4**	**0.4**

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

Note: The figures are actual LTV ratios including 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%.

Counterparty risk

Nykredit applies financial instruments, such as interest rate derivatives and repurchase agreements (repo transactions), for serving customers. Liquidity and market risks are also managed using financial instruments.

The market value of a derivative changes according to the underlying market parameters, such as interest rates and exchange rates. This may lead to market values in favour of both Nykredit and its counterparties.

In some cases, a counterparty is unable to meet its payment obligations. This gives rise to counterparty risk. Nykredit mitigates its counterparty risk through financial netting agreements as well as agreements on financial collateral. The contractual framework is based on market standards, such as ISDA or GMRA agreements. Nykredit uses central counterparties (CCPs) for professional derivatives clearing. Interest rate swaps, FRAs and repo transactions are cleared through CCPs.

The counterparty risk exposure is affected by the market value of the financial instruments and the probability of non-payment by customers. Thus, counterparty risk involves both market and credit risk.

The calculated value adjustment of derivatives is recognised in the Financial Statements. The value adjustment is thus affected by several factors, including the level of long-term interest rates, credit spreads, funding spreads, the maturities of the contracts as well as customers' creditworthiness.

REA for counterparty risk was DKK 16.1 billion at end-2018. Of this amount, derivatives represented DKK 14.3 billion and repo transactions DKK 1.0 billion. The remaining DKK 0.9 billion related to credit valuation adjustment (CVA) and default fund contributions (CCP).

Value adjustment of derivatives

Nykredit makes fair value adjustments of derivatives in accordance with the International Financial Reporting Standards (IFRS). This includes individual value adjustments of customers showing objective evidence of credit impairment, CVA based on customers' current credit quality as well as management judgement.

The Danish FSA has encouraged the adoption of a prudent approach to the assessment of customers with swap contracts. This means that Nykredit's swap contracts with customers showing objective evidence of credit impairment are value adjusted in full. Objective evidence of credit impairment includes customers in default and customers with rating 0. Customers with rating 0 still make timely payments to Nykredit.

Nykredit also makes adjustments for other factors. As at end-2018, Nykredit had made funding valuation adjustments (FVA) where customers had not provided security for derivatives.

Market risk

Nykredit assumes various market risks through its business activities. Market risk is the risk of loss as a result of movements in financial markets and includes interest rate, foreign exchange, equity price and volatility risks, etc.

Market risk can be divided into general risk, which means risk affecting the financial markets in general, and specific risk, which is the risk related to one individual issuer of securities. This distinction is applied in the day-to-day risk management as well as in the determination of risk exposures involving market risk used for capital adequacy purposes.

Nykredit's market risk relates mainly from the management of equity and liquidity reserves. In addition, Nykredit Bank and Nykredit Realkredit incur market risk when trading bonds, swaps and other financial products with customers.

Nykredit's market risk is determined for two purposes:

- Day-to-day management of all positions involving market risk
- Determination of the risk exposure amount for market risk for use in the determination of capital adequacy.

Market risk is generally managed through the Board of Directors' market risk policy and the accompanying guidelines, which include specific limits for the different types of risk.

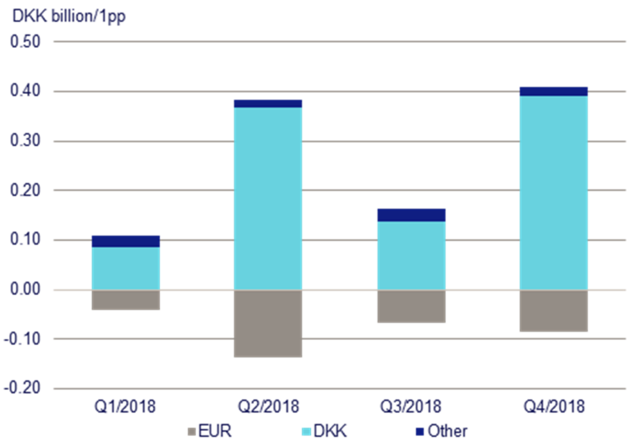
The main principle is that losses on exposures involving market risk must not significantly affect Nykredit's total results. Market risk is managed by means of estimated losses in stress scenarios. Statistical as well as forward-looking stress scenarios are used to calculate estimated losses.

The guidelines restrict the scope for assuming interest rate, equity price, foreign exchange, volatility and commodity risks. The guidelines permit the use of financial instruments, eg if the risk involved can be measured and managed.

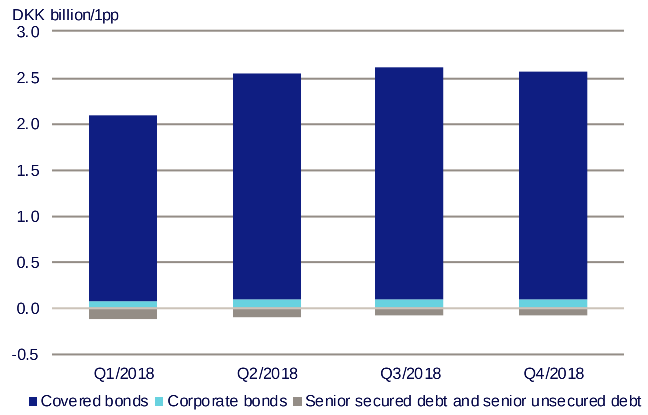
Compliance with risk limits set out in the guidelines is monitored daily and independently of the acting entities of the Group. Any breaches are reported to the Asset/Liability Committee, the Board of Directors of Nykredit Realkredit or other Boards of Directors depending on the nature of such breach.

Nykredit Group

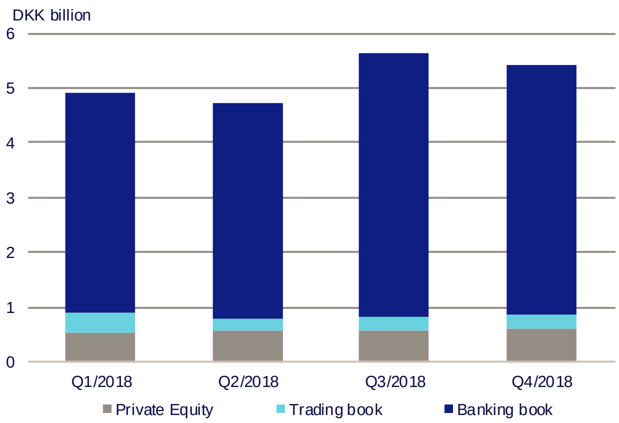
Nykredit Group
Interest rate risk



Nykredit Group
Yield spread risk



Nykredit Group
Market value of equity portfolios



Day-to-day market risk management

Nykredit's day-to-day determination, management and reporting of market risk take place by combining statistical models, stress tests, key figures and various subjective assessments.

The traditional risk measures, such as interest rate, equity price, foreign exchange and volatility risks, are monitored using sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions. This could be a rise or fall in interest rates, equity prices or volatilities. Calculations are only made for one type of risk at a time. The traditional risk measures do not indicate how likely a particular event is to occur, but rather how much it would affect the value of a portfolio viewed separately.

A Value-at-Risk (VaR) model is used for measuring market risk on the total portfolio. The model is applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models allow for the effect and probability of several risks occurring at the same time.

Interest rate risk

Interest rate risk is the risk of loss as a result of interest rate changes. Nykredit's interest rate risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and financial instruments.

Nykredit's interest rate exposure was DKK 323 million at end-2018. This means that Nykredit would lose DKK 323 million at a general interest rate rise of 1 percentage point.

Yield spread risk

Yield spread risk is the risk of spread widening between covered bond yields and swap rates. At end-2018 the yield spread risk was DKK 2.5 billion for the Group's portfolio of covered bonds. The yield spread risk amounted to DKK 87 million on the portfolio of corporate bonds and a negative DKK 72 million for issued senior secured debt and senior unsecured debt at end-2018.

This means that the Group would lose DKK 2.5 billion on its investments in covered bonds if the spread between covered bond yields and swap rates widened by 1 percentage point.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices, and it is calculated as the loss in case of a general equity market decrease of 10%. The Group's equity price exposure amounted to DKK 543 million at end-2018.

The aggregate equity price risk includes both the trading book and the banking book, the latter containing sizeable strategic equity and private equity positions.

Nykredit Group

Foreign exchange risk

Foreign exchange risk is measured as the gain/loss in a given currency resulting from a DKK appreciation of 10%. Foreign exchange risk is thus the risk of loss as a result of changes in exchange rates.

Nykredit hedges its foreign exchange risk except for some minor tactical foreign exchange positions held to achieve a gain. Therefore, the Group had only minor foreign exchange positions in currencies other than EUR in 2018.

Volatility risk

The market value of options and financial instruments with embedded options, such as callable covered bonds, partly depends on the expected market volatility. Volatility risk is the risk of loss as a result of changes in market expectations for future volatility. Volatility risk is measured as the change in market value resulting from an increase in volatility of 1 percentage point, increased volatility implying a loss on Nykredit's part.

This risk is determined for all financial instruments with embedded options and is managed by means of limits. The risk is low and stems mainly from the portfolio of Danish callable covered bonds, but also from other interest rate and equity derivatives.

Nykredit Group
Risk exposure amount – market risk

DKK million	2018	2017
Internal models (VaR)	17,966	15,250
Standardised approach	9,421	9,472
Settlement risk	2	2
Total market risk exposure	**27,390**	**24,724**

Risk exposure amount for market risk

Nykredit Realkredit A/S and Nykredit Bank A/S have the approval of the Danish FSA to apply a VaR model in determining REA for general market risk. The model is only applied to the trading book, thus excluding positions in the banking book such as strategic equities. The confidence level of the VaR model is 99%, and the time horizon for calculating statutory REA is 10 days. The model results are backtested on a daily basis against actual realised returns on the investment portfolios to ensure that the model results are reliable and correct at any time.

The VaR model is based on historical financial market data. As the current conditions in financial markets do not always correspond to the historical conditions (for instance during a financial crisis), a stressed VaR is added to REA resulting from the current VaR calculation. Stressed VaR is calculated for the current portfolio by means of the VaR model, but using volatilities and correlations from a period of significant stress.

Total REA is determined as the sum of the individual calculations, which comprise general risk from the VaR model as well as specific risk and general risk under the standardised approach. Nykredit's total REA from VaR amounted to DKK 18.0 billion at end-2018, of which stressed VaR amounted to DKK 15.1 billion. Total REA for market risk came to DKK 27.4 billion at end-2018.

Nykredit Realkredit introduced significant improvements to the current VaR model in 2018 and at end-2018 applied to the Danish FSA for permission to use the revised model to calculate capital requirements. The revised model is a historical simulation model, which will significantly improve the current model in several respects. In particular, it will provide for new and more accurate corporate bond modelling.

Liquidity risk

Nykredit's liquidity risk is the risk that Nykredit is unable to fulfil its financial obligations and meet regulatory requirements and rating criteria in the short, medium and long term. Liquidity risk is also the risk of funding shortages, preventing Nykredit from pursuing the adopted business model, or the risk that Nykredit's costs of raising liquidity become prohibitive.

Nykredit's mortgage lending and the matching funding are regulated by the balance principle. The balance principle limits the financial risk Nykredit may assume in relation to lending and funding. This means that Nykredit incurs generally low interest rate, foreign exchange and liquidity risk on its mortgage lending and the underlying funding. Liquidity risk is further reduced by the Danish act regulating refinancing risk, under which the maturity of existing funding may be extended if refinancing is not possible.

The composition of liquidity and funding is much affected by regulatory requirements and rating criteria. Nykredit therefore has a strong focus on existing and future requirements, including the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Minimum Requirement for own funds and Eligible Liabilities (MREL), Additional Loss-Absorbing Capacity (ALAC), debt buffer and Supervisory Diamond benchmarks.

The stock of liquid assets ensures that Nykredit has a sizeable liquidity buffer for cash flows driven by customer behaviour, loan arrears, current costs and maturing market funding. In addition, the stock of liquid assets ensures Nykredit's compliance with statutory liquidity requirements, including the LCR, and the requirement of Danish mortgage legislation for supplementary collateral in case of falling property prices in connection with covered bond (SDO) issuance, and fulfilment of credit rating agencies' criteria as a precondition for maintaining the high ratings.

Nykredit's liquid assets are mainly liquid Danish and other European government and covered bonds. These securities are recognised in the balance sheet as bonds at fair value and, in a liquid repo market, they are eligible as collateral with other banks and with the Danish or other European central banks and thus directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities and corporate bonds.

The Board of Directors and Nykredit's Asset/Liability Committee oversee the liquidity of the Group companies. The individual Group companies manage the day-to-day liquidity risk.

The Board of Directors has considered and approved the liquidity contingency plan for responding to situations such as a liquidity crisis or situations where Nykredit is unable to comply with the liquidity policy and the liquidity management guidelines laid down by the Board of Directors. The liquidity contingency plan must be endorsed by the Asset/Liability Committee, which also decides whether to initiate the plan. The liquidity contingency plan is considered and approved by the Board of Directors at least once a year.

Liquidity policy and liquidity management guidelines

The liquidity policy is laid down by the Board of Directors and defines Nykredit's overall risk appetite, liquidity risk profile and funding structure.

One aim of the liquidity policy is to ensure that Nykredit's funding and liquidity management supports the mortgage lending business and ensures competitive prices for customers and Nykredit, regardless of the market conditions. Furthermore, the liquidity management framework must sustain Nykredit's ability to maintain high ratings and its status as issuer of covered bonds (SDOs).

In addition to the liquidity policy, Nykredit's Board of Directors has laid down guidelines on the day-to-day liquidity management. In accordance with the guidelines provided by the Board of Directors, the Executive Board delegates limits for liquidity management to the Group companies through the Asset/Liability Committee.

The guidelines provide limits for Nykredit's day-to-day liquidity management and for short-, medium- and long-term management. Limits have also been set for the composition of the stock of liquid assets, the LCR, Nykredit Bank's deposits, the use and diversification of funding sources, leverage, MREL, the debt buffer, rating criteria as well as future regulatory requirements.

Nykredit annually prepares a report on the Internal Liquidity Adequacy Assessment Process (ILAAP), which is submitted to the Boards of Directors of Nykredit Realkredit, Totalkredit and Nykredit Bank for their approval and to the Danish FSA for its assessment.

Liquidity Coverage Ratio (LCR)

The LCR is used to assess Nykredit's short-term liquidity requirement. The LCR reflects the ratio of liquid assets to net cash outflows over a 30-day period.

Under the LCR rules, Nykredit must hold a large stock of liquid assets and, as a SIFI, Nykredit must have an LCR of over 100%. At end-2018 Nykredit's LCR was 752% and the excess liquidity coverage was DKK 90.4 billion. The aggregate LCR of Nykredit's mortgage banks was 1,581%, while Nykredit Bank's LCR was 157%.

Liquid assets used to comply with the requirement of supplementary collateral in Nykredit Realkredit and Totalkredit are considered to be encumbered and consequently ineligible for the purpose of LCR determination.

The Danish FSA has granted Nykredit permission not to include mortgage lending in the calculation of LCR for Nykredit Realkredit and Totalkredit. The permission was motivated by the fact that match funding eliminates liquidity risk in relation to mortgage lending. The condition for the permission is that Nykredit must comply with a minimum LCR requirement. This means that the stock of liquid assets must make up at least 2.5% of Nykredit Realkredit's and Totalkredit's total mortgage lending. At end-2018, liquid assets eligible for meeting the minimum requirement amounted to DKK 55.5 billion (4.6%) against a requirement of DKK 29.8 billion.

The Danish FSA has introduced a supplementary liquidity requirement stipulating that Danish SIFIs must fulfil the LCR requirement not only in DKK but also in significant currencies except for SEK and NOK. The requirement contributes to ensuring a suitable currency match between liquid assets and cash flows. This requirement, which for Nykredit only concerns EUR, applies to the Nykredit Realkredit Group. The LCR requirement in EUR is 100% or more. At end-2018 Nykredit's LCR in EUR was 206%.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes IT, legal, compliance and model risks.

Nykredit is continuously working to create a risk culture where the awareness of operational risk is a natural part of everyday work. The objective is to support and develop an organisation where mitigation and management of operational risks are an integral part of both the day-to-day operations and the long-term planning.

Compliance risk is the responsibility of the Chief Compliance Officer, who reviews all customer-facing and market-facing processes according to a risk-based approach.

Given its nature and characteristics, operational risk is best mitigated and managed through the day-to-day business conduct. The responsibility for the day-to-day management of operational risk is thus decentralised and lies with the individual business areas. Operational risk management activities are coordinated centrally to ensure coherence, consistency and optimisation across the Group.

As part of operational risk management, operational risk events are systematically recorded, categorised and reported with a view to creating an overview of loss sources and gaining experience for sharing across the organisation.

In addition to the recording of operational risk events, Nykredit is continuously working on identifying significant operational risks. Operational risks are mapped on the basis of input supplied by the business areas about their own significant risks to Nykredit's central operational risk function. Operational risk mapping provides a valuable overview of particularly risky processes and systems at Nykredit and is used as a management tool.

The Nykredit Realkredit Group has outsourced the operation of IT systems, and appropriate processes have been established for follow-up and reporting from suppliers. Furthermore, the IT security area is monitored constantly, and Nykredit participates actively in a wide Danish and international network on IT security through Finance Denmark. An IT security policy has been prepared as well as emergency response plans and business contingency plans.

Capital requirement for operational risk

Nykredit determines the capital requirement for operational risk using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings of the past three years. REA for operational risk was DKK 25.7 billion throughout 2018.

DKK million

Nykredit Group

50. HEDGE ACCOUNTING

The interest rate risk etc relating to fixed-rate assets and liabilities has been hedged on a current basis. The hedge comprises the following:

	Nykredit A/S			Nykredit Group		
2018	Nominal/ amortised value	Carrying amount	Fair value adjustment for account-ing purposes	Nominal/ amortised value	Carrying amount	Fair value adjustment for account-ing purposes
Assets						
Loans, advances and other receivables at amortised cost (interest rate risk)	-	-	-	693	701	(8)
Liabilities						
Deposits and other payables (interest rate and equity price risk)	-	-	-	285	307	(22)
Bonds in issue at amortised cost (interest rate risk)	-	-	-	15,766	15,770	(4)
Subordinated debt (interest rate risk)	-	-	-	10,424	10,638	(214)
Derivative financial instruments						
Interest rate swaps, loans, advances and other receivables (net)	-	-	-	597	23	23
Interest rate swaps, deposits and other payables (net)	-	-	-	1,044	(7)	(7)
Interest rate swaps, bonds in issue at amortised cost	-	-	-	15,897	27	27
Interest rate swaps, subordinated debt	-	-	-	10,454	214	214
Credit derivatives, deposits and other payables	-	-	-	-	-	-
Equity derivatives, deposits and other payables	-	-	-	-	-	-
Gain/loss for the year on hedging instruments		-			(55)	
Gain/loss for the year on hedged items		-			51	
Net gain/loss		**-**			**(3)**	

Interest rate swaps, credit derivatives and equity derivatives are included in the balance sheet items "Other assets" (positive market value) or "Other liabilities" (negative market value).

It is Nykredit's strategy to apply derivatives to hedge the interest rate risk of fixed-rate financial assets and liabilities using derivatives, except for the interest rate risk of short-term loans, advances and deposits. The Nykredit Group continuously hedges the interest rate risk of fixed-rate assets and liabilities using derivative financial instruments etc. This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development. When the deposit rate is tied to an equity index, risk is managed using equity derivatives.

The financial assets and liabilities that qualify as eligible hedged items are monitored on a current basis. These items may be included either as individual items or portfolios of assets and liabilities. Both are used for hedge accounting. Nykredit Bank's fixed-rate loans and fixed-rate deposits are grouped into portfolios. These include portfolios of loans, advances, deposits and other payables of a uniform risk level and are hedged using derivative financial instruments of similar characteristics (such as interest rate). For issued bonds measured at amortised cost in Nykredit Realkredit A/S, hedging is carried out at the time of issuance with interest rate swaps with the same interest rate and maturity profile.

Hedge effectiveness is monitored daily. Effectiveness tests monitor that movements in market values of the hedged item and the hedging instrument are within a range of 80-125%. If the effectiveness test indicates undesired ineffectiveness, hedging adjustments are made. Ineffectiveness may typically arise in periods when market values are very low compared with the size of the portfolios. Moreover, ineffectiveness may arise in case of eg unexpected market movements or in case a counterparty terminates or prepays a hedged financial instrument. In this case, the swap portfolio hedging the deposits and loans and advances in question will be adjusted. Changes with the swap counterparty may also lead to some ineffectiveness.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of the effective accounting hedge has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure). Reference is made to notes 46 and 47 which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

DKK million

Nykredit Group

50. EQUITY FOR ACCOUNTING PURPOSES (CONTINUED)

2017	Nykredit A/S Nominal/ amortised value	Nykredit A/S Carrying amount	Nykredit A/S Fair value adjustment for accounting purposes	Nykredit Group Nominal/amortised value	Nykredit Group Carrying amount	Nykredit Group Fair value adjustment for accounting purposes
Assets						
Loans, advances and other receivables at amortised cost (interest rate risk)	-	-	-	702	712	(11)
Liabilities						
Deposits and other payables (interest rate and equity price risk)	-	-	-	1,507	1,550	(43)
Bonds in issue at amortised cost (interest rate risk)	-	-	-	19,321	19,307	14
Subordinated debt (interest rate risk)	-	-	-	10,756	10,942	(187)
Derivative financial instruments						
Interest rate swaps, loans and advances as well as deposits and other payables (net)	-	-	-	2,877	16	16
Interest rate swaps, bonds in issue at amortised cost	-	-	-	19,486	18	18
Interest rate swaps, subordinated debt	-	-	-	10,795	186	186
Credit derivatives, deposits and other payables	-	-	-	60	17	17
Equity derivatives, deposits and other payables	-	-	-	442	0	0
Gain/loss for the year on hedging instruments		-			(196)	
Gain/loss for the year on hedged items		-			196	
Net gain/loss		**-**			**-**	

DKK million

Nykredit Group

51. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Financial items at amortised cost 2018	Financial items at fair value 2018	Financial items at amortised cost 2017	Financial items at fair value 2017
Assets				
Receivables	29,691	-	48,031	-
Loans, advances and other receivables at fair value[1]	-	1,193,975	-	1,164,311
Loans and advances at fair value (reverse repurchase lending)[1]	-	-	-	27,566
Loans and advances etc	98,311	-	56,126	-
Bonds	-	93,622	-	97,149
Positive market value of derivatives	-	18,457	-	19,269
Interest and administration margin income etc receivable	145	2,689	175	3,353
Total	**128,147**	**1,308,743**	**104,332**	**1,311,648**
Liabilities				
Payables to credit institutions and central banks	15,692	-	13,319	-
Deposits and other payables	93,164	-	75,914	-
Bonds in issue at fair value[2]	-	1,196,229	-	1,179,093
Bonds in issue at amortised cost	22,590	-	23,532	-
Other non-derivative financial liabilities at fair value	-	5,592	-	19,021
Subordinated debt	11,011	-	10,942	-
Negative market value of derivatives	-	11,731	-	12,905
Interest etc payable	289	7,485	9	8,449
Total	**142,746**	**1,221,037**	**123,716**	**1,219,468**

[1] Loans, advances and other receivables at fair value include mortgage lending measured at fair value using the fair value option. At end-2017 this category also included repo lending.
[2] Bonds in issue at fair value include bonds in issue funding mortgage lending. Bonds in issue are measured at fair value using the fair value option.

DKK million

Nykredit A/S			Nykredit Group	
2017	2018		2018	2017
		52. CURRENCY EXPOSURE		
		By main currency, net		
-	-	USD	6	195
-	-	GBP	1	(0)
-	-	SEK	(1)	6
-	-	NOK	3	2
-	-	CHF	(2)	1
-	-	CAD	0	(1)
-	-	JPY	1	(93)
-	-	EUR	(9)	(34)
-	-	Other	3	11
-	**-**	**Total**	**1**	**85**
-	-	Exchange Rate Indicator 1	14	215

Exchange Rate Indicator 1 is determined as the sum of the highest numerical value of assets (long position) or net payables. Exchange Rate Indicator 1 shows the overall foreign exchange risk.

DKK million

Nykredit Group

53. OTHER INFORMATION

Events since the balance sheet date

No significant events have occurred in the period up to the presentation of the Annual Report 2018 which affect the financial position of the Nykredit Group.

Profit and equity restated to Danish FSA requirements

The Nykredit Group's Financial Statements are prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group's accounting policies comply with the provisions of the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. However, the Executive Order does not include the option to classify financial assets as equities with fair value adjustment against "Other comprehensive income". In the Group's FSA reporting in 2017, these equities were classified as equities measured at fair value through profit or loss.

The difference has no impact on "Equity", only on "Profit (loss)" and "Other comprehensive income", see below:

This category was discontinued as from 1 January 2018, and profit (loss) and comprehensive income in the Financial Statements thus correspond to the FSA reporting.

	Profit (loss)		Other comprehensive income		Equity	
	2018	2017	2018	2017	2018	2017
Group reporting pursuant to the IFRS	5,740	8,004	(7)	(5)	79,883	78,770
Value adjustment of equities available for sale	-	(6)	-	6	-	-
Group reporting subject to Danish FSA requirements	**5,740**	**7,998**	**(7)**	**1**	**79,883**	**78,770**

"Value adjustment of equities available for sale" (strategic equities) comprises fair value adjustment, realised value adjustments reclassified to the income statement as well as the tax effect of the value adjustment.

54. FINANCIAL RATIOS, DEFINITIONS

Financial ratios	Definition
Return on equity before tax, %	The sum of profit (loss) before tax and value adjustment of strategic equities before tax divided by average equity.
Return on equity after tax, %	The sum of profit (loss) after tax and value adjustment of strategic equities after tax divided by average equity.
Income:cost ratio	Total income plus value adjustment of strategic equities before tax divided by total costs less tax.
Foreign exchange position, %	Exchange Rate Indicator 1 at year-end divided by Tier 1 capital including Additional Tier 1 capital less deductions at year-end.
Loans and advances:equity (loan gearing)	The sum of loans and advances at fair value and loans and advances at amortised cost divided by equity at year-end.
Growth in loans and advances for the year, %	Loans and advances at nominal value at year-end divided by loans and advances at nominal value at the beginning of the year.
Impairment charges for the year, %	Provisions for loan impairment and guarantees for the year divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and provisions at year-end.
Return on capital employed, %	Profit (loss) after tax for the year divided by total assets.

Financial ratios – capital and capital adequacy	Definition
Total capital ratio, %	Own funds divided by the risk exposure amount.
Tier 1 capital ratio, %	Tier 1 capital (including Additional Tier 1 capital) divided by the risk exposure amount.
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital (excluding Additional Tier 1 capital) divided by the risk exposure amount.

Financial ratios are based on the Danish FSA's definitions and guidelines.

Other financial ratios on page 5 and in note 3	Definition
Profit (loss) for the year as % of business capital (ROAC) (return on allocated capital)	Profit (loss) for the year relative to business capital. Profit (loss) corresponds to net profit or loss less interest expenses for Additional Tier 1 capital, which is treated as dividend in the Financial Statements. Business capital corresponds to a capital target of 16% of the risk exposure amount.
Profit (loss) for the year as % pa of average equity*	Profit (loss) for the year less interest expenses for Additional Tier 1 capital divided by average equity excluding Additional Tier 1 capital.
Costs as % of income	Costs divided by income
Business profit (loss) as % pa of average equity*	Business profit (loss) divided by average equity

* Equity is calculated based on the five quarter average.

DKK million

Nykredit Group	2018	2017	2016	2015	2014
55. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	10,869	11,485	11,470	11,877	11,353
Net fee income etc	(337)	(99)	(188)	(94)	133
Net interest and fee income	**10,531**	**11,386**	**11,282**	**11,783**	**11,486**
Value adjustments	724	3,620	775	652	(3,557)
Other operating income	1,057	501	589	194	185
Staff and administrative expenses	4,633	4,622	4,820	4,663	4,719
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	103	248	185	2,185	1,087
Other operating expenses	154	196	285	188	154
Impairment charges for loans, advances and receivables etc	380	379	680	920	2,351
Profit (loss) from investments in associates and Group enterprises	(9)	21	8	8	6
Profit (loss) before tax	**7,033**	**10,081**	**6,683**	**4,680**	**(191)**
Tax	1,293	2,077	1,377	1,493	89
Profit (loss) for the year	**5,740**	**8,004**	**5,306**	**3,187**	**(279)**
Value adjustment and reclassification of strategic equities against equity	-	(6)	331	7	238
SUMMARY BALANCE SHEET, YEAR-END	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Assets					
Cash balances and receivables from credit institutions and central banks	29,691	48,031	34,829	23,253	42,288
Mortgage loans at fair value	1,193,667	1,163,879	1,124,693	1,119,101	1,137,099
Bank loans excluding reverse repurchase lending	60,566	55,744	55,003	46,747	50,494
Bonds and equities etc	99,444	102,125	116,555	110,294	131,383
Remaining assets	64,608	56,967	69,530	84,402	96,042
Total assets	**1,447,976**	**1,426,746**	**1,400,611**	**1,383,796**	**1,457,306**
Liabilities and equity					
Payables to credit institutions and central banks	15,692	13,319	21,681	30,226	44,863
Deposits and other payables	93,164	75,914	65,414	62,584	65,211
Bonds in issue at fair value	1,196,229	1,179,093	1,152,383	1,137,314	1,167,163
Subordinated debt	11,011	10,942	11,078	11,006	11,394
Remaining liabilities	51,998	68,707	79,099	77,185	109,999
Equity	79,883	78,770	70,955	65,482	58,675
Total liabilities and equity	**1,447,976**	**1,426,746**	**1,400,611**	**1,383,796**	**1,457,306**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	5,913	7,055	6,694	6,942	7,546
Other commitments	16,948	8,443	6,934	6,637	5,843
FINANCIAL RATIOS[1]					
Total capital ratio, %	23.5	23.9	21.9	20.7	17.5
Tier 1 capital ratio, %	21.6	21.3	19.5	19.6	17.2
Return on equity before tax, %	8.9	13.5	10.6	7.6	0.1
Return on equity after tax, %	7.2	10.7	8.5	5.1	(0.1)
Income:cost ratio	2.33	2.85	2.17	1.59	1.01
Foreign exchange position, %	0.0	0.3	0.3	0.4	0.4
Loans and advances:equity (loan gearing)	16.2	15.8	17.1	18.4	20.9
Growth in loans and advances for the year, %	3.9	2.4	(0.7)	0.2	(2.1)
Impairment charges for the year, %	0.03	0.03	0.06	0.08	0.19
Return on capital employed, %	0.40	0.56	0.38	0.23	(0.02)

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 54.

DKK million

Nykredit A/S	2018	2017	2016	2015	2014
55. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	(0)	0	0	0
Net interest and fee income	**(0)**	**(0)**	**0**	**0**	**0**
Staff and administrative expenses	25	89	25	5	4
Profit (loss) from investments in associates	5,526	7,841	5,428	3,000	(38)
Profit (loss) before tax	**5,502**	**7,752**	**5,403**	**2,996**	**(42)**
Tax	(5)	(14)	(1)	(1)	(1)
Profit (loss) for the year	**5,507**	**7,766**	**5,405**	**2,997**	**(41)**
SUMMARY BALANCE SHEET, YEAR-END	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Assets					
Cash balances and receivables from credit institutions and central banks	28	-	1	15	21
Remaining assets	17	14	5	7	5
Investments in Group enterprises	76,106	75,082	67,194	61,686	58,650
Total assets	**76,151**	**75,096**	**67,199**	**61,708**	**58,675**
Liabilities and equity					
Payables to credit institutions and central banks	33	79	-	-	-
Remaining liabilities	8	13	7	1	1
Equity	76,111	75,005	67,192	61,708	58,675
Total liabilities and equity	**76,151**	**75,096**	**67,199**	**61,708**	**58,675**
OFF-BALANCE SHEET ITEMS					
Other commitments	-	-	-	-	-
FINANCIAL RATIOS[1]					
Total capital ratio, %	26.0	25.5	27.0	27.0	26.6
Tier 1 capital ratio, %	26.0	25.5	27.0	27.0	26.6
Return on equity before tax, %	7.3	10.9	8.4	5.0	(0.1)
Return on equity after tax, %	7.3	10.9	8.4	5.0	(0.1)
Income:cost ratio	225.51	87.81	219.58	666.32	(8.54)
Return on capital employed, %	7.23	10.34	8.04	4.86	(0.07)

[1] Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 54.

DKK million

Nykredit Group

56. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 31 December 2018	Profit for 2018	Equity, 31 December 2018	Number of staff in 2018	Profit (loss) for 2017	Equity, 31 December 2017	Number of staff in 2017
Nykredit A/S (Parent), Copenhagen, h)	-	5,507	76,111	-	7,766	75,005	-
Nykredit Realkredit A/S, Copenhagen, a)	100	5,759	79,883	2,403	8,074	78,847	2,526
Totalkredit A/S, Copenhagen, a)	100	2,078	28,229	108	1,752	26,300	116
Nykredit Bank A/S, Copenhagen, b)	100	1,660	21,095	664	3,133	19,877	658
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	163	887	118	136	725	109
Nykredit Leasing A/S, Gladsaxe, e)	100	84	755	55	78	671	55
Nykredit Mægler A/S, Copenhagen, c)	100	67	133	34	110	137	37
Nykredit Ejendomme A/S (wound up), Copenhagen, d)	-	24	0	-	65	512	2
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	25	256	-	(3)	231	-
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	7	117	-	(6)	112	-
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	20	135	-	3	115	-
Nykredit Adm. V A/S, Copenhagen, f)	100	-	-	-	(0)	1	-

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

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

Geographical distribution of activities	Number of staff	Revenue[1]	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,375	29,309	7,024	1,293	-
Poland: Nykredit Realkredit A/S S.A. Oddzial w Polsce, branch, a)	7	(7)	9	-	-

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

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

Nykredit A/S is consolidated with Forenet Kredit f.m.b.a. for accounting purposes. The financial statements of Forenet Kredit f.m.b.a. (in Danish) and Nykredit Realkredit A/S are available from:
Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

DKK million

Nykredit Group

56. GROUP STRUCTURE (CONTINUED) Name and registered office	Ownership interest as %, 31 December 2018	Revenue 2017	Profit (loss) for 2017	Assets, 31 December 2017	Liabilities, 31 December 2017	Equity, 31 December 2017	Nykredit's share of profit (loss) for 2017	Nykredit's share of equity value, 31 December 2017	Profit (loss) for 2016	Equity, 31 December 2016
Associates[1]										
Bolighed A/S, a)	50	21	(1)	10	-	6	-	3	(1)	6
Boligsiden A/S, Copenhagen, a)	23	7	-	15	-	12	-	3	2	12
Komplementarselskabet Core Property Management A/S, Copenhagen, c)	20	59	48	62	4	51	10	10	15	29
Core Property Management P/S, Copenhagen, a)	20	82	14	77	7	24	3	5	-	-
E-nettet A/S, Copenhagen, b)	18	172	16	167	24	99	3	18	5	83
Jesper Nielsen Franchisegiver A/S, d)	50	-	-	-	-	-	-	-	-	6
Joint venture										
JN Data A/S, Silkeborg, b)	13	1,951	8	879	1,159	222	-	-	7	214

[1] Recognised on the basis of the latest annual reports or interim reports as at 30 September if annual reports are not available.
[2] Supplementary accounting figures for JN Data A/S appear on the next page (note 56).

Nykredit holds less than 20% of the shares in E-nettet A/S, but still exercises significant influence over the financial and operational conditions of the company as it has a representative on the board of directors. Consequently, for accounting purposes the shareholding is treated as an associate.

a) Property company
b) IT provider
c) Investment company
d) Property company

DKK million

Nykredit Group

56. GROUP STRUCTURE (CONTINUED)

Joint venture[1]

	2017	2016
Dividend received	-	-
Statement of income and comprehensive income		
Revenue	1,951	1,956
Costs	1,763	1,763
Depreciation, amortisation and impairment charges	174	179
Financial income	1	-
Financial costs	5	6
Tax on profit for the year	2	1
Profit for the year	**8**	**7**
Balance sheet		
Intangible assets	50	304
Property, plant and equipment	278	45
Investments	-	-
Cash and cash equivalents	77	32
Other current assets	474	465
Total assets	**879**	**846**
Equity	222	214
Long-term liabilities	351	355
Short-term liabilities	306	277
Total liabilities and equity	**879**	**846**

[1] Joint venture comprises only JN DATA A/S.

The Group's strategy covers strategic partnerships in key areas, including IT operations through JN Data A/S.

At end-2017 the company was owned by Nykredit Realkredit A/S (50%) and Jyske Bank A/S (50%), and the company was considered a joint venture.

In December 2018 Bankdata A/S, BEC a.m.b.a. and SDC A/S joined the group of owners. Nykredit Realkredit A/S's ownership interest of JN Data A/S's equity represented 13% as at 31 December 2018 and is presented in the Financial Statements in the balance sheet item "Equities at fair value".

DKK million

Nykredit Group

57. 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)	

The implementation of IFRS 9 has affected the balance sheet by DKK 566 million as a result of increased impairments of loans and advances, balances with credit institutions and guarantees. Total impairment provisions have moreover increased by DKK 5 million. However, this amount does not affect the balance sheet as at 1 January 2018, as the amount was previously recognised as an interest reserve under "Loans, advances and other receivables at amortised cost". Impairment provisions have subsequently increased by a total of DKK 571 million.

DKK million

Nykredit A/S

57. 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 as a consequence of new impairment charges for loans and advances etc						(441)	

The implementation of IFRS 9 has affected the balance sheet by DKK 566 million as a result of increased impairments of loans and advances, balances with credit institutions and guarantees. Total impairment provisions have moreover increased by DKK 5 million. However, this amount does not affect the balance sheet as at 1 January 2018, as the amount was previously recognised as an interest reserve under "Loans, advances and other receivables at amortised cost". Impairment provisions have subsequently increased by a total of DKK 571 million.

FINANCIAL CALENDAR FOR 2019

5 February	Publication of Annual Reports 2018 and announcements of Financial Statements of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
20 March	Annual General Meeting of Nykredit Bank A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
20 March	Annual General Meeting of Totalkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
21 March	Annual General Meeting of Nykredit Realkredit A/S, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.
7 May	Publication of Q1 Interim Report 2019 for the Nykredit Realkredit Group.
20 August	Publication of H1 Interim Reports 2019 of the Nykredit Realkredit Group, Totalkredit A/S and the Nykredit Bank Group.
5 November	Publication of Q1-Q3 Interim Report 2019 for the Nykredit Realkredit Group.

DIRECTORSHIPS AND EXECUTIVE POSITIONS

The Board of Directors and the Executive Board form the Nykredit Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly, except in July, and holds a strategy seminar once a year.

The Board members are elected for a term of one year. The latest election took place on 16 March 2017. Re-election is not subject to any restrictions.

Below, an account is given of the individual director's position, age and years of service on the Board, meeting attendance, skills as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

All members of the Board of Directors are also directors of the Parent Nykredit A/S.

Steffen Kragh, Chairman

Chief Executive Officer

Date of birth: 6 April 1964
Joined the Board on 28 March 2006
Non-independent director – more than 12 years on the Board of Directors

Board of Directors, meetings attended in 2018: 12/12
Chairman of the Nomination Board, meetings attended in 2018: 3/3
Chairman of the Remuneration Board, meetings attended in 2018: 3/3

Board expertise:
In-depth knowledge:
- Capital markets, securities and funding
- Organisation/HR and processes
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:
- Digitisation, IT and processes
- Financial regulation
- Market conditions, customer relations and sales
- Risk management and credit matters

Chief Executive Officer of:
Egmont Fonden
Egmont International Holding A/S

Chairman of:
Nykredit Realkredit A/S
Cappelen Damm Holding AS**
Egmont Administration A/S
Egmont Finansiering A/S
Egmont Holding Limited
Egmont Investering A/S
Egmont Svensk Finansiering A/S**
Lindhardt og Ringhof Forlag A/S
Nordisk Film A/S

Deputy Chairman of:
Lundbeckfonden
Lundbeckfond Invest A/S

Director of:
Cappelen Damm Holding A/S
Egmont Book Publishing Ltd.
Egmont UK Ltd.
Ejendomsselskabet Gothersgade 55 ApS

Ejendomsselskabet Vognmagergade 11 ApS
MBG Sleeping Egmont A/S

Managing Director of:
NKB Invest 103 ApS

Merete Eldrup, Deputy Chairman

Chief Executive Officer

Date of birth: 4 August 1963
Joined the Board on 24 March 2010
Independent director

Board of Directors, meetings attended in 2018: 12/12
Member of the Nomination Board, meetings attended in 2018: 3/3
Member of the Audit Board, meetings attended in 2018: 5/6
Chairman of the Risk Board, meetings attended in 2018: 5/6
Member of the Remuneration Board, meetings attended in 2018: 3/3

Board expertise:
In-depth knowledge:
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Risk management and credit matters
- Strategic matters
- Corporate governance

- Economics, finance and accounting

Expert knowledge:
- Digitisation, IT and processes

Financial regulation

Chief Executive Officer of:
TV2/DANMARK A/S

Chairman of:
TV 2 BIB A/S
TV 2 DTT A/S
TV 2 Networks A/S

Deputy Chairman of:
Nykredit Realkredit A/S
Gyldendal A/S

Director of:
Rambøll Gruppen A/S

Member of the committee of representatives of:
Foreningen Realdania

Nina Smith, Deputy Chairman

Professor

Date of birth: 17 October 1955
Joined the Board on 22 September 2004
Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2018: 12/12
Member of the Nomination Board, meetings attended in 2018: 3/3
Member of the Remuneration Board, meetings attended in 2018: 3/3

Board expertise:
In-depth knowledge:
- Financial regulation
- Capital markets, securities and funding
- Politics, public administration and associations
- Risk management and credit matters
- Strategic matters
- Economics, finance and accounting

Expert knowledge:
- Sector and real estate expertise

Professor at:
Institut for Økonomi,
Aarhus Universitet

Chairman of:
Forenet Kredit f.m.b.a.
Nykredits Fond
VIVE – Det Nationale Forsknings- og Analysecenter for Velfærd*

Deputy Chairman of:
Nykredit Realkredit A/S

Director of:
Carlsberg A/S
Carlsbergfondet**
Carlsbergfondets Forskerboliger A/S
Faxehus ApS*

Helge Leiro Baastad
Chief Executive Officer

Date of birth: 14 September 1960
Joined the Board on 16 March 2016
Independent director

Board of Directors, meetings attended in 2018: 12/12
Member of the Audit Board, meetings attended in 2018: 6/6

Board expertise:
In-depth knowledge:
- Digitisation, IT and processes
- Capital markets, securities and funding
- Organisation/HR and processes
- Politics, public administration and associations
- Strategic matters
- Corporate governance

Expert knowledge:
- Financial regulation
- Risk management and credit matters
- Economics, finance and accounting

Chief Executive Officer of:
Gjensidige Forsikring ASA

Director of:
Nykredit Realkredit A/S

Finans Norge
Ungt Entreprenørskap

Election committee member of SpareBank 1 SR-Bank

Olav Bredgaard Brusen***
Deputy Chairman of NYKREDS

Date of birth: 8 May 1968
Joined the Board on 16 March 2016

Board of Directors, meetings attended in 2018: 12/12

Board expertise:
In-depth knowledge:
- Market conditions, customer relations and sales
- Organisation/HR and processes

Expert knowledge:
- Sector and real estate expertise
- Politics, public administration and associations
- Risk management and credit matters

Director of:
Forenet Kredit f.m.b.a.
Nykredit Realkredit A/S

Michael Demsitz
Chief Executive Officer

Date of birth: 1 February 1955
Joined the Board on 31 March 2004
Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2018: 12/12
Member of the Risk Board, meetings attended in 2018: 6/6

Board expertise:
In-depth knowledge:
- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Strategic matters
- Corporate governance

Expert knowledge:
- Digitisation, IT and processes
- Risk management and credit matters
- Economics, finance and accounting

Chief Executive Officer of:
Boligkontoret Danmark

Chairman of:
Byggeskadefonden

Deputy Chairman of:
Forenet Kredit f.m.b.a.*
Nykredits Fond*

Director of:
Forenet Kredit f.m.b.a.**
Nykredit Realkredit A/S
Nykredits Fond**
AlmenNet
Boligselskabernes Landsforening

Per W. Hallgren
Chief Executive Officer

Date of birth: 8 July 1962
Joined the Board on 16 March 2016
Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2018: 12/12
Chairman of the Audit Board, meetings attended in 2018: 6/6
Member of the Risk Board, meetings attended in 2018: 6/6

Board expertise:
In-depth knowledge:
- Sector and real estate expertise
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:
- Financial regulation
- Capital markets, securities and funding

Chief Executive Officer of:
Jeudan A/S

Chairman of:
CEJ Ejendomsadministration A/S
CEJ Aarhus A/S
Center for politiske studier (CEPOS)*
Jeudan I A/S
Jeudan II A/S
Jeudan III A/S

Jeudan IV A/S
Jeudan V A/S
Jeudan VI A/S
Jeudan VII A/S
Jeudan VIII A/S
Jeudan IX ApS
Jeudan X ApS
Jeudan XI ApS
Jeudan Servicepartner A/S

Director of:
Forenet Kredit f.m.b.a.
Nykredit Realkredit A/S
Center for politiske studier (CEPOS)**
Ejendomsforeningen Danmark
Foreningen Ofelia Plads

Marlene Holm***
Personal Banking Adviser

Date of birth: 2 December 1964
Joined the Board on 21 March 2012

Board of Directors, meetings attended in 2018:
12/12

Board expertise:
Expert knowledge:
- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Risk management and credit matters

Director of:
Nykredit Realkredit A/S

Hans-Ole Jochumsen*
Former Vice Chairman

Date of birth: 14 November 1957
Joined the Board on 22 March 2018
Independent director

Board of Directors, meetings attended in 2018:
8/12
Member of the Risk Board, meetings attended in 2018: 5/6

Board expertise:
In-depth knowledge:
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Strategic matters
- Corporate governance
- Economics, finance and accounting
-

Expert knowledge:
- Sector and real estate expertise
- Digitisation, IT and processes
- Financial regulation
- Risk management and credit matters

Chairman of:
NDX Interessenter AB
Nordax Bank AB
Nordax Group AB

Director of:
Nasdaq Nordic OY**
Nykredit Realkredit A/S

Other:
Member of Advisory Board for Concordium*
Senior Adviser of Alkymi

Vibeke Krag*
Former Chief Executive Officer

Date of birth: 3 November 1962
Joined the Board on 16 March 2017
Non-independent director in view of directorship in Forenet Kredit f.m.b.a.

Board of Directors, meetings attended in 2018:
12/12
Member of the Audit Board, meetings attended in 2018: 5/6

Board expertise:
In-depth knowledge:
- Digitisation, IT and processes
- Financial regulation
- Risk management and credit matters
- Corporate governance
- Economics, finance and accounting

Expert knowledge:
- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes

- Strategic matters

Director of:
Forenet Kredit f.m.b.a.
Nykredit Realkredit A/S
Eniig City Solutions A/S**
Eniig Energi A/S
Eniig Energi Naturgas A/S
Eniig Energiteknik A/S**
Gjensidige Forsikring ASA

Other:
Faculty member, CBS Executive, bestyrelsesuddannelsen
Member of Konkurrencerådet
Member of Udpegningsorganet for Københavns Universitet
Editor of Erhvervsjuridisk tidskrift, Karnov

Allan Kristiansen***
Chief Relationship Manager

Date of birth: 6 March 1958
Joined the Board on 12 April 2000

Board of Directors, meetings attended in 2018:
10/12

Board expertise:
In-depth knowledge:
- Capital markets, securities and funding
- Market conditions, customer relations and sales

Expert knowledge:
- Sector and real estate expertise
- Financial regulation
- Risk management and credit matters
- Economics, finance and accounting

Director of:
Nykredit Bank A/S
Nykredit Realkredit A/S

Lasse Nyby
Chief Executive Officer

Date of birth: 25 November 1960
Joined the Board on 28 March 2007
Independent director

Board of Directors, meetings attended in 2018:
7/12

Board expertise:
In-depth knowledge:
- Financial regulation
- Capital markets, securities and funding
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters

- Economics, finance and accounting

Expert knowledge:
- Digitisation, IT and processes
- Organisation/HR and processes
- Corporate governance

Chief Executive Officer of:
Spar Nord Bank A/S

Chairman of:
Aktieselskabet Skelagervej 15
Landsdækkende Banker

Deputy Chairman of:
PRAS A/S

Director of:
AP Pension Livsforsikringsaktieselskab
AP Pensionsservice A/S
Finans Danmark
Foreningen AP Pension f.m.b.a
FR I af 16. September 2015 A/S
Totalkredit A/S
Vækst-Invest Nordjylland A/S**

Claus E. Petersen
Chief Executive Officer

Date of birth: 3 July 1961
Joined the Board on 21 March 2012
Independent director

Board of Directors, meetings attended in 2018: 10/12

Board expertise:
In-depth knowledge:
- Financial regulation
- Market conditions, customer relations and sales
- Risk management and credit matters
- Strategic matters

Expert knowledge:
- Capital markets, securities and funding
- Organisation/HR and processes
- Politics, public administration and associations
- Corporate governance
- Economics, finance and accounting

Chief Executive Officer of:
Den Jyske Sparekasse A/S

Chairman of:
Foreningen Lokale Pengeinstitutter
PRAS A/S

Deputy Chairman of:
Totalkredit A/S

Director of:
Borgergade 3 A/S – today Den Jyske Sparekasse A/S **
Den Jyske Sparekasses Støttefond
DJS Leasing A/S*
Finans Danmark
Finanshuset Farsø Pantebrevsselskab A/S*
FR I af 16. september 2015 A/S
HN Invest Tyskland 1 A/S
Spar Pantebrevsinvest A/S
Værdiansættelsesrådet

Managing Director of:
Borgergade 3 A/S – nu Den Jyske Sparekasse A/S**

Inge Sand***
Senior Agricultural Adviser

Date of birth: 13 March 1965
Joined the Board on 16 March 2016

Board of Directors, meetings attended in 2018: 11/12

Board expertise:
Expert knowledge:
- Sector and real estate expertise
- Market conditions, customer relations and sales
- Organisation/HR and processes
- Politics, public administration and associations
- Risk management and credit matters

Director of:
Forenet Kredit f.m.b.a.
Nykredit Realkredit A/S

Leif Vinther***
Senior Security Consultant

Date of birth: 18 April 1959
Joined the Board on 12 April 2000

Board of Directors, meetings attended in 2018: 12/12
Member of the Remuneration Board, meetings attended in 2018: 2/3

Board expertise:
In-depth knowledge:
- Digitisation, IT and processes
- Organisation/HR and processes
- Politics, public administration and associations

Expert knowledge:
- Financial regulation
- Strategic matters

Director of:
Forenet Kredit f.m.b.a.
Nykredit Realkredit A/S
Nykredits Fond
Finansforbundets hovedbestyrelse

Resigned on 22 March 2018:

Hans Bang-Hansen
Farmer

Bent Naur
Former Chief Executive Officer

Erling Bech Poulsen
Farmer

Resigned on 29 October 2018:

Lars Peter Skaarup
Personal Banking Adviser

Nykredit Group

EXECUTIVE BOARD

Below, an account is given of the individual Executive Board member's position, age, years of service on the Board and other executive positions, including in other companies as permitted by the Board of Directors pursuant to section 80 of the Danish Financial Business Act.

Michael Rasmussen
Group Chief Executive

Date of birth: 13 November 1964
Joined the Executive Board on 1 September 2013

Managing Director of:
Nykredit Realkredit A/S

Chairman of:
Nykredit Bank A/S
Totalkredit A/S
Finans Danmark
FR I af 16. september 2015 A/S
Investeringsfonden for Udviklingslande (IFU)

Deputy Chairman of:
Copenhagen Business School Handelshøjskolen*

Director of:
Copenhagen Business School Handelshøjskolen**
Member of Investor Board for Danish SDG Investment Fund (Verdensmålsfonden)

Kim Duus
Group Managing Director

Date of birth: 8 December 1956
Joined Executive Board on 15 May 2009

Managing Director of:
Nykredit Realkredit A/S

Chairman of:
Nykredit Portefølje Administration A/S
Værdipapirfonden NPA

Director of:
Nykredit Bank A/S
Nærpension A/S

David Hellemann
Group Managing Director

Date of birth: 5 December 1970
Joined the Executive Board on 1 September 2016

Managing Director of:
Nykredit Realkredit A/S

Chairman of:
Ejendomsselskabet Kalvebod A/S*
Greve Main 30 A/S*
JN Data A/S
Kalvebod Ejendomme I A/S
Kalvebod Ejendomme II A/S
Kirstinehøj 17 A/S
Nykredit Ejendomme A/S**

Deputy Chairman of:
Bankernes EDB Central a.m.b.a.*

Director of:
Nykredit Bank A/S
Totalkredit A/S
Bankernes EDB Central a.m.b.a.**
CBS Executive Fonden
Finanssektorens Uddannelsescenter
Realkreditrådet

Søren Holm
Group Managing Director

Date of birth: 15 November 1956
Joined the Executive Board on 1 March 2006

Managing Director of:
Nykredit Realkredit A/S

Chairman of:
Ejendomsselskabet Kalvebod A/S**

Deputy Chairman of:
Nykredit Bank A/S

Director of:
Realkreditrådet
VP Securities A/S

Anders Jensen
Group Managing Director

Date of birth: 20 January 1965
Joined the Executive Board on 1 October 2014

Managing Director of:
Nykredit Realkredit A/S

Chairman of:
Nykredit Leasing A/S
Nykredit Mægler A/S

Director of:
Nykredit Bank A/S
Bokis A/S*
e-nettet A/S*
Grænsefonden
Niels Brock (Copenhagen Business College)

*	Joined in 2018
**	Resigned in 2018
***	Staff-elected member

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.