Nykredit

Nykredit Bank Group

Annual Report 2018

CONTENTS

COMPANY DETAILS

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

Tel: +45 44 55 18 00
CVR no: 10 51 96 08
Financial year: 1 January – 31 December
Municipality of registered office: Copenhagen
Website: nykredit.com

Date of approval of Financial Statements
These Financial Statements were approved on 5 February 2019.

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
Michael Rasmussen, Chairman
Søren Holm, Deputy Chairman

Kim Duus
Flemming Ellegaard*
David Hellemann
Anders Jensen
Allan Kristiansen*

* Elected by the staff of Nykredit Bank

EXECUTIVE BOARD
Henrik Rasmussen
Dan Sørensen

See page 119f for directorships and executive positions of the members of the Board of Directors and the Executive Board.

The following boards are not designated by Nykredit Bank, but the boards are appointed by Nykredit Realkredit A/S and handle matters of relevance to the Group, including Nykredit Bank A/S. See page 13f for further description.

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

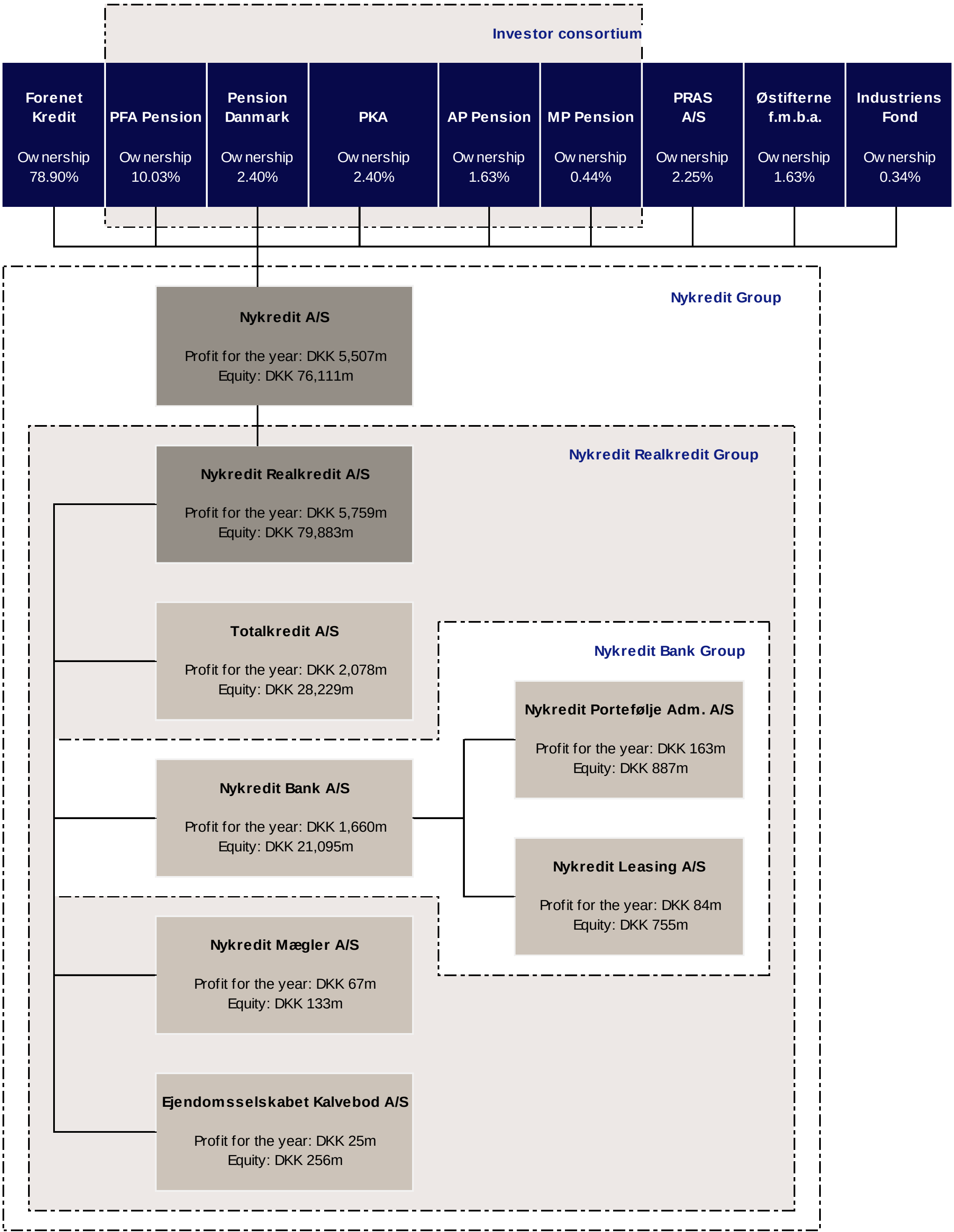
Steffen Kragh, Chairman
Merete Eldrup
Nina Smith
Leif Vinther

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/corporategovernance.

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

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	2018	2017	2016	2015	2014	Q4/ 2018	Q3/ 2018	Q4/ 2017
BUSINESS PROFIT AND PROFIT FOR THE YEAR								
Net interest income	1,533	1,493	1,467	1,505	1,649	373	408	368
Net fee income	521	540	385	340	369	125	123	153
Wealth management income	1,361	1,402	1,184	1,040	993	336	355	355
Net interest from capitalisation	(30)	(32)	5	8	29	(7)	(8)	(8)
Trading, investment portfolio and other income	756	986	428	690	(483)	17	216	114
Income	**4,141**	**4,388**	**3,470**	**3,584**	**2,556**	**844**	**1,094**	**983**
Costs	2,029	1,973	2,061	1,924	2,035	562	480	536
Business profit before impairment charges	**2,112**	**2,415**	**1,410**	**1,660**	**521**	**283**	**614**	**447**
Impairment charges for loans and advances	274	(102)	(141)	(121)	219	162	(17)	166
Business profit	**1,838**	**2,516**	**1,551**	**1,781**	**302**	**120**	**631**	**281**
Legacy derivatives	280	1,517	(763)	229	(2,674)	(104)	164	29
Profit (loss) before tax	**2,118**	**4,033**	**787**	**2,010**	**(2,371)**	**16**	**795**	**310**
Tax	458	901	161	468	(599)	4	173	71
Profit (loss) for the year	**1,660**	**3,133**	**626**	**1,542**	**(1,772)**	**12**	**623**	**239**
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								
Cash balances and receivables from credit institutions and central banks	17,909	19,991	35,723	13,425	33,884	17,909	14,182	19,991
Reverse repurchase lending	37,427	27,566	30,091	39,467	35,228	37,427	32,669	27,566
Loans, advances and other receivables at amortised cost	60,566	55,783	55,003	46,747	50,494	60,566	58,749	55,783
Bonds and equities etc	49,289	47,453	42,576	40,412	65,314	49,289	42,332	47,453
Remaining assets	21,943	22,793	31,533	34,288	44,963	21,943	21,219	22,791
Total assets	**187,135**	**173,585**	**194,926**	**174,339**	**229,883**	**187,135**	**169,151**	**173,585**
Liabilities and equity								
Payables to credit institutions and central banks	54,620	40,218	51,606	34,957	63,876	54,620	43,484	40,218
Repo deposits	5,745	8,214	6,619	6,552	9,453	5,745	4,952	8,214
Deposits and other payables	77,119	76,501	66,263	62,758	65,349	77,119	77,732	76,501
Bonds in issue at amortised cost	5,411	6,473	10,158	20,150	25,881	5,411	4,544	6,473
Other non-derivative financial liabilities at fair value	7,618	5,762	14,728	5,224	10,491	7,618	6,958	5,762
Remaining liabilities	13,236	14,298	26,546	28,267	41,913	13,236	8,135	14,298
Provisions	290	241	261	213	246	290	263	241
Subordinated debt	2,000	2,000	2,000	100	100	2,000	2,000	2,000
Equity	21,095	19,877	16,744	16,118	12,576	21,095	21,083	19,877
Total liabilities and equity	**187,135**	**173,585**	**194,926**	**174,339**	**229,883**	**187,135**	**169,151**	**173,585**
OFF-BALANCE SHEET ITEMS								
Contingent liabilities	22,527	25,080	17,152	15,180	20,893	22,527	21,779	25,080
Other commitments	8,924	6,835	5,375	5,566	4,839	8,924	7,963	6,835
FINANCIAL RATIOS[1]								
Profit (loss) for the year as % pa of average equity	8.1	16.8	3.9	10.4	(13.0)	0.2	12.0	4.8
Costs as % of income	49.0	45.0	59.4	53.4	79.6	66.5	43.9	54.5
Total provisions for loan impairment and guarantees	2,896	2,347	2,611	2,974	3,687	2,896	2,826	2,347
Impairment charges for the year, %	0.3	(0.1)	(0.1)	(0.1)	0.2	0.2	(0.0)	(0.2)
Total capital ratio, %	21.5	22.3	16.6	21.1	13.1	21,5	22,1	22.3
Tier 1 capital ratio, %	19.4	20.1	14.8	20.7	12.8	19,4	19,8	20.1
Common Equity Tier 1 capital ratio, %	19.4	20.1	14.8	20.6	12.8	19,4	19,8	20.1
Average number of staff, full-time equivalent	837	822	800	761	820	837	851	819

[1] Financial ratios are defined on page 113.

FINANCIAL REVIEW

Business profit for 2018	Profit for 2018	Income in 2018
DKK 1,838 million	**DKK 1,660 million**	**DKK 4,141 million**
Business profit	Profit for the year	Income

Return on equity	Cost:income ratio	Impairment charges, %
8.1%	**49.0%**	**0.3%**
Profit for the year as % of average equity	Costs as % of income	Impairment charges for the year divided by loans, advances and guarantees

PERFORMANCE HIGHLIGHTS IN 2018

2018 was a satisfactory year for the Nykredit Bank Group, which recorded a profit before tax of DKK 2.1 billion.

Nykredit Bank is an important part of the Nykredit Group and widely underpins the Group's mortgage business, eg by offering market making in the Group's covered bonds and thus contributing to ensuring high liquidity. Many mortgage customers are also offered funding through Nykredit Bank.

Nykredit Bank wants to be customers' preferred bank, always striving to further enhance customer experience. Nykredit's customer concepts continued to generate satisfactory growth in the number of full-service (BoligBank) customers and increasing business volumes. Moreover, the Totalkredit partnership resulted in a transfer of a number of secured homeowner loans of DKK 2.0 billion to Totalkredit in 2018.

Nykredit's assets under management grew by DKK 31.7 billion to DKK 210.6 billion in 2018, and Prospera, a market research company, named Nykredit Asset Management the asset manager providing the best service overall and the best at turning investments into solid returns in 2018. Moreover, for the second consecutive year Nykredit was named the best private banking provider in Denmark in Prospera's annual survey based on interviews with private banking customers.

In Q4/2018 Nykredit launched the MineMål benefits programme aimed at helping customers achieve their goals and dreams as homeowners. MineMål awards cash benefits to personal full-service customers with Nykredit who will receive DKK 250 on their MineMål account each quarter. In Q4/2018 the customers received DKK 39 million.

Business profit and profit before tax

Nykredit Bank delivered a satisfactory business profit of DKK 1,838 million in 2018, which was at the high end of expectations for 2018 of between DKK 1.5 billion and DKK 2.0 billion, and a profit before tax of DKK 2,118 million, which exceeded expectations for 2018. Activity levels remained high in 2018, and total lending (excluding reverse repurchase lending) rose by 8.6% to DKK 60.6 billion compared with the level at end-2017.

Income

Income declined by DKK 247 million to DKK 4,141 million compared with 2017, which primarily was attributable to lower trading and investment portfolio income following the general turmoil in the equity markets.

Net interest income, which in the Management Commentary presentation derives from deposits and lending activities, rose by DKK 40 million to DKK 1,533 million, while net fee income declined by DKK 19 million to a total of DKK 521 million compared with 2017. The rise in net interest income was partly driven by increased lending, while net fee income primarily declined as a result of higher customer discounts, declining income from payment services and declining insurance commission resulting from decreasing activity levels.

Wealth management income dropped by DKK 41 million to DKK 1,361 million compared with 2017. The income stems from activities carried out by the Group's entities in Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S and was adversely affected by the general market turmoil.

Net interest expenses from capitalisation, which include interest on subordinated debt etc, totalled DKK 30 million, equal to a DKK 2 million decline on 2017.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, fell by DKK 230 million to DKK 756 million as a result of the lower customer activity and falling prices owing to the general market turmoil.

Costs

Costs increased by DKK 56 million, or 2.8%, from DKK 1,973 million to DKK 2,029 million, reflecting Nykredit's investment in compliance and implementation of new regulatory requirements and transition to BEC.

The average number of full-time equivalent staff totalled 837 compared with 822 in 2017.

Impairment charges for loans and advances and provisions for guarantees etc

Impairment charges for the year remained low at 0.3% compared with negative 0.1% in 2017. Impairment charges and provisions came to a charge of DKK 274 million against a gain of DKK 102 million in 2017. Retail accounted for DKK 135 million, Wholesale accounted for DKK 124 million and Wealth Management accounted for DKK 24 million.

Legacy derivatives

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

Value adjustment was a gain of DKK 280 million against a gain of DKK 1,517 million in 2017. The lower level in 2018 resulted partly from the interest rate decline and changes in credit spread in Q4/2018 and the fact that 2017 was affected by income of DKK 739 million generated from the settlement of A/B Hostrups Have and A/B Duegården.

The portfolio of legacy derivatives had 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 against DKK 3.4 billion at end-2017.

Tax

The calculated tax charge was DKK 458 million, corresponding to 21.6% of profit before tax, compared with 22.3% in 2017.

RESULTS FOR Q4/2018 RELATIVE TO Q3/2018

Profit before tax was DKK 16 million, corresponding to a decline of DKK 779 million compared with Q3/2018.

Income went down by DKK 250 million to DKK 844 million, of which trading, investment portfolio and other income fell by DKK 199 million owing to an adverse development in swaps currently offered following the interest rate declines in Q4.

Costs and impairment charges rose by DKK 82 million and DKK 179 million, respectively. Impairment charges were particularly affected by impairments on the exposures of a few large clients.

Value adjustment of legacy derivatives saw an adverse change of DKK 268 million, declining from a gain of DKK 164 million in Q3 to a charge of DKK 104 million in Q4/2018.

Business profit was subsequently DKK 120 million in Q4/2018 against DKK 631 million in Q3.

RESULTS RELATIVE TO OUTLOOK

As announced in the Annual Report for 2017 Nykredit's expectations for 2018 were a business profit and profit before tax of between DKK 1.5 billion and DKK 2.0 billion.

Profit before tax was satisfactory and came to DKK 2.1 billion, thereby slightly exceeding expectations, while business profit of DKK 1.8 billion was at the high end of the range.

OUTLOOK FOR 2019

For 2019 Nykredit Bank expects a business profit of between DKK 1.5 billion and DKK 2.0 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 the following assumptions:

- Nykredit expects marginally lower income in 2019 due to expectedly lower income from active swaps. Business volumes are expected to grow.
- Costs are expected to rise slightly in 2019 relative to 2018.
- More normalised impairment charges for loans and advances in 2019 are expected and consequently also higher impairment levels than in 2018.

The most important uncertainty factors relative to the 2019 outlook relate to legacy derivatives and impairment charges for loans and advances.

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 Nykredit Bank Group's financial position.

SPECIAL ACCOUNTING CIRCUMSTANCES

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

OTHER

Kent Ankersen resigned as staff-elected member of the Bank's Board of Directors, which now consists of seven directors. See page 119f for directorships and executive positions.

CREDIT RATINGS

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

S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have a long-term rating of A and a short-term rating of A-1 with S&P. In July S&P changed the outlook of the issuer credit rating (A) from stable to positive.

Fitch Ratings

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

Listing of ratings

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

NYKREDIT BANK GROUP SUMMARY BALANCE SHEET		
DKK million	31.12.2018	31.12.2017
Assets		
Receivables from credit institutions etc	17,909	19,991
Reverse repurchase lending at amortised cost	37,427	27,566
Loans and advances at amortised cost	60,566	55,783
Retail	32,743	32,097
Wholesale	23,342	19,672
Wealth Management	3,955	3,344
Other loans and advances	526	670
Bonds and equities	49,297	47,454
Remaining assets	21,935	22,791
Total assets	**187,135**	**173,585**
Liabilities and equity		
Payables to credit institutions and central banks	54,620	40,218
Repo deposits	5,745	8,214
Deposits and other payables	77,119	76,502
Retail	49,388	46,646
Wholesale	11,708	14,164
Wealth Management	12,090	13,464
Other deposits	3,932	2,228
Bonds in issue	5,411	6,473
Other non-derivative financial liabilities at fair value	7,618	5,762
Remaining payables and provisions	13,527	14,539
Subordinated debt	2,000	2,000
Equity	21,095	19,877
Total liabilities and equity	**187,135**	**173,585**

NYKREDIT BANK GROUP EQUITY		
DKK million	31.12.2018	31.12.2017
Equity, beginning of year	19,877	16,744
IFRS 9 impact	(441)	0
Profit after tax	1,660	3,133
Total equity	**21,095**	**19,877**

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 187.1 billion compared with DKK 173.6 billion at end-2017.

Receivables from credit institutions and cash balances etc reduced by DKK 2.1 billion to DKK 17.9 billion, while reverse repurchase lending increased by DKK 9.9 billion to DKK 37.4 billion.

Lending at amortised cost (excluding reverse repurchase lending) rose by DKK 4.8 billion relative to end-2017 to DKK 60.6 billion at end-2018.

In recent years, Nykredit Bank has transferred a number of secured homeowner loans to Totalkredit, which has reduced the Bank's balance sheet. At 31 December 2018 these loans amounted to DKK 6.2 billion against DKK 4.2 billion at end-2017. Loan balances including secured homeowner loans totalled DKK 66.8 billion compared with DKK 60.0 billion at end-2017.

Wholesale loans and advances, excluding reverse repurchase lending, rose by DKK 3.7 billion, of which syndicated loans accounted for DKK 2.3 billion, while Wealth Management and Retail each saw a rise of DKK 0.6 billion.

The bond and equity portfolios totalled DKK 49.3 billion, which was an increase on the beginning-of-year portfolio. The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The same applies to balances with credit institutions.

Remaining assets were DKK 21.9 billion compared with DKK 22.8 billion at end-2017. At end-2018 DKK 17.8 billion was attributable to positive market values of derivatives compared with DKK 18.4 billion at end-2017. The positive market values related to the Bank's customer activities in derivatives and positions for hedging own risk. The Bank's interest rate risk is widely hedged through offsetting interest rate swaps.

Moreover, remaining assets include interest and commission receivable.

Payables to credit institutions and central banks rose by DKK 14.4 billion to DKK 54.6 billion, while repo deposits fell by DKK 2.5 billion to DKK 5.7 billion.

Deposits and other payables (excluding repo deposits) went up by DKK 0.6 billion to DKK 77.1 billion.

NYKREDIT BANK GROUP
CAPITAL AND CAPITAL ADEQUACY

DKK million	31.12.2018	31.12.2017
Share capital	8,045	8,045
Retained earnings[1]	13,050	11,832
Equity, year-end[1]	**21,095**	**19,877**
Prudent valuation adjustment	(32)	(30)
Intangible assets and deferred tax assets	(16)	(17)
Deduction for difference between IRB losses and impairments	0	(43)
Other deductions	0	(4)
Transitional adjustment of deductions	0	9
Common Equity Tier 1 capital	**21,048**	**19,791**
Additional Tier 1 capital	0	(4)
Other deductions	0	4
Tier 1 capital	**21,048**	**19,791**
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	336	125
Transitional adjustment of Tier 2 capital	0	(4)
Own funds[1]	**23,384**	**21,912**
Credit risk	87,742	80,663
Market risk	12,794	11,235
Operational risk	7,765	6,112
Total risk exposure amount	**108,300**	**98,011**
Total capital ratio, %	21.5	22.3
Tier 1 capital ratio, %	19.4	20.1
Common Equity Tier 1 capital ratio, %	19.4	20.1

[1]At 1 January 2018, the CET1 capital ratio of the Nykredit Bank Group was 19.7% after recognition of the net impact of IFRS as at 1 January 2018. Nykredit does not apply the transitional arrangements set out in Article 473a (4).

NYKREDIT BANK GROUP
REQUIRED OWN FUNDS AND INTERNAL CAPITAL ADEQUACY REQUIREMENT

DKK million	31.12.2018	31.12.2017
Credit risk (incl CVA)	7,019	6,453
Market risk	1,023	899
Operational risk	621	489
Total Pillar I	**8,664**	**7,841**
Slightly weaker economic climate (stress tests, etc)	530	1,076
Other risks	1,642	1,488
Model and calculation uncertainties	192	0
Total Pillar II	**2,364**	**2,564**
Total required own funds	**11,029**	**10,405**
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.2	10.6

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

Other non-derivative financial liabilities at fair value, which include negative bond portfolios, for which the Bank has a repurchase obligation, came to DKK 7.6 billion against DKK 5.8 billion at end-2017.

Remaining payables and provisions amounted to DKK 13.5 billion compared with DKK 14.5 billion at end-2017. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The negative market values of derivative financial instruments were DKK 10.7 billion against DKK 11.5 billion at end-2017.

Equity and capital adequacy

Equity carried for accounting purposes totalled DKK 21.1 billion at end-2018. In 2018 equity changed with profit for the year less beginning of year equity adjustments as a result of the IFRS 9 impact. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

At end-2018 Nykredit Bank's total own funds came to DKK 23.4 billion determined inclusive of profit for 2018. Common Equity Tier 1 (CET1) capital is the most important capital concept in the determination of capital, as this is the type of capital required to comply with most of the regulatory capital requirements in future. The Bank's CET1 capital amounted to DKK 21.0 billion at end-2018 compared with DKK 19.8 billion at end-2017.

The risk exposure amount (REA) totalled DKK 108.3 billion at end-2018 against DKK 98.0 billion at end-2017, mainly due to increased credit risk.

At end-2018 the total capital ratio was 21.5% and the CET 1 capital ratio 19.4%.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks. Nykredit Bank's required own funds totalled DKK 11.0 billion at end-2018. Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.2% against 10.6% at end-2017.

IMPAIRMENT AND LENDING

Earnings impact

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

Impairment charges for loans and advances were a charge of DKK 274 million in 2018 compared with a gain of DKK 102 million in 2017. Of the total impairment charges, impairment charges for loans and advances etc represented DKK 322 million, while recoveries on loans and advances previously written off were DKK 48 million.

Total provisions

Total provisions reduced by 0.8% from DKK 2,920 million at 1 January 2018 (including the IFRS 9 impact) to DKK 2,896 million at 31 December 2018.

In addition, value adjustment of interest rate swaps of DKK 3.1 billion was recorded, of which credit value adjustments amounted to DKK 2.7 billion, comprising DKK 2.1 billion relating to legacy derivatives and DKK 0.6 billion relating to other items.

Total non-continuing exposures were DKK 0.2 billion against DKK 0.2 billion at 31 December 2017 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 117 million against DKK 120 million at 1 January 2018 (including the IFRS 9 impact).

Relative to total loans, advances and guarantees, provisions amounted to 2.3% compared with 2.1% at end-2017.

The total balance of accounts overdrawn/in arrears for which no credit impairment had been recorded was very limited, equal to 0.5% of total lending at amortised cost (excluding reverse repurchase lending) against 0.7% at end-2017. This generally concerned a large number of accounts with fairly small overdrafts.

PROVISIONS FOR LOAN IMPAIRMENT AND GUARANTEES – NYKREDIT BANK GROUP

DKK million	2018	2017
Impairment provisions, beginning of year	2,800	2,560
Impairment provisions and reversals	(21)	(271)
Impairment provisions, year-end	**2,779**	**2,289**
Of which impairment provisions for loans and advances etc	2,767	2,266
Of which impairment provisions for loans and advances to banks	12	23
Provisions for guarantees and loan commitments		
Provisions, beginning of year	120	51
Provisions, year-end	117	58
Total provisions	**2,896**	**2,348**
Earnings impact		
New impairment provisions and write-offs for the year, net	325	(19)
Recoveries on loans and advances previously written off	48	90
Total	**277**	**(109)**
Provisions for guarantees and loan commitments	(3)	7
Total earnings impact	**274**	**(102)**

Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees was DKK 120.5 billion against DKK 108.4 billion at end-2017, corresponding to a rise of DKK 12.1 billion.

This figure comprised a rise in reverse repurchase lending of DKK 9.9 billion, a rise in other loans and advances of DKK 4.8 billion and a decline in guarantees of DKK 2.6 billion. Reverse repurchase lending totalled DKK 37.4 billion at end-2018 against DKK 27.6 billion at end-2017.

Finance and insurance remained the largest single sector exposure at DKK 45.7 billion against DKK 35.0 billion at end-2017. The exposure widely comprised reverse repurchase lending with bonds serving as security.

Finance and insurance accounted for 37.9% against 32.2% at end-2017 and personal customers 22.7% against 25.6% at end-2017.

At 31 December 2018, loan impairment provisions for the real estate sector totalled DKK 0.6 billion compared with DKK 0.8 billion at end-2017, or 4.4% of total loans and advances to the sector. At end-2017 the percentage was 5.6%.

LOANS, ADVANCES AND GUARANTEES BY SECTOR

DKK million	Loans, advances and guarantees		Provisions	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Public sector	639	714	3	2
Agriculture, hunting, forestry and fishing	3,335	4,645	125	104
Manufacturing, mining and quarrying	4,474	4,687	272	195
Energy supply	2,071	1,970	18	14
Construction	2,820	2,844	171	177
Trade	4,136	3,886	334	176
Transport, accommodation and food service activities	4,396	2,954	62	100
Information and communication	2,633	1,050	45	25
Finance and insurance	45,694	34,966	243	72
Real estate	11,775	11,345	475	663
Other	11,142	11,562	447	239
Total business customers	**92,476**	**79,909**	**2,192**	**1,765**
Personal customers	27,405	27,805	689	581
Total	**120,520**	**108,428**	**2,884**	**2,348**

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

SUPERVISORY DIAMOND

	2018	2017
Large exposures (limit value <175%)	91.7%	96.0%
Lending growth (limit value <20%)	8.9%	1.7%
Property exposure (limit value <25%)	10.7%	11.6%
Funding ratio (limit value <1.0)	0.6	0.5
Liquidity benchmark (limit value >100%)	183.8%	186.0%

The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures for 2017 have been restated accordingly. Compared with the previous method, the benchmark was 0.0% at end-December 2017. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

Supervisory Diamond for banks

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

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

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.

The Bank's property exposure was 10.7% against 12.8% at end-2017.

ORGANISATION AND RESPONSIBILITIES

The Board of Directors of Nykredit Bank is responsible for limiting and monitoring Nykredit Bank's risks as well as approving the delegation of responsibilities and overall instructions. The Board of Directors has laid down guidelines and specific limits for the types of risk the Company may assume. These risk limits have been delegated within the organisation.

Nykredit Bank is subject to the Nykredit Group's coordinated risk management, and the Chief Risk Officer of Nykredit Realkredit A/S has been appointed Chief Risk Officer of Nykredit Bank A/S by the Board of Directors of Nykredit Bank. Nykredit has appointed a number of Group-level committees, which are to perform specific tasks within selected fields.

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.

Nykredit Bank A/S has not appointed similar boards, but the boards appointed by Nykredit Realkredit A/S handle matters of relevance to the Group, including Nykredit Bank A/S.

Audit Board

The Nykredit Group Audit Board only reviews audit and accounting matters in Nykredit Realkredit A/S and Nykredit A/S. However, these matters are generally also of importance to the presentation of Nykredit Bank's Financial Statements.

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 principally tasked with making recommendations to the Board of Directors of Nykredit Realkredit A/S on the nomination of candidates for its Board of Directors and Executive Board.

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 of Nykredit Realkredit A/S 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.

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.

Committees

The Executive Board has set up five committees, which perform specific tasks within selected fields. Each committee must report to the 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 RESPONSIBILITY

Nykredit Bank complies with the Nykredit Group's policy and objectives in this area.

For additional information on Nykredit's corporate responsibility, please refer to our CR Report 2018 at nykredit.com/CSRrapport2018 which includes:

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.

CORPORATE GOVERNANCE

Nykredit Bank complies with the Nykredit Group's objectives in this area.

Information on Nykredit's organisation and corporate governance is available at nykredit.com/corporategovernance.

REMUNERATION

Material risk takers

At end-2018 the Nykredit Bank Group had identified a total of 141 risk takers in addition to the members of the Bank's Executive Board and Board of Directors, who are risk takers exclusively by virtue of their directorships and executive positions. Of the 141 risk takers, 32 are on the payroll of Nykredit Bank, 5 are on the payroll of the Bank's subsidiaries, and 104 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs tasks across the Group companies.

Material risk takers are identified in compliance with EU regulation in this area.

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 2018 bonus provisions in respect of the Bank's Executive Board and other risk takers amounted to DKK 37 million compared with bonus provisions of DKK 32 million for 2017. The 2018 bonus provisions corresponded to 55% of their fixed salaries.

The total remuneration of risk-takers subject to variable remuneration appears from note 13.

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

Bonus programmes
A general bonus programme applies to Nykredit's executives who report directly to the Group Executive Board.

The Bank's Executive Board participates in this bonus programme. The programme is discretionary, which means that executives are not guaranteed a bonus. The bonus limit applying to an executive is fixed individually, but is subject to a maximum of three months' salary. Of the bonus amount, the payout of at least 40% is deferred over five years, and a considerable part of the bonus is paid out as remuneration bonds.

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 based on their job performance. The 2018 bonus provisions in respect of these staff members (excluding risk takers) amounted to DKK 58 million compared with bonus provisions of DKK 69 million for 2017. The 2018 bonus provisions corresponded to 50% of their fixed salaries.

In addition, a limited number of individual bonus programmes apply to selected staff members responsible for corporate and institutional clients. 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 amounted to DKK 1 million compared with bonus provisions of DKK 1 million in 2017.

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 1 million were made for one-off awards, the same as in 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 120 million against DKK 124 million for 2017. The total provisions for bonuses and one-off awards for 2018 corresponded to 18% of total fixed salaries.

In order to retain selected executive and key staff members, a commitment has been made that these may receive retention payment, the expense of which is held by Nykredit A/S. For 2018, provisions for retention payment amounted to DKK 3.9 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 rather than eliminate 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 Bank 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.

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.

ALTERNATIVE PERFORMANCE MEASURES

In the opinion of Management, the Management Commentary should be based on the internal management and business division reporting, which also 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 (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 interest income from bank lending and deposits. The corresponding item in the income statement (page 25) includes all interest.

"Net fee income" comprising 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.

"Trading, investment portfolio and other income" comprising 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.

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 equity. 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.

NYKREDIT BANK A/S

Nykredit Bank A/S is wholly owned by Nykredit Realkredit A/S. Nykredit Bank has been included in that company's consolidated financial statements and in the consolidated financial statements of Forenet Kredit, Copenhagen, which owns 78.90% of Nykredit Realkredit A/S.

Nykredit Bank A/S applies the same recognition and measurement principles as those applied in the Nykredit Bank Group's Financial Statements, and profit for the year and equity are consequently identical in both entities' Financial Statements.

Since the majority of the activities of the Nykredit Bank Group are conducted through the Parent, Nykredit Bank A/S, the financial development has been affected by the same factors as described in the Management Commentary of the Nykredit Bank Group.

Income statement

Nykredit Bank A/S recorded a profit of DKK 1,660 million in 2018, equal to a downturn of DKK 1,473 million compared with a profit of DKK 3,133 million for 2017.

Income fell by DKK 1,530 million from DKK 5,385 million in 2017 to DKK 3,855 million in 2018.

Net interest and fee income declined by DKK 84 million, while value adjustments and other operating income saw a total decrease of DKK 1,446 million.

Costs rose from DKK 1,749 million in 2017 to DKK 1,819 million in 2018. Please refer to the previous section "Costs" of this Annual Report.

Impairment charges for loans and advances were a charge of DKK 238 million in 2018 compared with a gain of DKK 123 million in 2017.

Profit from equity investments in associates and Group enterprises came to a gain of DKK 250 million compared with DKK 217 million in 2017. Of this amount, Nykredit Portefølje Administration contributed DKK 163 million and Nykredit Leasing DKK 84 million.

Principal balance sheet items

The balance sheet total increased from DKK 172.9 billion at end-2017 to DKK 186.6 billion.

Cash balances and receivables from credit institutions etc decreased from DKK 20.0 billion to DKK 17.9 billion.

Loans and advances at amortised cost amounted to DKK 96.7 billion.

Bonds and equities amounted to DKK 48.4 billion against DKK 46.8 billion at end-2017. As for the entire Group, the size of the portfolios reflects the Bank's capital markets and repo activities and surplus liquidity, of which a substantial part is placed in bonds.

Payables to credit institutions and central banks stood at DKK 54.6 billion.

Deposits and other payables came to DKK 82.9 billion.

Equity

Equity increased by profit for the year of DKK 1.7 billion to DKK 21.1 billion.

Total capital ratio, %

The total capital ratio declined from 21.4% in 2017 to 20.6%.

Dividend

It will be recommended for approval by the Annual General Meeting that no dividend be distributed for 2018.

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 2018 of Nykredit Bank A/S and the Nykredit Bank Group.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The Financial Statements for Nykredit Bank A/S 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	**Board of Directors**
Henrik Rasmussen	Michael Rasmussen Chairman
Dan Sørensen	Søren Holm Deputy Chairman
	Kim Duus
	Flemming Ellegaard*
	David Hellemann
	Anders Jensen
	Allan Kristiansen*

* Staff-elected member

INTERNAL AUDITORS' REPORT

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements of Nykredit Bank 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 and Danish disclosure requirements for issuers of listed bonds 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 Bank 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 and Danish disclosure requirements for issuers of listed bonds. 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

To the shareholder of Nykredit Bank A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nykredit Bank 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 Bank A/S for the first time on 23 September 1994 for the financial year 1994. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 25 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 97,993 million at 31 December 2018 (DKK 83,349 million at 31 December 2017), and impairment charges therefore for the period amount to DKK 274 million in 2018 (a gain of DKK 102 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. Management has described the management of credit risks and the review for impairment in more detail in notes 15, 16 and 47 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 16,763 million (DKK 17,278 million at 31 December 2017) and DKK 9,722 million (DKK 10,400 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 42 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
CVR no 33 96 35 56

Henrik Wellejus	Bjørn Philip Rosendal
State-Authorised	State-Authorised
Public Accountant	Public Accountant
Identification No 24807	Identification No 40039

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S 2017	2018		Note	Nykredit Bank Group 2018	2017
		INCOME STATEMENTS			
1,920	1,858	Interest income based on the effective interest method	7	2,023	2,068
(196)	(138)	Remaining interest income	7	(138)	(196)
(196)	(186)	Negative interest, income	7a	(186)	(196)
(215)	(300)	Positive interest, expenses	7a	(300)	(215)
297	366	Interest expenses	8	364	296
1,446	**1,469**	**Net interest income**		**1,636**	**1,594**
12	5	Dividend on equities etc	9	5	12
1,675	1,634	Fee and commission income	10	2,038	2,069
315	374	Fee and commission expenses	11	407	367
2,818	**2,734**	**Net interest and fee income**		**3,273**	**3,308**
2,563	1,117	Value adjustments	12	1,114	2,562
4	4	Other operating income		30	34
1,712	1,799	Staff and administrative expenses	13	2,005	1,934
12	-	Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	14	0	12
25	19	Other operating expenses		23	28
(123)	238	Impairment charges for loans, advances and receivables etc	15, 16	274	(102)
217	250	Profit from investments in associates and Group enterprises	17	3	2
3,976	**2,049**	**Profit before tax**		**2,118**	**4,033**
843	389	Tax	18	458	901
3,133	**1,660**	**Profit for the year**		**1,660**	**3,133**
		Proposal for the distribution of profit			
217	250	Statutory reserves		-	-
2,916	1,410	Retained earnings		1,660	3,133
3,133	**1,660**	**Profit for the year**		**1,660**	**3,133**
		COMPREHENSIVE INCOME			
3,133	**1,660**	**Profit for the year**		**1,660**	**3,133**
-	-	Other additions and disposals		-	-
-	**-**	**Other comprehensive income**		**-**	**-**
3,133	**1,660**	**Comprehensive income for the year**		**1,660**	**3,133**

BALANCE SHEETS

DKK million

Nykredit Bank A/S 2017	2018		Note	Nykredit Bank Group 2018	2017
		ASSETS			
1,893	8,585	Cash balances and demand deposits with central banks	19	8,585	1,893
18,097	9,323	Receivables from credit institutions and central banks	20	9,324	18,098
27,566	-	Loans, advances and other receivables at fair value	21	-	27,566
54,408	96,699	Loans, advances and other receivables at amortised cost	22	97,993	55,783
42,885	41,926	Bonds at fair value	23	42,772	43,520
3,711	6,282	Bonds at amortised cost	24	6,282	3,711
217	233	Equities	25	234	218
4	8	Investments in associates	26	8	4
1,396	1,643	Investments in Group enterprises	26	-	-
14	14	Intangible assets	27	14	14
-	-	Other property, plant and equipment	28	0	-
-	17	Current tax assets	35	17	-
144	127	Deferred tax assets	37	127	145
-	2	Assets in temporary possession	29	2	-
22,351	21,664	Other assets	30	21,707	22,387
238	59	Prepayments		69	245
172,925	**186,581**	**Total assets**		**187,135**	**173,585**

BALANCE SHEETS

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Note	Nykredit Bank Group 2018	Nykredit Bank Group 2017
		LIABILITIES AND EQUITY			
39,948	54,620	Payables to credit institutions and central banks	31	54,620	40,218
76,610	82,942	Deposits and other payables	32	82,864	76,501
6,473	5,411	Bonds in issue at amortised cost	33	5,411	6,473
13,976	7,618	Other non-derivative financial liabilities at fair value	34	7,618	13,976
1	-	Current tax liabilities	35	35	31
-	-	Liabilities temporarily assumed		-	-
13,922	12,751	Other liabilities	37	13,191	14,258
6	6	Deferred income		10	9
150,937	**163,347**	**Total payables**		**163,749**	**151,467**
		Provisions			
-	-	Provisions for deferred tax	36	151	130
58	117	Provisions for losses under guarantees	38	117	58
53	22	Other provisions	38	22	53
111	**139**	**Total provisions**		**290**	**241**
2,000	2,000	Subordinated debt	39	2,000	2,000
		Equity			
8,045	8,045	Share capital		8,045	8,045
		Other reserves			
930	1,181	- statutory reserves		-	-
10,902	11,869	- retained earnings		13,050	11,832
19,877	**21,095**	**Total equity**		**21,095**	**19,877**
172,925	**186,581**	**Total liabilities and equity**		**187,135**	**173,585**
		OFF-BALANCE SHEET ITEMS	40		
25,449	22,626	Contingent liabilities		22,527	25,080
6,726	8,724	Other commitments		8,924	6,835
32,175	**31,350**	**Total**		**31,450**	**31,915**

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

2018	Share capital[1]	Retained earnings	Total equity
Equity, end-2017, see the Annual Report	8,045	11,832	19,877
Changes in impairment charges owing to implementation of IFRS 9	-	(566)	(566)
Changes in taxes due owing to implementation of IFRS 9	-	125	125
Equity, 1 January	**8,045**	**11,391**	**19,436**
Profit for the year	-	1,660	1,660
Total comprehensive income	**-**	**1,660**	**1,660**
Total changes in equity	**-**	**1,660**	**1,660**
Equity, 31 December	**8,045**	**13,050**	**21,095**
2017			
Equity, 1 January	**8,045**	**8,699**	**16,744**
Profit for the year	-	3,133	3,133
Total comprehensive income	**-**	**3,133**	**3,133**
Total changes in equity	**-**	**3,133**	**3,133**
Equity, 31 December	**8,045**	**11,832**	**19,877**

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

.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

2018	Share capital[1]	Statutory reserves[2]	Retained earnings	Total equity
Equity, end-2017, see the Annual Report	8,045	930	10,902	19,877
Changes in impairment charges owing to implementation of IFRS 9	-	-	(566)	(566)
Changes in taxes due owing to implementation of IFRS 9	-	-	125	125
Equity, 1 January	**8,045**	**930**	**10,461**	**19,436**
Profit for the year	-	250	1,410	1,660
Total comprehensive income	**-**	**250**	**1,410**	**1,660**
Total changes in equity	**-**	**250**	**1,410**	**1,660**
Equity, 31 December	**8,045**	**1,181**	**11,869**	**21,095**
2017				
Equity, 1 January	**8,045**	**713**	**7,986**	**16,744**
Profit for the year	-	217	2,916	3,133
Total comprehensive income	**-**	**217**	**2,916**	**3,133**
Total changes in equity	**-**	**217**	**2,916**	**3,133**
Equity, 31 December	**8,045**	**930**	**10,902**	**19,877**

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

CASH FLOW STATEMENT

Nykredit Bank Group	2018	2017
Profit for the year	**1,660**	**3,133**
Adjustments		
Interest income, net	(1,636)	(1,595)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	12
Other non-cash changes	20	(2)
Impairment charges for loans, advances and receivables etc	322	(22)
Tax on profit for the year	458	901
Total	**824**	**2,427**
Change in operating capital		
Loans, advances and other receivables	(15,437)	1,712
Deposits and other payables	5,781	11,238
Payables to credit institutions and central banks	14,529	(11,180)
Bonds	(1,453)	(6,247)
Equities etc	(20)	36
Other operating capital	(6,456)	(10,896)
Total	**(2,232)**	**(12,910)**
Interest income received	1,909	2,355
Interest expenses paid	(367)	(784)
Corporation tax paid, net	(297)	(896)
Cash flows from the above operating activities	**(987)**	**(12,235)**
Cash flows from investing activities		
Property, plant and equipment	-	(1)
Total	**-**	**(1)**
Cash flows from financing activities		
Bonds in issue	(1,109)	(3,492)
Total	**(1,109)**	**(3,492)**
Total cash flows for the year	**(2,096)**	**(15,728)**
Cash and cash equivalents, beginning of year	**19,991**	**35,723**
Foreign currency translation adjustment of cash	14	(4)
Total cash flows for the year	(2,096)	(15,728)
Cash and cash equivalents, year-end	**17,909**	**19,991**
Cash and cash equivalents, year-end:		
Cash balances and demand deposits with central banks	8,585	1,893
Receivables from credit institutions and central banks	9,324	18,098
Total	**17,909**	**19,991**

DKK million

NOTES

Nykredit Bank 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. 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 52.

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.

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" (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 for financial years starting on 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 " Investments 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). Implementation of IFRS 16 will not affect the financial reporting, as the Bank as a lessee has no substantive right to financial and other rights relating to material lease agreements. Apart from this, the Bank's leases are immaterial.

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". Issued on 7 June 2017 (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 the 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 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 43 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 the Bank 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. The Group 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 9,5% of the Group's assets at end-2018 (10.6% 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 25,9% and 0,8%, respectively, of the balance sheet total at end-2018 for financial assets (39.3% and 0.7% at end-2017), and 7,9% and 0,0%, respectively, for financial liabilities (17.0% 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 26,7% of the Group's assets at end-2018 (40.0% at end-2017).

Measurement of loans and advances etc – impairments
Credit risk reflects the risk of loss following the default 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 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. 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 (95% 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 42.

Financial instruments are classified as follows:

As at 1 January 2018, financial instruments were classified as follows based on the Group'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. Balances with credit institutions as well as bank loans and deposits are essentially still measured at amortised cost, while bond portfolios are primarily measured at fair value through profit or loss.

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

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

Receivables from and payables to credit institutions and central banks, bank lending, a limited bond portfolio, corporate bonds 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.

Equity and bond portfolios are 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.

Please also refer to note 42.

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

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.

Financial assets value adjusted through other comprehensive income

The Group does not use this category.

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 provisions were 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. 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 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 on lending at amortised cost and guarantees etc.
- Stage 2 covers loans and advances with significant increase in credit risk since initial recognition. For this category, impairment provisions are made corresponding to the life-time expected credit losses.
- 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 a customer's financial position and payment behaviour. An exposure is considered to be in default when a customer is in arrears with a significant amount at the time when a third reminder is sent, which will occur sooner 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.

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 Bank 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.

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".

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.

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 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. Moreover, total loan impairment provisions etc are offset against the relevant assets.

Consolidation

Nykredit Bank A/S (the Parent) and the enterprises in which the Bank exercises direct or indirect control over the financial and operational management and receives a variable return are included in the Consolidated Financial Statements. Nykredit Bank A/S and its subsidiaries are collectively referred to as the Nykredit Bank Group. Enterprises in which the Nykredit Bank Group exercises significant control are considered associates. This is typically when the Group holds 20% or more of the voting rights unless the presumption of control can be rebutted.

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.

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. After the branch in Sweden was wound up, Nykredit Bank has had no 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 interest income from bank lending and deposits. The corresponding item in the income statement (page 25) includes all interest.

"Net fee income" comprising 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" comprising 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.

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.

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 Leasing 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 the Bank acts as lessee are classified as operating leases. Nykredit Bank has entered into a few car leases.

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 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 leasing activities as well as gain on the sale of non-current assets.

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.

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 Bank Group and the Nykredit Group's other 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 Realkredit 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

Customer relationships 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 3 years.

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
- 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 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.

Bonds in issue at amortised cost

On initial recognition, bonds in issue are measured at fair value corresponding to consideration received less any costs incurred. Subsequently, the bonds in issue are measured at amortised cost. If a derivative financial hedging instrument that is measured at fair value is attached to the bonds in issue, those of the bonds that are hedged be means of the derivative financial instrument will be subjected to regular value adjustment. This way, the value adjustment of the hedged instrument and the hedging derivative financial instrument is made symmetrically.

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.

On initial recognition, subordinated debt is measured at fair value less any transaction costs. The subordinated debt is subsequently measured at amortised cost, and differences, if any, between the proceeds less transaction costs and the redemption value are recognised in the income statement over the term of the loan by applying the effective interest method.
When the interest rate risk relating to fixed-rate subordinated debt is effectively hedged using derivatives, amortised cost is supplemented with the fair value of the hedged interest rate risk.

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.

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 Bank'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).

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.

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 BANK A/S

The Financial Statements of the Parent Nykredit Bank 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 Nykredit Bank Group's accounting policies as described above, and profit is identical in the Parent and the Consolidated Financial Statements.

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 Bank 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.

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.

Nykredit Bank'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.

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		2. CAPITAL AND CAPITAL ADEQUACY		
19,877	**21,095**	**Equity**	**21,095**	**19,877**
(30)	(32)	Prudent valuation adjustment	(32)	(30)
(17)	(16)	Intangible assets excluding deferred tax liabilities	(16)	(17)
(43)	-	Deduction for difference between IRB losses and impairments	-	(43)
(4)	-	Other deductions	-	(4)
9	-	Transitional adjustment of deductions	-	9
(86)	**(47)**	**Common Equity Tier 1 capital deductions**	**(47)**	**(86)**
19,791	**21,048**	**Common Equity Tier 1 capital**	**21,048**	**19,791**
(4)	-	Transitional adjustment of deductions	-	(4)
4	-	Set-off of excess deductions	-	4
-	**-**	**Total Additional Tier 1 capital after deductions**	**-**	**-**
19,791	**21,048**	**Tier 1 capital**	**21,048**	**19,791**
2,000	2,000	Tier 2 capital	2,000	2,000
125	336	Tier 2 capital additions/deductions	336	125
(4)	-	Transitional adjustment of deductions	-	(4)
-	-	Set-off of excess deductions	-	-
21,912	**23,384**	**Own funds**	**23,384**	**21,912**
85,454	93,375	Credit risk	87,742	80,663
11,235	12,794	Market risk	12,794	11,235
5,300	6,899	Operational risk	7,765	6,112
101,989	**113,067**	**Total risk exposure amount**	**108,300**	**98,011**
		Financial ratios		
19.4	18.6	Common Equity Tier 1 capital ratio, %	19.4	20.1
19.4	18.6	Tier 1 capital ratio, %	19.4	20.1
21.4	20.6	Total capital ratio, %	21.5	22.3

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 Nykredit Bank Group. The requirement of 2% is being phased in and currently constitutes 1.6%. To this should be added the phase-in of the permanent buffer requirement, currently 1.9%, applicable to all financial institutions.

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

.

2. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

As a subsidiary of Nykredit Realkredit A/S, Nykredit Bank is subject to the Nykredit Group's capital policy and management. Nykredit's objective is to maintain active lending activities regardless of economic trends, while retaining a competitive credit rating.

To ensure flexibility and leeway, an element of the capital policy is to concentrate capital to the widest extent possible in the Parent, Nykredit Realkredit A/S. Capital is contributed to subsidiaries, including Nykredit Bank, as required.

Stress tests and capital projection

Nykredit Bank conducts a large number of stress tests and capital projections. The tests are applied to determine required own funds, and the test results are included in the Board of Directors' annual assessment of the internal capital adequacy requirement as well as in the continuous capital planning.

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

The most important macroeconomic factors identified are:
Property prices
Interest rates
Unemployment
GDP growth

Nykredit Bank operates with two scenarios of the economic development: A baseline scenario and a slightly weaker economic climate.

In a slightly weaker economic climate, the capital requirement for credit risk builds 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.

Baseline scenario

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

Stress scenario: Slightly weaker economic climate in 2019-2021

The stress scenario is designed to illustrate a slightly weaker economic climate relative to the baseline scenario. The capital charge reflects how much the capital requirement would increase if this scenario occurred. The results are included in the determination of the internal capital adequacy requirement.

The capital charge for a slightly weaker economic climate came to DKK 0,5 billion at end-2018.

DKK million

Nykredit Bank Group

3. BUSINESS AREAS

RESULTS 2018	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
RESULTS BY BUSINESS AREA									
Net interest income	394	612	1,007	474	-	474	53	(1)	1,533
Net fee income	152	153	305	227	-	227	14	(26)	521
Wealth management income	361	147	508	122	-	122	714	16	1,361
Net interest from capitalisation	(19)	(42)	(62)	(43)	(10)	(54)	(7)	93	(30)
Trading, investment portfolio and other income	59	232	290	169	258	427	36	3	756
Income	**946**	**1,102**	**2,048**	**950**	**248**	**1,197**	**810**	**85**	**4,141**
Costs	714	364	1,078	260	226	487	437	27	2,029
Business profit before impairment charges	**232**	**738**	**970**	**689**	**21**	**711**	**373**	**58**	**2,112**
Impairment charges for loans and advances	6	130	135	124	-	124	24	(9)	274
Business profit	**227**	**608**	**835**	**565**	**21**	**587**	**350**	**67**	**1,838**
Legacy derivatives	1	176	177	73	31	104	(0)	-	280
Profit before tax	**227**	**784**	**1,011**	**638**	**52**	**690**	**349**	**67**	**2,118**
Of which transactions between the business areas	83	155	238	172	(347)	(176)	(126)	64	0
Average allocated business capital	2,392	5,160	7,552	1,400	6,582	827	1,343	16,304	26,026
Business profit as % of average business capital	9.5	11.8	11.1	40.4	0.3	70.9	26.0		7.1
BALANCE SHEET									
Assets									
Reverse repurchase lending at amortised cost								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	**11,507**	**21,236**	**32,743**	**23,342**	**-**	**23,342**	**3,955**	**37,953**	**97,993**
Unallocated assets									89,141
Total assets									**187,135**
Liabilities and equity									
Repo deposits at amortised cost								5,745	5,745
Deposits and other payables at amortised cost	30,332	19,055	49,388	11,708	-	11,708	12,090	3,787	77,119
Liabilities by business area	**30,332**	**19,055**	**49,388**	**11,708**	**-**	**11,708**	**12,090**	**9,533**	**82,864**
Unallocated liabilities									83,176
Equity									21,095
Total liabilities and equity									**187,135**

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

RESULTS 2017	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale	Wealth Management	Group Items	Total
Results by business area									
Net interest income	447	555	1,002	442	-	442	47	2	1,493
Net fee income	158	138	295	246	-	246	15	(16)	540
Wealth management income	359	176	535	106	-	106	739	22	1,402
Net interest from capitalisation	(20)	(41)	(61)	(42)	(8)	(50)	(6)	84	(32)
Trading, investment portfolio and other income	20	319	339	264	393	657	30	(40)	986
Income	**964**	**1,147**	**2,111**	**1,016**	**385**	**1,401**	**825**	**52**	**4,389**
Costs	662	377	1,039	257	224	480	433	21	1,974
Business profit before impairment charges	**302**	**770**	**1,072**	**759**	**161**	**920**	**392**	**31**	**2,415**
Impairment charges for loans and advances	36	36	72	(159)	-	(159)	8	(22)	(102)
Business profit	**266**	**734**	**1,000**	**918**	**161**	**1,079**	**384**	**53**	**2,516**
Legacy derivatives	(1)	358	357	1,130	30	1,160	-	-	1,517
Profit before tax	**266**	**1,091**	**1,357**	**2,048**	**191**	**2,239**	**384**	**53**	**4,033**
Of which transactions between the business areas	320	151	470	65	(395)	(330)	(371)	231	-
Average allocated business capital	2,329	4,794	7,123	4,883	1,133	6,016	658	1,315	15,112
Business profit as % of average business capital	11.4	15.3	14.0	18.8	14.2	17.9	58.4	-	16.7
BALANCE SHEET									
Assets									
Reverse repurchase lending at fair value								27,566	27,566
Loans and advances at amortised cost	11,973	20,124	32,097	19,672	-	19,672	3,344	670	55,783
Assets by business area	**11,973**	**20,124**	**32,097**	**19,672**	**-**	**19,672**	**3,344**	**28,236**	**83,349**
Unallocated assets									90,236
Total assets									**173,585**
Liabilities and equity									
Repo deposits								8,214	8,214
Deposits and other payables at amortised cost	27,214	19,432	46,645	14,164	-	14,164	13,464	2,228	76,501
Liabilities by business area	**27,214**	**19,432**	**46,645**	**14,164**	**-**	**14,164**	**13,464**	**10,442**	**84,715**
Unallocated liabilities									68,993
Equity									19,877
Total liabilities and equity									**173,585**

DKK million

Nykredit Bank 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	1,533	103	1,636	1,493	101	1,594
Dividend on equities etc		5	5		12	12
Fee and commission income, net	521	1,110	1,632	540	1,162	1,702
Net interest and fee income		**1,219**	**3,273**		**1,276**	**3,308**
Wealth management income	1,361	(1,361)	-	1,402	(1,402)	-
Net interest from capitalisation	(30)	30	-	(32)	32	-
Trading, investment portfolio and other income	756	(756)	-	986	(986)	-
Value adjustments		1,114	1,114		2,562	2,562
Other operating income		30	30		34	34
Total income	**4,141**			**4,388**		
Costs	2,029	-	2,029	1,974	-	1,974
Business profit before impairment charges	**2,112**			**2,415**		
Impairment charges for loans and advances etc	274	-	274	(102)	-	(102)
Profit from investments in associates		3	3		2	2
Business profit	**1,838**			**2,516**		
Legacy derivatives	280	(280)	-	1,517	(1,517)	-
Profit before tax	**2,118**	**-**	**2,118**	**4,033**	**-**	**4,033**

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" are unchanged.

Nykredit Bank Group	2018	DKK million 2017
5. INCOME		
Interest income (IFRS 9 instruments), net	**1,742**	**1,734**
Income from leasing activities, net	**142**	**138**
Revenue from contracts with customers (IFRS 15)		
Fees:		
- securities trading and custody accounts	1,260	1,259
- payment services	136	120
- loan fees og guarantee commission	109	97
- other fees	532	593
Other ordinary income	**30**	**34**
Revenue from contracts with customers (IFRS 15) by business area [1]		
Retail	721	714
Wholesale	342	399
Wealth Management	909	858
Group Items	65	98
Total	**2,037**	**2,069**

[1] The distribution of fees by business area shows the business areas for which the fees are included on initial recognition. The fees are subsequently reallocated together with other income on a net basis to the business areas 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 Bank 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	10	20	(10)	-	-	(10)
Lending and deposits	1,996	(26)	2,022	-	23	2,045
Repo transactions and reverse repurchase lending	(165)	(104)	(61)	-	-	(61)
Bonds	(6)	-	(6)	-	-	(6)
Bonds in issue	-	58	(58)	-	-	(58)
Subordinated debt	-	39	(39)	-	-	(39)
Other financial instruments	3	77	(74)	-	-	(74)
Total	**1,837**	**64**	**1,774**	**-**	**23**	**1,797**
Financial portfolios at fair value and financial instruments at fair value						
Bonds	94	-	94	-	(17)	77
Equities etc	-	-	-	5	36	41
Derivative financial instruments etc	(232)	-	(232)	-	987	755
Total	**(138)**	**-**	**(138)**	**5**	**1,006**	**874**
Foreign currency translation adjustment					85	85
Net interest income etc and value adjustments	**1,699**	**64**	**1,636**	**5**	**1,114**	**2,756**

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	(18)	(40)	21	-	-	21
Lending and deposits	1,994	14	1,980	-	(33)	1,947
Bonds	(3)	-	(3)	-	-	(3)
Bonds in issue	-	83	(83)	-	(60)	(143)
Subordinated debt	-	41	(41)	-	-	(41)
Other financial instruments	5	77	(72)	-	-	(72)
Total	**1,977**	**175**	**1,802**	**-**	**(93)**	**1,710**
Financial portfolios at fair value and financial instruments at fair value						
Repo transactions and reverse repurchase lending	(138)	(94)	(44)	-	5	(40)
Bonds	158	-	158	-	146	304
Equities etc	-	-	-	12	(24)	(12)
Derivative financial instruments	(321)	-	(321)	-	2,476	2,155
Total	**(301)**	**(94)**	**(207)**	**12**	**2,602**	**2,407**
Foreign currency translation adjustment					53	53
Net interest income etc and value adjustments	**1,676**	**81**	**1,595**	**12**	**2,562**	**4,169**

Nykredit Bank A/S			Nykredit Bank Group	DKK million
2017	2018		2018	2017
		7. INTEREST INCOME		
15	25	Receivables from credit institutions and central banks	26	15
1,872	1,838	Loans, advances and other receivables	2,001	2,018
155	88	Bonds	88	155
(321)	(232)	Derivative financial instruments	(232)	(321)
		Of which		
74	84	- foreign exchange contracts	84	74
(384)	(315)	- interest rate contracts	(315)	(384)
(10)	(1)	- equity contracts	(1)	(10)
(1)	(1)	- other contracts	(1)	(0)
3	1	Other interest income	3	5
1,724	**1,720**	**Total**	**1,885**	**1,872**
		Of which interest income from reverse repurchase lending entered as:		
1	1	Receivables from credit institutions and central banks	1	1
24	5	Loans, advances and other receivables (2017: Loans and advances at fair value)	5	24
		Of total interest income:		
1,866	1,858	Interest income based on the effective interest method	2,023	2,013
24	115	Interest income accrued on impaired financial assets measured at amortised cost	115	24
45	43	Interest income accrued on fixed-rate bank loans	87	85
-	-	Interest income from finance leases	143	138

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

Nykredit Bank A/S 2017	2018	DKK million	Nykredit Bank Group 2018	2017
		7A. NEGATIVE INTEREST		
		Interest income		
(82)	(37)	Receivables from credit institutions and central banks	(37)	(82)
(114)	(149)	Loans, advances and other receivables	(149)	(114)
(196)	**(186)**	**Total**	**(186)**	**(196)**
		Of which interest income from reverse repurchase lending entered as:		
(48)	(23)	Receivables from credit institutions and central banks	(23)	(48)
(114)	(148)	Loans, advances and other receivables (2017: Loans and advances)	(148)	(114)
		Interest expenses		
(95)	(124)	Payables to credit institutions and central banks	(124)	(95)
(120)	(176)	Deposits and other payables (2017: Non-derivative financial liabilities at fair value)	(176)	(120)
(215)	**(300)**	**Total**	**(300)**	**(215)**
		Of which interest expenses from repo deposits entered as:		
(48)	(54)	Payables to credit institutions and central banks	(54)	(48)
(50)	(57)	Deposits and other payables (2017: Non-derivative financial liabilities at fair value)	(57)	(50)
		8. INTEREST EXPENSES		
12	97	Credit institutions and central banks	97	12
85	95	Deposits and other payables	93	84
83	58	Bonds in issue	58	83
41	39	Subordinated debt	39	41
77	76	Other interest expenses	77	77
297	**366**	**Total**	**364**	**296**
		Of which interest expenses from repo transactions entered as:		
4	6	Payables to credit institutions and central banks	6	4
-	-	Deposits and other payables (2017: Non-derivative financial liabilities at fair value)	-	-
		Bonds in issue		
13	11	Set-off of interest from the Bank's portfolio of self-issued bonds	11	13
		Of total interest expenses:		
293	366	Interest expenses accrued on financial liabilities measured at amortised cost	364	292

				DKK million
Nykredit Bank A/S				Nykredit Bank Group
2017	2018		2018	2017
		9. DIVIDEND ON EQUITIES ETC		
12	5	Dividend	5	12
12	**5**	**Total**	**5**	**12**
		10. FEE AND COMMISSION INCOME		
888	888	Securities trading and custody accounts	1,260	1,259
120	136	Payment services	136	120
19	15	Loan fees	32	34
64	79	Guarantee commission	77	63
584	517	Other fees and commission	532	593
1,675	**1,634**	**Total**	**2,038**	**2,069**
		Of which:		
163	160	Fees relating to financial instruments not measured at fair value	197	213
785	797	Fees from asset management activities and other fiduciary activities	1,175	1,155
		11. FEE AND COMMISSION EXPENSES		
315	374	Fee and commission expenses	407	367
315	**374**	**Total**	**407**	**367**
		Of which:		
56	71	Fees relating to financial instruments not measured at fair value	89	81
61	74	Fees from asset management activities and other fiduciary activities	88	89
		12. VALUE ADJUSTMENTS		
5	23	Other loans, advances and receivables at fair value	23	5
147	(14)	Bonds	(17)	146
(24)	36	Equities etc	36	(24)
53	85	Foreign exchange	85	53
1,644	981	Foreign exchange, interest rate and other contracts as well as derivative financial instruments	981	1,644
739	6	Other assets	6	739
2,563	**1,117**	**Total**	**1,114**	**2,562**
1,334	(371)	Of which value adjustment of assets and liabilities recognised at amortised cost	(371)	1,334
1,890	584	Of which value adjustment of interest rate swaps etc	584	1,890
		Of which value adjustment relating to fair value hedging for accounting purposes:		
1	1	Fair value hedging	1	1
		13. STAFF AND ADMINISTRATIVE EXPENSES		
6	7	Remuneration of Board of Directors and Executive Board	7	6
713	729	Staff expenses	860	833
994	1,063	Other administrative expenses	1,139	1,095
1,712	**1,799**	**Total**	**2,005**	**1,934**

DKK '000

Nykredit Bank Group

13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)

Remuneration of Board of Directors:

2018

Fees paid to the Board of Directors	Kent Andersen	Flemming Ellegaard	Allan Kristiansen[1]	Total
Fees	60	60	60	180
Total	**60**	**60**	**60**	**180**

[1] In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Realkredit A/S of DKK 132 thousand and Nykredit A/S of DKK 273 thousand.

2017

Fees paid to the Board of Directors	Kent Andersen	Flemming Ellegaard	Allan Kristiansen[1]	Total
Fees	60	60	60	180
Total	**60**	**60**	**60**	**180**

[1] In addition, Allan Kristiansen has received a fee as staff-elected member of the Board of Directors of Nykredit Realkredit A/S of DKK 125 thousand and Nykredit A/S of DKK 228 thousand.

Members of the Board of Directors employed as Group Chief Executive or Group Managing Director of Nykredit A/S or Nykredit Realkredit A/S received the following remuneration in the Nykredit Group:

2018

Remuneration	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	-	-	1,704
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: telephone free of charge, medical examination, critical illness insurance, group life insurance, accident and health insurance as well as reimbursement costs of security surveillance.

DKK '000

Nykredit Bank Group

2017

Remuneration	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 reimbursement 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 in the first half of 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	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 the 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 payment payable by 50% at end-December 2019 and 50% at end-June 2020 has 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 or are not in breach of their contractual duties as at 1 January 2021. 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.

Nykredit Bank A/S 2017	2018	DKK million	Nykredit Bank Group 2018	2017
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Executive Board		
6	6	Salaries	6	6
6	**6**	**Total**	**6**	**6**
		Of which:		
1	1	Bonuses provided for in the Financial Statements	1	1
		Remuneration of Executive Board:		
DKK '000	DKK '000	**Fixed and variable remuneration recognised in the income statement for the financial year:**	DKK '000	DKK '000
		Henrik Rasmussen		
2,819	2,887	Base salary	2,887	2,819
704	555	Bonus	555	704
3,523	**3,442**	**Total**	**3,442**	**3,523**
		Dan Sørensen		
2,087	2,397	Base salary	2,397	2,087
205	612	Bonus	612	205
2,292	**3,009**	**Total**	**3,009**	**2,292**
5,815	**6,451**	**Earned in the financial year**	**6,451**	**5,815**
		Furthermore, a retention payment disbursed by Nykredit A/S has been agreed. For Henrik Rasmussen, this amount represented DKK 250 thousand and for Dan Sørensen DKK 175 thousand (2017: DKK 876 thousand and DKK 613 thousand).		
		Various benefits[1]		
135	125	Henrik Rasmussen	125	135
11	8	Dan Sørensen	8	11
DKK million	DKK million	**Loans, charges or guarantees issued or created in respect of the members of:**	DKK million	DKK million
0	0	Executive Board	0	0
0	0	Board of Directors	0	0
0	0	Related parties of the Bank's Executive Board or Board of Directors	0	0
		Deposits from the members of:		
1	2	Executive Board	2	1
9	13	Board of Directors	13	9
2	2	Related parties of the Bank's Executive Board or Board of Directors	2	2

[1] In addition to total expenses for accounting purposes/earned income, the Executive Board receives the following benefits: Telephone free of charge, critical illness insurance, group life insurance, accident and health insurance, and for Henrik Rasmussen also a company car.

Balances with the above members of the Bank's Management and their related parties are subject to standard business terms and market-based interest terms. The lending rate for members of the Bank's Executive Board or Board of Directors and their related parties ranged between 0.35-9.50 % (2017: 2.75-10.75%), and the deposit rate was around 0.0% (2017: 0.0%). Members of the Executive Board receive fixed salaries covering all directorships and executive positions in the Nykredit Bank Group. No changes were made to the composition of the Executive Board in 2017.

Variable remuneration

The Bank's Executive Board participates in Nykredit's general bonus schemes for executives. The programme is discretionary, which means that executives are not guaranteed a bonus.

Provisions of DKK 1,125 thousand were made for bonuses in 2018. Adjustment relating to previous years was DKK 42 thousand. The bonus awarded to management executives is based on a bonus potential, currently three months' salary, determined on a year-by-year basis.

Other information

The period of notice is 12 months. If their contracts are terminated by Nykredit Bank A/S, Executive Board members are entitled to termination benefits equal to nine months' gross salary.

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		13. STAFF AND ADMINISTRATIVE EXPENSES (CONTINUED)		
		Staff expenses		
568	580	Salaries	685	666
54	55	Pensions (defined contribution plans)	67	65
87	92	Payroll tax	105	97
4	3	Social security expenses	3	4
713	**729**	**Total**	**860**	**833**
		Payroll tax also includes payroll tax relating to the Executive Board.		
		Of which remuneration of staff members whose activities have a significant influence on the Bank's risk profile (material risk takers):		
46	49	Base salaries	57	59
29	36	Variable remuneration	37	31
(2)	-	Adjustment of variable remuneration provided for in previous years	-	(2)
73	**85**	**Total**	**94**	**88**
658	664	Average number of staff for the financial year, full-time equivalent	837	822

Staff whose activities significantly affect Nykredit Bank A/S's and the Nykredit Bank Group's risk profile comprise, in addition to the Executive Board, 141 staff members. 32 are on the payroll of Nykredit Bank, 5 are on the payroll of the Bank's subsidiaries, and 104 are on the payroll of Nykredit Realkredit A/S. The latter staff group performs Group-wide tasks, settled through intercompany agreements.

These staff members are subject to special salary programmes. A maximum of 60% of the variable remuneration is paid out when awarded, but the payout of at least 40% is deferred over the following four years.

Details of Nykredit's remuneration policy appear from page 15 of the Management Commentary under Remuneration and at nykredit.com.

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		Fees to the auditor appointed by the General Meeting, Deloitte, which carries out the statutory audit:		
1	2	Statutory audit of the Financial Statements	2	2
0	1	Other assurance engagements	1	0
-	0	Tax advice	0	0
3	0	Other services	1	3
4	**2**	**Total**	**4**	**4**

Fees for non-auditing services provided by Deloitte Chartered Accountant Company to the Group include fees for advice relating to data analysis etc.

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		14. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
3	-	Property, plant and equipment	0	3
9	-	Intangible assets	-	9
12	**-**	**Total**	**0**	**12**

DKK million

Nykredit Bank Group

15. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC

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

	Loans and advances at amortised cost	Loans and advances at amortised cost	Credit institutions and other	Credit institutions and other	Guarantees etc	Guarantees etc	Total	Total
	2018	2017	2018	2017	2018	2017	2018	2017
Total impairment provisions								
Beginning of year	**2,290**	**2,538**	**-**	**23**	**58**	**52**	**2,349**	**2,612**
Impact owing to implementation of IFRS 9	506		3		62		571	
Balance, 1 January 2018	**2,796**		**3**		**120**		**2,919**	
New impairment provisions as a result of additions and change in credit risk	1,278	644	12		82	27	1,372	671
Releases as a result of redemptions and change in credit risk	1,059	692	3	23	84	21	1,146	736
Impairment provisions written off	249	199	-		-		249	199
Total impairment provisions	**2,767**	**2,290**	**12**	**-**	**117**	**58**	**2,896**	**2,348**
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		(48)		(23)		6		(64)
Change in impairment provisions for loans and advances (stages 1-3)	219		9		(3)		225	-
Write-offs for the year, not previously provided for	94	43	-		-		94	43
Recoveries on claims previously written off	48	80					48	80
Total	**265**	**(86)**	**9**	**(23)**	**(3)**	**6**	**271**	**(102)**
Value adjustment of assets in temporary possession	-	9					-	9
Value adjustment of claims previously written off	3	(9)					3	(9)
Earnings impact	**268**	**(85)**	**9**	**(23)**	**(3)**	**6**	**274**	**(102)**

The contractual amount outstanding on financial assets written off during the year ended 31 December 2018 and still sought to be recovered is DKK 162 million (2017: DKK 101 million).

DKK million

Nykredit Bank 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)				2,290
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January owing to implementation of IFRS 9				571
Total impairment provisions as at 1 January 2018 determined according to IFRS 9	**498**	**202**	**2,219**	**2,919**
Transfer to stage 1	39	(23)	(16)	-
Transfer to stage 2	(79)	243	(164)	-
Transfer to stage 3	(12)	(55)	67	-
Impairment provisions for new loans and advances (additions)	42	22	166	230
Additions as a result of change in credit risk	182	140	819	1,141
Releases as a result of change in credit risk	317	312	515	1,144
Previously written down for impairment, now written off	-	-	249	249
Total impairment provisions, year-end	**353**	**217**	**2,327**	**2,897**
Impairment provisions, year-end, are attributable to:				
Loans and advances etc	305	188	2,274	2,767
Credit institutions	12	-	-	12
Guarantees	36	29	53	117
Earnings impact, 2018	**(93)**	**(152)**	**470**	**225**

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				508
Total impairment provisions as at 1 January 2018 determined according to IFRS 9	**463**	**177**	**2,160**	**2,798**
Transfer to stage 1	38	(22)	(16)	-
Transfer to stage 2	(75)	230	(155)	-
Transfer to stage 3	(12)	(46)	58	-
Impairment provisions for new loans and advances (additions)	39	21	156	216
Additions as a result of change in credit risk	158	117	800	1,075
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	**317**	**188**	**2,275**	**2,778**
Impairment provisions, year-end, are attributable to:				
Loans and advances etc	305	188	2,274	2,767
Credit institutions	12	-	-	12
Earnings impact, 2018	**(98)**	**(152)**	**477**	**227**

DKK million

Nykredit Bank 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
Provisions for guarantees, end-2017 (Annual Report for 2017)				62
Total impairment provisions as at 1 January 2018 determined according to IFRS 9	**36**	**25**	**59**	**120**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(4)	14	(10)	-
Transfer to stage 3	-	(9)	9	-
Impairment provisions for new loans and advances (additions)	4	1	10	15
Additions as a result of change in credit risk	23	24	20	67
Releases as a result of change in credit risk	23	26	35	84
Total impairment provisions, year-end	**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	**2,406**	**132**	**23**	**52**	**2,612**
Additions as a result of new loans and advances and change in credit risk	416	227		27	671
Releases as a result of change in credit risk	692	-	23	21	735
Impairment provisions for properties acquired by foreclosure	-				-
Previously written down for impairment, now written off	199				199
Total impairment provisions, year-end	**1,931**	**359**	**-**	**58**	**2,349**
Earnings impact, 2017	**(275)**	**227**	**(23)**	**6**	**(64)**

DKK million

Nykredit Bank 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 amortised cost etc, gross				
Loans and advances at amortised cost etc, gross	93,750	4,001	3,009	100,760
Total impairment provisions, year-end	305	187	2,274	2,766
Loans and advances, carrying amount	**93,445**	**3,814**	**735**	**97,993**
Guarantees and loan commitments				
Guarantees	39,862	542	218	40,622
Total impairment provisions, year-end	36	29	53	118
Guarantees and loan commitments, carrying amount	**39,826**	**513**	**165**	**40,504**

2017: Total impairment provisions by loans and advances etc	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Total
Loans and advances etc				
Loans and advances etc, gross	2,450	55,623	25,138	83,211
Total impairment provisions, year-end	1,931	359	58	2,349
Loans and advances etc, carrying amount	**519**	**55,264**	**25,080**	**80,862**

DKK million

Nykredit Bank Group

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

15 d. 2018: Financial assets, gross, 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, impairment provisions as at 1 January 2018 determined according to IFRS 9	**85,534**	**1,625**	**3,248**	**90,407**
Transfer to stage 1	443	(339)	(104)	-
Transfer to stage 2	(2,967)	3,100	(133)	-
Transfer to stage 3	(461)	(153)	614	-
Other movements	11,201	(232)	(616)	10,353
Total, 31 December 2018	**93,750**	**4,001**	**3,009**	**100,760**
Impairment charges/provisions, total	305	187	2,274	2,766
Carrying amount	**93,445**	**3,814**	**735**	**97,993**

DKK million

Nykredit Bank Group

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

15 e. 2018: Loans, advances and guarantees etc, gross

	Loans and advances etc, gross				Loans and advances etc, excluding impairment charges			
	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
Loans and advances etc	93,750	4,001	3,009	100,760	37,541	16	11	37,568
Balances with credit institutions	5,899	-	-	5,899	-	-	-	-
Guarantees and loan commitments	39,862	542	218	40,622	24,008	197	12	24,217
	-	-	-	-				
Total, 31 December 2018	**139,511**	**4,543**	**3,227**	**147,281**	**61,549**	**213**	**23**	**61,785**

DKK million

Nykredit Bank Group

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

15 f. 2018: Loans and advances by rating categories

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 Bank 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**

DKK million

Nykredit Bank A/S

16. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC

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

	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	**2,214**	**2,472**	**-**	**23**	**58**	**52**	**2,272**	**2,547**
Impact owing to implementation of IFRS 9	506		3		62		571	
Balance, 1 January 2018	**2,720**		**3**		**120**		**2,843**	
New impairment provisions as a result of additions and change in credit risk	1,208	600	12		82	27	1,302	627
Releases as a result of redemptions and change in credit risk	1,017	659	3	23	84	21	1,104	703
Change as a result of correction of models and risk parameters	-	-	-		-		-	-
Impairment provisions written off	241	199	-		-		241	199
Total provisions for impairment of loans, advances and receivables, and for guarantees	**2,670**	**2,214**	**12**	**-**	**117**	**58**	**2,800**	**2,272**
Earnings impact								
Change in impairment provisions for loans and advances (individual and collective)		(59)		(23)		6		(76)
Change in impairment provisions for loans and advances (stages 1-3)	192		9		(3)		198	
Write-offs for the year, not previously provided for	88	32	-		-		88	32
Recoveries on claims previously written off	47	80					47	80
Total earnings impact	**233**	**(106)**	**9**	**(23)**	**(3)**	**6**	**238**	**(123)**

DKK million

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

16 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)				2,214
Provisions for guarantees, end-2017 (Annual Report for 2017)				58
Adjustment at 1 January owing to implementation of IFRS 9				571
Total impairment provisions as at 1 January 2018 determined according to IFRS 9	**482**	**197**	**2,165**	**2,843**
Transfer to stage 1	34	(18)	(16)	-
Transfer to stage 2	(78)	237	(159)	-
Transfer to stage 3	(12)	(55)	67	-
Impairment provisions for new loans and advances (additions)	36	16	153	205
Additions as a result of change in credit risk	182	140	774	1,096
Releases as a result of change in credit risk	301	306	498	1,105
Previously written down for impairment, now written off	-	-	240	240
Total impairment provisions, year-end	**343**	**211**	**2,246**	**2,799**
Impairment provisions, year-end, are attributable to:				
Loans and advances etc	296	182	2,192	2,670
Credit institutions	12	-	-	12
Guarantees	36	29	53	118
Earnings impact, 2018	**(82)**	**(150)**	**430**	**198**

16 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)				2,214
Adjustment at 1 January owing to implementation of IFRS 9				509
Total impairment provisions as at 1 January 2018 determined according to IFRS 9	**446**	**172**	**2,106**	**2,723**
Transfer to stage 1	33	(18)	(15)	-
Transfer to stage 2	(74)	224	(150)	-
Transfer to stage 3	(12)	(46)	58	-
Impairment provisions for new loans and advances (additions)	34	15	143	192
Additions as a result of change in credit risk	158	116	755	1,029
Releases as a result of change in credit risk	278	280	462	1,020
Previously written down for impairment, now written off	-	-	240	-
Total impairment provisions, year-end	**307**	**183**	**2,194**	**2,683**
Impairment provisions, year-end, are attributable to:				
Loans and advances etc	296	182	2,192	2,670
Credit institutions	12	-	-	12
Earnings impact, 2018	**(87)**	**(149)**	**435**	**199**

DKK million

Nykredit Bank A/S

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

16 b. 2017: Total impairment provisions	Individual impairment provisions	Collective impairment provisions	Banks and other	Provisions for guarantees	Total impairment provisions
Impairment provisions, beginning of year	**2,346**	**126**	**23**	**52**	**2,547**
Additions as a result of new loans and advances and change in credit risk	384	216	-	27	627
Releases as a result of change in credit risk	659	-	23	21	703
Impairment provisions for properties acquired by foreclosure	-	-	-	-	-
Previously written down for impairment, now written off	199	-	-	-	199
Total impairment provisions, year-end	**1,872**	**342**	**-**	**58**	**2,272**
Earnings impact, 2017	**(275)**	**216**	**(23)**	**6**	**(76)**

DKK million

Nykredit Bank A/S

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

16 c. 2018: Distribution of loans, advances 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 etc				
Loans and advances at amortised cost etc, gross	93,343	3,205	2,821	99,369
Total impairment provisions, year-end	296	182	2,192	2,670
Loans and advances, carrying amount	**93,047**	**3,023**	**629**	**96,699**
Guarantees and loan commitments				
Bank lending	39,961	541	218	40,720
Total impairment provisions, year-end	36	29	53	118
Guarantees and loan commitments, carrying amount	**39,925**	**512**	**165**	**40,602**

2017: Total impairment provisions by loans and advances etc	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Total
Loans and advances etc				
Loans and advances etc, gross	2,310	54,312	25,507	82,129
Total impairment provisions, year-end	1,872	342	58	2,272
Loans and advances etc, carrying amount	**438**	**53,970**	**25,449**	**79,857**

DKK million

Nykredit Bank A/S

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

16 d. 2018: Financial assets, gross, 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
Total, 1 January 2018	**79,564**	**1,515**	**3,109**	**84,188**
Impairment provisions as at 1 January 2018 determined according to IFRS 9 principles				
Transfer to stage 1	331	(314)	(17)	-
Transfer to stage 2	(2,579)	2,700	(121)	-
Transfer to stage 3	(447)	(142)	589	-
Other movements	16,474	(554)	(739)	15,181
Total, 31 December 2018	**93,343**	**3,205**	**2,821**	**99,369**
Impairment charges/provisions, total	296	182	2,192	2,670
Carrying amount	**93,047**	**3,023**	**629**	**96,699**

DKK million

Nykredit Bank A/S			Nykredit Bank Group	
2017	2018		2018	2017
		17. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
2	3	Profit from investments in associates	3	2
214	247	Profit from investments in Group enterprises	-	-
217	**250**	**Total**	**3**	**2**
		18. TAX		
		Tax on profit for the year has been calculated as follows:		
878	407	Current tax	455	917
(36)	(10)	Deferred tax	10	(17)
-	(34)	Adjustment of tax relating to previous years	(34)	(1)
1	27	Adjustment of deferred tax relating to previous years	27	1
843	**389**	**Tax**	**458**	**901**
		Tax on profit for the year can be specified as follows:		
875	451	Calculated 22% tax on profit before tax	466	887
(47)	(55)	Of which recognised as profit from investments	-	-
		Tax effect of:		
-	(1)	Non-taxable income	(2)	(2)
15	1	Non-deductible expenses and other adjustments	1	15
-	(7)	Adjustment of tax relating to previous years	(7)	-
843	**389**	**Total**	**458**	**901**
22.0	22.0	Current tax rates, %	22.0	22.0
(0.8)	(3.0)	Permanent deviations	(0.4)	0.3
21.2	**19.0**	**Effective tax rate, %**	**21.6**	**22.3**

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		19. CASH BALANCES AND DEMAND DEPOSITS WITH CENTRAL BANKS		
1,893	8,585	Cash balances and demand deposits with central banks	8,585	1,893
1,893	**8,585**	**Total**	**8,585**	**1,893**
		20. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
5,940	3,188	Receivables from central banks	3,188	5,940
6,016	4,045	Receivables from credit institutions	4,046	6,017
231	236	Reverse repurchase lending to central banks	236	231
5,910	1,854	Reverse repurchase lending to credit institutions	1,854	5,910
18,097	**9,323**	**Total**	**9,324**	**18,098**
		Receivables from credit institutions and central banks by time-to-maturity		
6,624	3,796	On demand	3,797	6,625
10,517	5,079	Up to 3 months	5,079	10,517
956	-	Over 3 months and up to 1 year	-	956
-	449	Over 1 year and up to 5 years	449	-
-	-	Over 5 years	-	-
18,097	**9,323**	**Total**	**9,324**	**18,098**
		21. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
27,566	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	-	27,566
27,566	**-**	**Total**	**-**	**27,566**
		By time-to-maturity		
386	-	On demand	-	386
27,180	-	Up to 3 months	-	27,180
27,566	**-**	**Total**	**-**	**27,566**

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		22. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
54,408	59,272	Loans and advances etc	60,566	55,783
	37,427	Reverse repurchase lending at amortised cost	37,427	
54,408	**96,699**	**Total**	**97,993**	**55,783**
		By time-to-maturity		
9,953	10,171	On demand	4,536	5,184
13,225	47,994	Up to 3 months	47,994	13,225
7,059	7,227	Over 3 months and up to 1 year	7,227	7,059
12,012	19,761	Over 1 year and up to 5 years	26,690	18,156
12,159	11,546	Over 5 years	11,546	12,159
54,408	**96,699**	**Total**	**97,993**	**55,783**
		Fixed-rate loans		
702	693	Of total loans and advances, fixed-rate loans represent	693	702
712	701	Market value of fixed-rate loans	701	712
		Finance leases		
-	-	Of total loans and advances at amortised cost, finance leases represent	5,521	5,055
-	**-**	**Carrying amount, beginning of year**	**5,055**	**4,525**
-	-	Additions	2,618	2,360
-	-	Disposals etc	2,152	1,831
-	**-**	**Carrying amount, year-end**	**5,521**	**5,055**
		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	3,596	3,376
-	-	Over 5 years	183	159
-	**-**	**Total**	**5,521**	**5,055**
		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	395
-	**-**	**Total**	**6,028**	**5,504**
-	-	Non-earned income	507	449
		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 up to 13 years.		
-	-	Impairment provisions for finance leases represent	76	45
		Non-guaranteed residual values on expiry of the leases represent DKK 0.		

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		22. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST (CONTINUED)		
%	%	**Loans, advances and guarantee debtors by sector as %, year-end**	%	%
1	1	**Public sector**	1	1
		Business customers		
3	2	Agriculture, hunting, forestry and fishing	3	4
3	3	Manufacturing, mining and quarrying	4	4
2	2	Energy supply	2	2
2	2	Construction	2	3
4	3	Trade	3	4
2	3	Transport, accommodation and food service activities	4	3
1	2	Information and communication	2	1
37	42	Finance and insurance	38	32
11	10	Real estate	10	10
10	9	Other	9	11
75	**78**	**Total business customers**	**77**	**74**
25	22	Personal customers	23	26
100	**100**	**Total**	**100**	**100**

The sector distribution is based on the official Danish activity codes.

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		23. BONDS AT FAIR VALUE		
37,904	38,382	Covered bonds	39,228	38,539
2,146	1,020	Government bonds	1,020	2,146
3,557	2,699	Other bonds etc	2,699	3,557
43,607	**42,101**	**Total**	**42,947**	**44,242**
722	175	Set-off of self-issued bonds against bonds in issue	175	722
42,885	**41,926**	**Total**	**42,772**	**43,520**

The effect of fair value adjustment is recognised in the income statement.

372	373	Of which redeemed bonds	377	374
15,758	15,993	Assets sold as part of genuine sale and repurchase transactions	15,993	15,758
		Maturities based on the nominal maturities of the securities		
15,819	13,121	Up to 1 year	13,121	15,926
23,386	22,213	Over 1 year and up to 5 years	23,059	23,914
3,680	6,592	Over 5 years	6,592	3,680
42,885	**41,926**	**Total**	**42,772**	**43,520**

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		24. BONDS AT AMORTISED COST		
3,711	6,282	Covered bonds	6,282	3,711
3,711	**6,282**	**Total**	**6,282**	**3,711**
		This concerns only bonds issued by Nykredit Realkredit A/S.		
85	574	As collateral for the Danish central bank, Danmarks Nationalbank and foreign clearing centres etc, bonds at fair value and amortised cost have been deposited of a total market value of	574	85
		The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few value days.		
		25. EQUITIES ETC		
217	233	Equities measured at fair value through profit or loss	234	218
217	**233**	**Total**	**234**	**218**
		Specification of equity portfolios		
92	67	Listed on Nasdaq Copenhagen A/S	67	93
2	14	Listed on other stock exchanges	14	2
123	152	Unlisted equities carried at fair value	153	123
217	**233**	**Total**	**234**	**218**
		26. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
		Investments in associates		
-	**2**	**Cost, beginning of year**	**2**	**-**
2	-	Additions	-	2
2	**2**	**Cost, year-end**	**2**	**2**
-	**2**	**Revaluations and impairment charges, beginning of year**	**2**	
2	3	Profit before tax	3	2
2	**5**	**Revaluations and impairment charges, year-end**	**5**	**2**
4	**8**	**Balance, year-end**	**8**	**4**
		Investments in Group enterprises		
425	**425**	**Cost, beginning of year**	**-**	**-**
-	-	Additions	-	-
-	-	Disposals	-	-
425	**425**	**Cost, year-end**	**-**	**-**
756	**971**	**Revaluations and impairment charges, beginning of year**	**-**	**-**
272	316	Profit before tax	-	-
57	69	Tax	-	-
971	**1,218**	**Revaluations and impairment charges, year-end**	**-**	**-**
1,396	**1,643**	**Balance, year-end**	**-**	**-**
		Subordinated receivables		
157	384	Other enterprises	384	157
157	**384**	**Total**	**384**	**157**

		DKK million		
Nykredit Bank A/S			Nykredit Bank Group	
2017	2018		2018	2017
		26. INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES (CONTINUED)		
		Balances with associates and Group enterprises		
		Group enterprises		
		Asset items		
4,769	5,635	Loans, advances and other receivables at amortised cost	-	-
2	3	Other assets	-	-
4,771	**5,638**	**Total**	**-**	**-**
		Liability items		
109	77	Deposits and other payables	-	-
1	1	Other liabilities	-	-
110	**78**	**Total**	**-**	**-**
		27. INTANGIBLE ASSETS		
		Customer relationships		
35	**35**	Acquisition cost, beginning of year	**35**	**35**
-	-	Additions for the year	-	-
35	**35**	**Total, year-end**	**35**	**35**
27	**35**	**Amortisation, beginning of year**	**35**	**27**
8	-	Amortisation for the year	-	8
35	**35**	**Amortisation, year-end**	**35**	**35**
-	**-**	**Total customer relationships, year-end**	**-**	**-**
		Goodwill		
29	**14**	**Cost, beginning of the year**	**14**	**29**
(15)	-	Disposals for the year	-	(15)
14	**14**	**Total, year-end**	**14**	**14**
15	**-**	**Impairment, beginning of year**	**-**	**15**
(15)	-	Disposals for the year	-	(15)
-	**-**	**Impairment, year-end**	**-**	**-**
14	**14**	**Total goodwill, year-end**	**14**	**14**
14	14	Acquisition of Amber Fondsmæglerselskab A/S in 2011	14	14
14	**14**	**Total goodwill, year-end**	**14**	**14**
		Acquisition of Amber Fondsmæglerselskab A/S in 2011: Goodwill is allocated to the business area Wholesale.		

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		28. OTHER PROPERTY, PLANT AND EQUIPMENT		
-	-	Equipment	-	-
-	**-**	**Total**	**-**	**-**
		Equipment		
33	**-**	Cost, beginning of year	**1**	**34**
1	-	Additions	-	1
34	-	Disposals	1	34
-	**-**	**Cost, year-end**	**-**	**1**
30	**-**	**Depreciation and impairment, beginning of year**	**1**	**31**
2	-	Depreciation for the year	-	2
1	-	Impairment	-	1
33	-	Reversal of depreciation and impairment	1	33
-	**-**	**Depreciation and impairment, year-end**	**-**	**1**
-	**-**	**Balance, year-end**	**-**	**0**
		Equipment is depreciated over 3-5 years and had an average residual depreciation period of 0 years at 31 December 2018 (end-2017: 0 years).		
		29. ASSETS IN TEMPORARY POSSESSION		
27	**-**	**Assets, beginning of year**	**-**	**27**
-	2	Additions	2	-
27	-	Disposals	-	27
-	**2**	**Total**	**2**	**-**

"Assets in temporary possession" comprises properties acquired by foreclosure. Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc. The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		30. OTHER ASSETS		
1,054	842	Interest and commission receivable	876	1,086
18,379	17,763	Positive market value of derivative financial instruments etc	17,763	18,379
2,917	3,056	Other	3,063	2,922
22,351	**21,664**	**Total**	**21,707**	**22,387**
		Positive market value of derivative financial instruments etc		
		By time-to-maturity		
644	896	Up to 1 year	896	644
2,875	1,970	Over 1 year and up to 5 years	1,970	2,875
14,860	14,897	Over 5 years	14,897	14,860
18,379	**17,763**	**Total**	**17,763**	**18,379**

"Interest and commission receivable" and "Other" fall due within 1 year.

Minimum margin

Upon entering into and in connection with the following valuation of derivatives contracts, provisions are made in the form of a so-called minimum margin for liquidity risk, credit risk and return on capital. The minimum margin is amortised over the time-to-maturity of the derivatives.

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
403	373	The unamortised minimum margin at the beginning of the year amounted to	373	403
(58)	(48)	Amortised through profit or loss over the year	(48)	(58)
37	34	Minimum margin on new contracts	34	37
(9)	(9)	Terminated contracts	(9)	(9)
373	**350**	**The unamortised minimum margin at year-end amounted to**	**350**	**373**
216	201	- of which recognised in FVA and CVA	201	216

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		31. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
28,985	37,673	Payables to credit institutions	37,673	29,255
3,337	6,685	Payables to central banks	6,685	3,337
7,395	10,026	Repo transactions with credit institutions	10,026	7,395
231	236	Repo transactions with central banks	236	231
39,948	**54,620**	**Total**	**54,620**	**40,218**
		Payables to credit institutions and central banks by time-to-maturity		
13,120	7,432	On demand	7,432	13,120
10,224	24,126	Up to 3 months	24,126	10,224
6,412	6,661	Over 3 months and up to 1 year	6,661	6,412
10,192	16,400	Over 1 year and up to 5 years	16,400	10,462
39,948	**54,620**	**Total**	**54,620**	**40,218**
		32. DEPOSITS AND OTHER PAYABLES		
65,224	66,942	On demand	66,865	65,115
1,286	176	At notice	176	1,286
7,484	7,092	Time deposits	7,092	7,484
2,616	2,986	Special deposits	2,986	2,616
-	5,745	Repo deposits	5,745	-
76,610	**82,942**	**Total**	**82,864**	**76,501**
		By time-to-maturity		
62,959	66,944	On demand	66,867	62,850
10,727	13,370	Up to 3 months	13,370	10,727
645	209	Over 3 months and up to 1 year	209	645
695	617	Over 1 year and up to 5 years	617	695
1,584	1,801	Over 5 years	1,801	1,584
76,610	**82,942**	**Total**	**82,864**	**76,501**

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		33. BONDS IN ISSUE AT AMORTISED COST		
7,196	5,585	Bonds in issue	5,585	7,196
(722)	(175)	Own portfolio	(175)	(722)
6,473	**5,411**	**Total**	**5,411**	**6,473**
		By time-to-maturity		
2,624	3,050	Up to 3 months	3,050	2,624
1,685	271	Over 3 months and up to 1 year	271	1,685
2,164	2,090	Over 1 year and up to 5 years	2,090	2,164
6,473	**5,411**	**Total**	**5,411**	**6,473**
		Bonds in issue by time-to-maturity are stated at amortised cost after set-off against self-issued bonds.		
		Issues		
3,902	2,164	EMTN issues*	2,164	3,902
2,513	3,237	ECP issues*	3,237	2,513
58	10	Other issues	10	58
6,473	**5,411**	**Total**	**5,411**	**6,473**

* Listed on Nasdaq Copenhagen or the Luxembourg Stock Exchange.

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		34. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
8,214	-	Repo transactions with undertakings other than credit institutions and central banks	-	8,214
5,762	7,618	Negative securities portfolios	7,618	5,762
13,976	**7,618**	**Total**	**7,618**	**13,976**
		Other non-derivative financial liabilities by time-to-maturity		
970	-	On demand	-	970
13,006	7,618	Up to 3 months	7,618	13,006
13,976	**7,618**	**Total**	**7,618**	**13,976**
		35. CURRENT TAX ASSETS AND LIABILITIES		
		Current tax		
8	**1**	**Corporation tax due, beginning of year**	**31**	**10**
-	(10)	Additions	(11)	
878	282	Current tax for the year	331	917
(884)	(256)	Corporation tax paid for the year, net	(297)	(896)
-	(34)	Adjustment relating to previous years	(35)	-
1	**(17)**	**Balance, year-end**	**19**	**31**
		Current tax recognised in the balance sheet		
-	(17)	Current tax assets	(17)	-
1	-	Current tax liabilities	35	31
1	**(17)**	**Balance, year-end, net**	**19**	**31**
		36. PROVISIONS FOR DEFERRED TAX/DEFERRED TAX ASSETS		
		Deferred tax		
(109)	**(144)**	**Deferred tax, beginning of year**	**(15)**	**2**
(36)	(10)	Deferred tax for the year recognised in profit for the year	11	(17)
1	27	Adjustment of deferred tax relating to previous years	28	(1)
(144)	**(127)**	**Deferred tax, year-end**	**24**	**(15)**
		Deferred tax recognised in the balance sheet		
(144)	(127)	Deferred tax assets	(127)	(145)
-	-	Provisions for deferred tax	151	130
(144)	**(127)**	**Deferred tax, year-end, net**	**24**	**(276)**
		Deferred tax relates to:		
(49)	(60)	Loans and advances	143	129
-	(3)	Bonds	(3)	-
(3)	(2)	Intangible assets	(2)	(3)
(2)	(2)	Property, plant and equipment	(2)	(2)
-	-	Other assets and prepayments	(51)	(47)
(16)	8	Bonds in issue	8	(16)
(74)	(68)	Other liabilities	(69)	(75)
(144)	**(127)**	**Total**	**24**	**(15)**

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		37. OTHER LIABILITIES		
1,097	792	Interest and commission payable	794	1,098
11,540	10,712	Negative market value of derivative financial instruments etc	10,712	11,540
1,285	1,247	Other	1,684	1,620
13,922	**12,751**	**Total**	**13,191**	**14,258**
		Negative market value of derivative financial instruments etc		
		By time-to-maturity		
826	1,127	Up to 1 year	1,127	826
1,614	924	Over 1 year and up to 5 years	924	1,614
9,100	8,661	Over 5 years	8,661	9,100
11,540	**10,712**	**Total**	**10,712**	**11,540**
		"Interest and commission payable" and "Other payables" fall due within one year.		
		38. PROVISIONS		
		Provisions for losses under guarantees		
52	**58**	**Balance, beginning of year**	**58**	**52**
-	62	Adjustment at 1 January 2018 owing to implementation of IFRS 9	62	-
27	81	Additions	81	27
21	84	Reversal of unutilised amounts	84	21
58	**117**	**Balance, year-end**	**117**	**58**
		Other provisions		
97	**53**	**Balance, beginning of year**	**53**	**97**
13	13	Additions	13	13
22	32	Reversal of unutilised amounts	32	22
35	12	Disposals	12	35
53	**22**	**Balance, year-end**	**22**	**53**
		Total provisions for losses under guarantees and other provisions		
148	**111**	**Balance, beginning of year**	**111**	**149**
-	62	Adjustment at 1 January 2018 owing to implementation of IFRS 9	62	-
41	94	Additions	94	40
43	116	Reversal of unutilised amounts	116	43
35	12	Disposals	12	35
111	**139**	**Balance, year-end**	**139**	**111**

As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.

The balance sheet items in the Financial Statements represent the Bank's best estimates of the expected costs relating to provisions.

The provisions concern contractual obligations relating to loans and advances and other banking activities, as well as provisions for restructuring costs.

It is estimated that the majority of provisions will be settled within 1-2 years.

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		39. SUBORDINATED DEBT		
		Subordinated debt consists of financial liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
2,000	2,000	Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibor.	2,000	2,000
2,000	**2,000**	**Total subordinated debt**	**2,000**	**2,000**
2,000	2,000	Subordinated debt that may be included in own funds	2,000	2,000
		40. OFF-BALANCE SHEET ITEMS		
		Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
25,449	22,626	Contingent liabilities	22,527	25,080
6,726	8,724	Other commitments	8,924	6,835
32,175	**31,350**	**Total**	**31,450**	**31,915**
		40 a. Contingent liabilities		
14,100	10,197	Financial guarantees	10,197	13,830
5,665	6,914	Registration and refinancing guarantees	6,914	5,665
5,684	5,515	Other contingent liabilities	5,416	5,585
25,449	**22,626**	**Total**	**22,527**	**25,080**
		"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
		Contingent liabilities by remaining terms		
15,861	11,749	Up to 1 year	11,749	15,591
3,045	2,988	Over 1 year and up to 5 years	2,988	3,045
6,543	7,889	Over 5 years	7,789	6,444
25,449	**22,626**	**Total**	**22,527**	**25,080**
		The breakdown of remaining term of guarantees is based on the expiry of the individual agreements. Where a guarantee does not have a fixed expiry date, expiry is based on an estimate.		
		40 b. Other commitments		
6,617	8,712	Irrevocable credit commitments	8,712	6,617
109	12	Other	211	218
6,726	**8,724**	**Total**	**8,924**	**6,835**
		"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.		

Moreover, the Nykredit Bank Group had credit commitments of a term of less than 1 year totalling DKK 9.3 billion as at 30 December 2018.

40. OFF-BALANCE SHEET ITEMS (CONTINUED)

Other contingent liabilities

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

Bankernes EDB Central (BEC)
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.

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

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

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

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in 2018 and 2017.

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

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

Moreover, Nykredit Realkredit A/S contributed DKK 2.0 billion to Nykredit Bank in the form of Tier 2 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. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

Agreements between Totalkredit A/S and Nykredit Bank A/S
Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2017 and 2018 Nykredit Bank transferred secured homeowner loans to Totalkredit A/S.

DKK million

Nykredit Bank A/S 2017	Nykredit Bank A/S 2018		Nykredit Bank Group 2018	Nykredit Bank Group 2017
		41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
		41 a. Transactions with the Parent, Nykredit Realkredit A/S, and its Group enterprises and associates		
		Income statement		
67	55	Interest income	55	67
(44)	(5)	Negative interest, income	(5)	(44)
(94)	(83)	Negative interest, expenses	(83)	(94)
60	64	Interest expenses	64	60
255	232	Fee and commission income	232	255
76	96	Fee and commission expenses	96	76
(166)	87	Value adjustments	85	(167)
576	559	Costs	603	625
		Asset items		
4,115	472	Receivables from credit institutions and central banks	472	4,115
12,485	12,960	Bonds at fair value	13,460	12,811
453	364	Other assets	365	453
		Liability items		
28,376	39,855	Payables to credit institutions and central banks	39,585	28,376
588	173	Deposits and other payables	173	588
92	67	Other liabilities	67	92
2,000	2,000	Subordinated debt	2,000	2,000
		41 b. Transactions with other Group enterprises		
		Income statement		
17	14	Interest income	-	-
1	3	Interest expenses	-	-
190	9	Fee and commission income	-	-
5	1	Fee and commission expenses	-	-
9	24	Staff and administrative expenses	-	-
		Asset items		
4,769	5,635	Loans, advances and other receivables at amortised cost	-	-
2	3	Other assets	-	-
		Liability items		
109	77	Deposits and other payables	-	-
1	1	Other liabilities	-	-

42. FAIR VALUE DISCLOSURES

Valuation principles

Financial instruments are measured at fair value or amortised cost in the balance sheet. The tables in notes 42 a. and 42 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 42 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 expected credit losses on 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 2.6% compared with 1.2% at end-2017. The proportion of financial liabilities was 0.0% against 0.0% at end-2017.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 1.6 billion (2017: DKK 1.2 billion) belonged to this category.

Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 158 million at 31 December 2018 (0.75% of equity at 31 December 2018). The earnings impact for 2017 was estimated at DKK 118 million (0.6% of equity at 31 December 2017).

Transfers between categories

Transfers between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. The value transferred to another category corresponds to the fair value at the beginning of the year. With respect to interest rate swaps that have been fair value adjusted to DKK 0 due to credit risk adjustment, separate calculations are made at the end of each month.

In 2018 and 2017, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs mainly result from bonds that are reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2018, financial assets of DKK 9.3 billion have been transferred from Listed prices to Observable inputs and DKK 1.2 billion from Observable inputs to Listed prices. Financial liabilities of DKK 0.2 billion have been 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 0.4 billion against DKK 0.1 billion at end-2017.

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

DKK million

Nykredit Bank Group

42. FAIR VALUE DISCLOSURES (CONTINUED)

42 a. Fair value disclosures of assets and liabilities recognised at amortised cost

2018	Carrying amount	Fair value	Balance	Fair value calculated on the basis of Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	97,993	98,265	272	-	-	98,265
Bonds at amortised cost	6,282	6,293	11	2,838	3,455	-
Total	**104,276**	**104,558**	**282**	**2,838**	**3,455**	**98,265**
Liabilities						
Bonds in issue at amortised cost	5,411	5,441	(30)	-	5,441	-
Transfer from assets			282			
Total balance			**252**			

2017	Carrying amount	Fair value	Balance	Listed prices	Observable inputs	Unobservable inputs
Assets						
Loans, advances and other receivables at amortised cost	55,783	56,010	227	-	-	56,010
Bonds at amortised cost	3,711	3,726	15	1,467	2,259	-
Total	**59,494**	**59,736**	**242**	**1,467**	**2,259**	**56,010**
Liabilities						
Bonds in issue at amortised cost	6,473	6,402	71	-	6,402	-
Total	**6,473**	**6,402**	**71**	**-**	**6,402**	**-**
Transfer from assets			242			
Total balance			**313**			

DKK million

Nykredit Bank Group

42. FAIR VALUE DISCLOSURES (CONTINUED)

42 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	10,504	32,268	-	42,772
- equities measured at fair value through profit or loss	152	-	82	234
- positive fair value of derivative financial instruments	56	16,212	1,495	17,763
- reverse repurchase lending to credit institutions and central banks	-	-	-	-
- other reverse repurchase lending	-	-	-	-
Total	**10,712**	**48,480**	**1,577**	**60,769**
Percentage	**17.6**	**79.8**	**2.6**	**100.0**

Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,514	4,104	-	7,618
- negative fair value of derivative financial instruments	50	10,662	-	10,712
- repo transactions with credit institutions and central banks	-	-	-	-
Total	**3,564**	**14,767**	**-**	**18,330**
Percentage	**19.4**	**80.6**	**-**	**100.0**

Assets and liabilities measured on the basis of unobservable inputs	Bonds	Equities	Derivatives	Total
Fair value, beginning of year, assets	**-**	**79**	**1,104**	**1,183**
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	6	377	383
Sales for the year	-	(3)	(57)	(60)
Transferred from Listed prices and Observable inputs	-	-	564	564
Transferred to Listed prices and Observable inputs	-	-	(493)	(493)
Fair value, year-end, assets	**-**	**82**	**1,495**	**1,577**

For 2018, unrealised value adjustments of DKK 2 million relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 31 September 2018 have been recognised in the income statement.

DKK million

Nykredit Bank Group

42. FAIR VALUE DISCLOSURES (CONTINUED)

42 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	26,181	17,339	-	43,520
- equities measured at fair value through profit or loss	139	-	79	218
- positive fair value of derivative financial instruments	19	17,256	1,104	18,379
- reverse repurchase lending to credit institutions and central banks	-	6,141	-	6,141
- other reverse repurchase lending	-	27,566	-	27,566
Total	**26,339**	**68,302**	**1,183**	**95,824**
Percentage	**27.5**	**71.3**	**1.2**	**100**
Financial liabilities:				
- other non-derivative financial liabilities at fair value	3,656	10,320	-	13,976
- negative fair value of derivative financial instruments	14	11,526	-	11,540
- repo transactions with credit institutions and central banks	-	7,626	-	7,626
Total	**3,670**	**29,472**	**-**	**33,142**
Percentage	**11.1**	**88.9**	**-**	**100**

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

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

DKK million

Nykredit Bank Group

43. 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	25,920	8,157	17,763	6,929	2,707	8,127
Reverse repo transactions	41,249	1,732	39,517	-	39,333	184
Total	**67,169**	**9,889**	**57,280**	**6,929**	**42,040**	**8,311**
Financial liabilities						
Derivatives with a negative fair value	18,869	8,157	10,712	6,929	3,664	119
Repo transactions	17,739	1,732	16,007	-	15,993	14
Total	**36,608**	**9,889**	**26,719**	**6,929**	**19,657**	**133**
2017						
Financial assets						
Derivatives with a positive fair value	30,292	11,913	18,379	7,544	1,041	9,794
Reverse repo transactions	35,643	1,936	33,707	-	33,445	262
Total	**65,935**	**13,849**	**52,086**	**7,544**	**34,486**	**10,056**
Financial liabilities						
Derivatives with a negative fair value	23,453	11,913	11,540	7,544	3,610	386
Repo transactions	17,776	1,936	15,840	-	15,758	82
Total	**41,229**	**13,849**	**27,380**	**7,544**	**19,368**	**468**

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, advances and other receivables at fair value). In the balance sheet, repo transactions are classified as payables to credit institutions as well as deposits and other payables (2017: other 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 Bank Group

44. 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	40	8	3	-	150	99	51	33,692
Forward contracts/futures, sold	(66)	(13)	(3)	-	68	150	(82)	26,269
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	41	-	-	-	44	3	41	12,712
Forward contracts/futures, sold	(36)	-	-	-	5	41	(36)	6,599
Forward rate agreements, purchased	5	-	-	-	5	0	5	23,079
Forward rate agreements, sold	(5)	(1)	-	-	-	5	(5)	23,812
Swaps	(184)	(45)	1,030	6,093	16,569	9,674	6,895	500,825
Options, purchased	534	8	14	126	702	20	683	34,129
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	1	-	-	-	1	0	1	21
Swaps	-	-	(0)	-	-	0	(0)	-
Credit contracts								
Swaps	-	0	-	-	0	-	0	10
Total							**7,045**	

DKK million

Nykredit Bank Group

44. 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	(133)	(17)	(1)	-	137	288	(151)	37,189
Forward contracts/futures, sold	81	16	1	-	221	123	98	29,550
Swaps	-	(47)	88	65	197	91	107	5,947
Options, purchased	3	1	-	-	4	-	4	361
Options, written	(3)	(1)	-	-	-	4	(4)	361
Interest rate contracts								
Forward contracts/futures, purchased	9	-	-	-	35	26	9	18,867
Forward contracts/futures, sold	6	-	-	-	25	19	6	24,094
Forward rate agreements, purchased	(2)	-	-	-	1	3	(2)	72,471
Forward rate agreements, sold	2	-	-	-	3	2	1	73,487
Swaps	(36)	(64)	1,258	5,617	17,064	10,291	6,773	669,415
Options, purchased	-	-	521	123	662	19	643	33,819
Options, written	-	-	(589)	(45)	-	634	(634)	19,740
Equity contracts								
Forward contracts/futures, purchased	(0)	-	-	-	-	-	-	122
Forward contracts/futures, sold	(1)	-	-	-	-	1	(1)	44
Swaps	(1)	17	(18)	-	17	19	(2)	543
Credit contracts								
Swaps	-	-	-	-	-	-	-	27
Total							**6,847**	

DKK million

45. UNSETTLED SPOT TRANSACTIONS

Nykredit Bank Group	2018				2017
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,192	7	9	(2)	(2)
Foreign exchange contracts, sold	6,069	14	7	8	5
Interest rate contracts, purchased	6,980	1	1	-	(15)
Interest rate contracts, sold	6,718	1	1	-	1
Equity contracts, purchased	167	1	1	-	-
Equity contracts, sold	143	-	-	-	-
Total	**24,269**	**24**	**19**	**6**	**(11)**
Total, the year before	**25,095**	**11**	**22**	**(11)**	**(31)**

Nykredit Bank A/S	2018				2017
		Market value			
	Nominal value	Positive	Negative	Net market value	Net market value
Foreign exchange contracts, purchased	4,192	7	9	(2)	(2)
Foreign exchange contracts, sold	6,069	14	7	8	5
Interest rate contracts, purchased	6,980	1	1	-	(15)
Interest rate contracts, sold	6,718	1	1	-	1
Equity contracts, purchased	167	1	1	-	-
Equity contracts, sold	143	-	-	-	-
Total	**24,269**	**24**	**19**	**6**	**(11)**
Total, the year before	**25,095**	**11**	**22**	**(11)**	**(31)**

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		46. REPO TRANSACTIONS AND REVERSE REPURCHASE LENDING		
		Nykredit Bank 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.		
		Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.		
		Of the asset items below, reverse repurchase lending represents:		
6,141	2,090	Receivables from credit institutions and central banks, carrying amount	2,090	6,141
6,094	2,082	Bonds received as collateral but not offset against the balance	2,082	6,094
47	**8**	**Total less collateral**	**8**	**47**
29,502	39,159	Loans, advances and other receivables (2017: Loans and advances at fair value), gross	39,159	29,502
1,936	1,732	Set-off against "Deposits and other payables" (2017: Non-derivative financial liabilities at fair value)	1,732	1,936
27,566	**37,427**	**Carrying amount after set-off**	**37,427**	**27,566**
27,351	37,251	Bonds received as collateral but not offset against the balance	37,251	27,351
215	**176**	**Total less collateral**	**176**	**215**
		Of the liability items below, repo transactions represent:		
7,626	10,262	Payables to credit institutions and central banks, carrying amount	10,262	7,626
7,615	10,257	Bonds provided as collateral	10,257	7,615
10,150	7,477	Deposits and other payables (2017: Non-derivative financial liabilities at fair value), gross	7,477	10,150
1,936	1,732	Set-off against "Loans, advances and other receivables" (2017: Loans, advances and other receivables at fair value)	1,732	1,936
8,214	**5,745**	**Carrying amount after set-off**	**5,745**	**8,214**
8,143	5,737	Bonds provided as collateral	5,737	8,143

The Bank's activities take place exclusively through an exchange of listed bonds on an arm's length basis.

Nykredit Bank offsets financial assets and liabilities in connection with derivative contracts entered into with the same counterparty, where there is a right of set-off and netting of payments has been agreed.

47. RISK MANAGEMENT

Risk profile

Nykredit's risk profile mainly relates to loans and credit facilities provided to personal and business customers. The business activities combined with the management of the investment portfolio involve credit, market, liquidity and operational risks, including IT and compliance risks.

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 the Group'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 Board 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.

Based on the credit policy, all credit applications are assessed by financially trained and qualified staff. Specifically, they assess the willingness and ability of customers to meet their obligations to Nykredit. The assessment of a customer's creditworthiness factors in any security provided, including mortgages on real estate.

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 and qualified customer adviser. The authority comes with a requirement of certification in credit policy and business processes on a current basis.

Nykredit has five regional credit units which process credit applications from business customers exceeding 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 Executive Board or the Board of Directors.

The Board of Directors of Nykredit Bank is presented with Nykredit's largest credit applications for approval/granting or briefing on a current basis. The Board of Directors of Nykredit Bank is briefed quarterly about any write-offs and impairment charges and annually about any exposures to members of the Board of Directors, the Executive Board, etc.

When a customer applies for a bank facility, the customer and its financial circumstances are assessed. Overall guidelines on customer assessment have been laid down centrally and depend for example on the customer's relationship with the Bank's business areas. Nykredit's credit models form a material part of the assessment of personal and business customers.

At least once a year, the Bank's exposures exceeding DKK 1 million are reviewed. This forms part of the monitoring of credit exposures and is based on updated financial and customer information. In addition, all exposures showing signs of risk are reviewed, including minor exposures, to identify any need for changing a rating or for impairment provisions.

When opening credit lines for financial products, the Bank requires that a contractual basis be established providing it with a netting option. The contractual framework is based on standards such as ISDA or GMRA agreements. In addition to a netting agreement, an agreement on financial collateral is typically concluded. Generally, no set-off has been made for collateral security or netting agreements in the Financial Statements. Set-off has been made, however, for repo transactions/reverse repurchase lending with a few counterparties and for the market values of derivatives cleared through a central clearing house.

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 these 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.

Elements of credit risk determination

PD	Probability of Default is the probability of a customer defaulting on an obligation to Nykredit Bank.
LGD	Loss Given Default is the loss rate of an exposure in case of a customer's default.
EAD	Exposure at Default 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 calculated by risk-weighting credit exposures relating to the individual customer. The risk weighting is calculated on the basis of PD and LGD.
Default	An exposure is in default at the time of sending the third reminder (typically 25 days past due). Exposures for which impairment provisions have been made under certain circumstances are also considered in default. The same 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%

The above principles applied to estimate the risk parameters ensure that the Group's REA remains more stable throughout an economic cycle than if the calculations had exclusively reflected the current economic climate.

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. 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 to a customer reflecting the total estimated exposure to a customer at the time of a possible default, including any additional drawn part of credit commitments. The latter is factored in using conversion factors.

Model validation and reliability
Nykredit continuously develops and improves its credit risk models, including internal models for calculation of impairment under IFRS 9. Important model elements are that the models must be appropriate and provide consistent and stable parameters.

A subcommittee of the Risk Committee approves the validation work and results on an ongoing basis, while the main conclusions from the validation work are reported to the Risk Committee and the Risk Board appointed by the Board of Directors.

Concentration risk

Assessing the Bank's concentration risk is a natural element of risk management.

Pursuant to the CRR, individual exposures may not exceed 25% of eligible capital. The Bank had no exposures exceeding this limit in 2018.

The Bank's largest single exposure to a non-financial counterparty was DKK 2.5 billion at end-2018, equal to 10.5% of eligible capital.

At end-2018 the Bank's 20 largest exposures to non-financial counterparties totalled DKK 19.9 billion, equivalent to 85% of eligible capital. In 2017 the Bank's 20 largest exposures to non-financial counterparties amounted to DKK 19.0 billion, equivalent to 87% of eligible capital.

Nykredit Bank has allocated capital under Pillar II to cover any potential concentration risk in addition to the regulatory capital requirement under Pillar I.

Risk exposure amount for credit risk

Nykredit Bank's REA for credit risk rose from DKK 80.7 billion in 2017 to DKK 87.7 billion in 2018.

Nykredit Bank Group
REA for credit risk

DKK million	2018	2017
Standardised approach	7,765	6,863
IRB approach	79,467	73,343
Credit Valuation Adjustment (CVA)	444	379
Default fund contribution (CCP)	66	78
Total credit risk	**87,742**	**80,663**

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 (default). 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 risk and credit risk.

The calculated value adjustment of derivatives (CVA etc) 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' credit quality.

REA for counterparty risk after netting and collateral was DKK 15.6 billion at end-2018. Of this amount, derivatives represented DKK 14.2 billion and repo transactions DKK 0.9 billion. The remaining DKK 0.5 billion related to credit valuation adjustment (CVA) and default fund contributions (CCP).

Value adjustment of derivatives

Nykredit makes fair value adjustment of derivatives in accordance with the International Financial Reporting Standards (IFRS). This includes individual value adjustments of customers showing objective evidence of impairment (OEI), credit valuation adjustments (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 swap contracts with customers showing OEI (rating 0 and exposures in default) are value adjusted in full. This despite the fact that 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. The valuation adjustments referred to above go under the umbrella name of xVA.

Nykredit Bank Group

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 mainly arises in connection with securities trading for customers in Nykredit Markets as well as swap and money market transactions. The Bank also assumes market risk in connection with placement of its own portfolio. This mainly involves interest rate risk and yield spread risk. Market risks in the Bank's subsidiaries are either negligible or hedged with the Bank as counterparty.

Nykredit Bank's market risk is determined for two purposes:

- Day-to-day management of all positions involving market risk
- Determination of the risk exposure amount (REA) for market risk for use in the determination of capital adequacy.

Market risk is generally managed through the Board's 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 have a significant earnings impact. Market risk is managed by means of estimated losses in stress scenarios. Statistical as well as forward-looking stress scenarios are used to calculate the 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 eg financial instruments if the risk involved can be measured and managed. The risk limit applying to a specific asset includes any use of financial instruments.

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 Bank or other levels of management depending on the nature of such breaches.

Day-to-day market risk management

The traditional risk measures, such as interest rate, equity price, volatility and foreign exchange risks, are monitored by means of portfolio sensitivity tests. They are used to calculate the effect on the value of a portfolio in case of changing market conditions, for example 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 the probability of a particular event, but rather how much the occurrence of the event would affect the value of a portfolio.

Value-at-Risk models (VaR models) are 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.

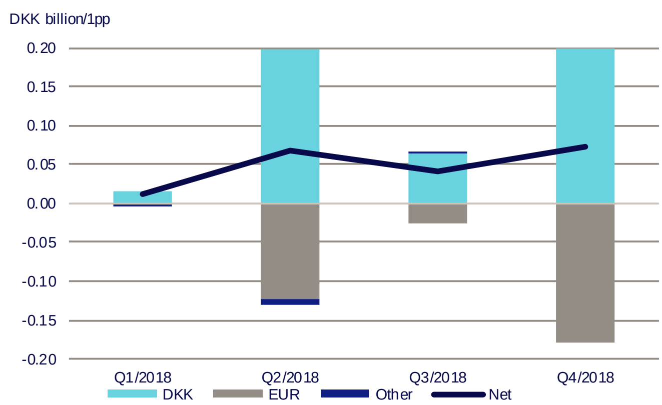
Interest rate risk

Nykredit's 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. Developments in the Bank's interest rate exposure are shown in the chart below. The net interest rate exposure was DKK 72 million at end-2018.

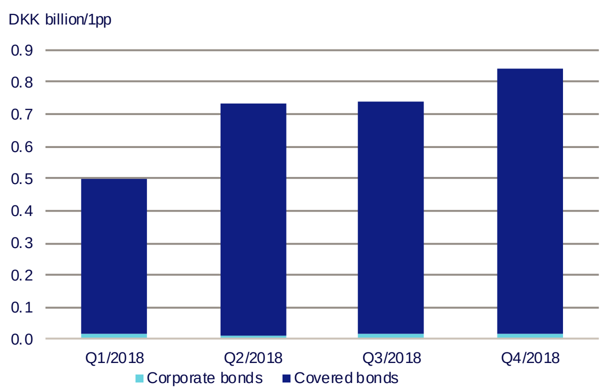
This means that the Bank would lose DKK 72 million at a general interest rate rise of 1 percentage point.

Nykredit Bank Group

Nykredit Bank
Interest rate risk

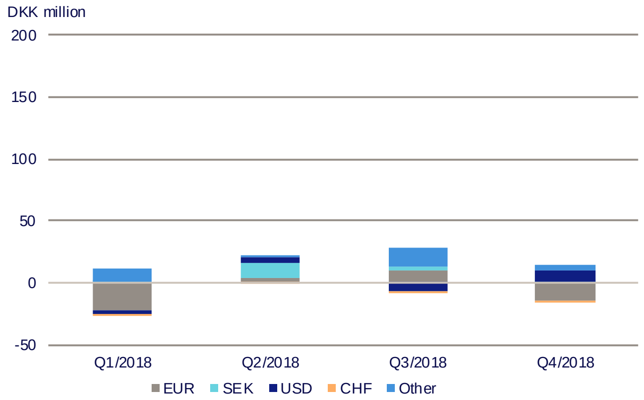


Nykredit Bank
Yield spread risk

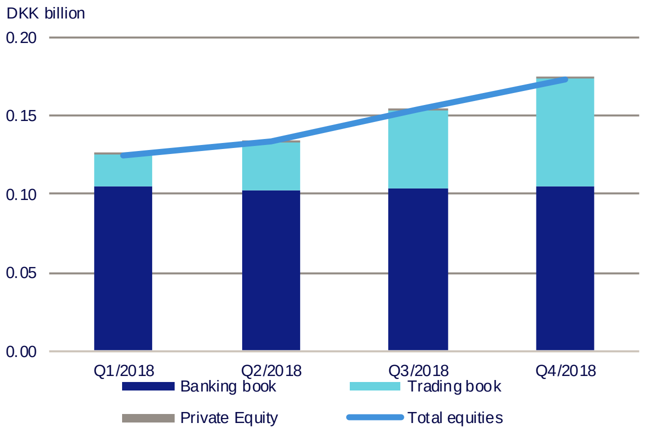


Nykredit Bank Group

Nykredit Bank
Foreign exchange risk



Nykredit Bank
Market value of equity portfolio



Yield spread risk

Yield spread risk is the risk of spread widening between the yield of a given bond and general swap rates. The yield spread risk on the Bank's portfolio of covered bonds amounted to DKK 822 million and approximately DKK 19 million on the portfolio of corporate bonds at end-2018.

This means that Nykredit Bank would lose DKK 822 million on its portfolio of covered bonds if the spread between covered bond yields and swap rates widened by 1 percentage point.

Overall, this risk makes up a substantial part of the Bank's total market risk given its large covered bond portfolios. The yield spread risk has increased in recent quarters, one reason being the placement of part of the liquidity reserves in short-term covered bonds, which causes a higher yield spread risk, all other things being equal.

Equity price risk

Equity price risk is the risk of loss as a result of changes in equity prices. Nykredit Bank's net equity price risk was DKK 173 million at end-2018; this means that a 10% decline in equity prices would reduce the value of the portfolio by DKK 17 million.

Foreign exchange risk

The Bank is exposed to foreign currencies in connection with customer trading and risk hedging.

In 2018 the Bank's most significant foreign exchange positions were mainly in EUR, and it had only limited foreign exchange positions in other currencies.

At end-2018 the Bank had a negative EUR position of DKK 14 million and only minor positions in other currencies.

Volatility risk

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 Bank's part.

This risk is determined for all financial instruments with embedded options and is managed by means of limits.

REA for market risk

To determine REA for market risk, the Bank applies the VaR model calibrated at a confidence level of 99% and a time horizon of 10 days. In addition to this, VaR must be multiplied by a factor determined by the Danish FSA.

Nykredit Bank's total REA for market risk amounted to DKK 12.8 billion at end-2018, of which REA from VaR amounted to DKK 8.0 billion at end-2018. By comparison, REA from VaR was DKK 5.9 billion at end-2017.

Nykredit Bank Group
REA – market risk

DKK million	2018	2017
Internal models (Value-at-Risk)	8,028	5,904
Standardised approach	4,763	5,330
Settlement risk	2	2
Total market risk	**12,794**	**11,235**

Liquidity risk

Nykredit Bank's liquidity risk is the risk that the Bank 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 limited access to funding preventing the Bank from pursuing the adopted business model, or the risk that the Bank's costs of raising liquidity become prohibitive.

Nykredit Bank funds its lending by deposits, but raises additional market funding to ensure compliance of regulatory requirements and sufficient liquidity to be able to provide financing for customers and the Bank's other business activities.

The composition of liquidity and funding is much affected by regulatory requirements and rating criteria. Nykredit Bank therefore has a strong focus on existing and future requirements, including the LCR, NSFR, MREL and Supervisory Diamond benchmarks.

The stock of liquid assets ensures that the Bank has a sufficiently large liquidity buffer of unencumbered securities for cash flows driven by customer behaviour, current costs and maturing market funding. The stock of liquid assets also ensures that the Bank can meet the LCR.

The Bank'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 the Nykredit Realkredit Group's Asset/Liability Committee monitor the development in the Bank's liquidity on a current basis. The Bank manages 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 the Bank 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 Bank's overall risk appetite, liquidity risk profile and funding structure.

In addition to the liquidity policy, Nykredit Bank'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 Bank through the Asset/Liability Committee.

The guidelines provide limits for Nykredit Bank's day-to-day liquidity management and for short-term, medium-term and long-term management. Limits have also been set for the composition of the stock of liquid assets, the LCR, the loan portfolio, the use and diversification of funding sources, the Supervisory Diamond benchmarks and leverage.

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 Bank's short-term liquidity requirement. The LCR denotes the ratio between liquid assets and net cash outflows over a 30-day period.

Under the LCR rules, the Bank must hold a large stock of liquid assets and, as a SIFI, fulfil an LCR of more than 100%. At end-2018 the Bank's LCR was 157% and the excess liquidity coverage totalled DKK 17.7 billion.

Operational risk

Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk also includes legal risk, IT risk, compliance risk and model risk.

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. Operational risk must be limited continually taking into consideration the costs involved.

Compliance risk is managed by the Compliance unit headed by the Chief Compliance Officer, which 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 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 each business area about its own significant risks to Nykredit's centralised operational risk function. Operational risk mapping provides a valuable overview of particularly risky processes and systems and is used as a management tool.

Nykredit 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.

REA for operational risk

Nykredit Bank 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 for the past three years. REA for operational risk was DKK 7.8 billion throughout 2018.

DKK million

Nykredit Bank A/S 2017	2018		Nykredit Bank Group 2018	2017
		47. RISK MANAGEMENT (CONTINUED)		
		Credit, currency, equity and interest rate risk		
		Credit risk		
		The Group's maximum credit exposure comprises selected balance sheet and off-balance sheet items.		
		Total credit exposure		
		Balance sheet items		
1,893	8,585	Cash balances and demand deposits with central banks	8,585	1,893
18,097	9,323	Receivables from credit institutions and central banks	9,324	18,098
27,566	-	Loans, advances and other receivables at fair value (reverse repurchase lending)	-	27,566
54,408	96,699	Loans, advances and other receivables at amortised cost	97,993	55,783
25,954	25,813	- of which lending in Retail	32,743	32,097
19,672	23,342	- of which lending in Wholesale	23,342	19,672
3,344	3,951	- of which lending in Wealth Management	3,956	3,344
5,438	43,588	- of which lending in Group Items etc	37,952	670
46,596	48,208	Bonds	49,054	47,231
22,351	21,664	Other assets	21,707	22,387
		Off-balance sheet items		
25,449	22,626	Contingent liabilities	22,527	25,080
6,726	8,724	Other commitments	8,924	6,835
		Collateral security received		
		Loans, advances and collateral security provided are subject to regular review and, where relevant, Nykredit Bank employs the options available to mitigate the risk relating to its lending activities. Collateral security is mainly obtained in the form of charges over securities and/or tangible assets such as real estate and equipment, but also moveable property and guarantees are included. At end-2017 collateral security excluding guarantees included:		
4,459	7,254	Mortgages on residential property	7,254	4,459
2,078	8,249	Securities	8,249	2,078
1,422	4,539	Mortgages on real estate	4,539	1,422
4	141	Guarantees received	141	4
170	1,072	Deposits	1,072	170
733	2,260	Chattel mortgage and other	2,260	733

Leasing solutions are essentially secured by Nykredit Leasing's ownership of the leased equipment.

When opening credit lines for financial products, Nykredit Bank will also often require that a contractual basis be established providing it with a netting option. The contractual basis typically reflects current market standards such as ISDA or GRMA agreements. Except for the netting of repo transactions with one single counterparty and netting of the market values of derivatives through a central clearing house, no set-off has been made of collateral security or netting agreements in the accounting figures presented.

Nykredit Bank only used credit default swap transactions to a negligible extent.

Nykredit Bank Group

47. RISK MANAGEMENT (CONTINUED)

Credit, foreign exchange, equity price and interest rate exposures (continued)

Loans, advances, guarantees and provisions by sector

	Carrying amount			Provisions			
31 December 2018	Lending	Guarantees	**Total**	Proportion, %	Impairment provisions (stages 1-3)	Provisions (stages 1-3)	**Total**
Public sector	**639**	**-**	**639**	**1**	**3**	**-**	**3**
Business customers							
Agriculture, hunting, forestry and fishing	2,595	740	3,335	3	121	4	125
Manufacturing, mining and quarrying	4,239	235	4,474	4	260	12	272
Energy supply	2,021	50	2,071	2	18	0	18
Construction	2,229	591	2,820	2	164	7	171
Trade	3,669	467	4,136	3	321	13	334
Transport, accommodation and food service activities	4,140	256	4,396	4	60	2	62
Information and communication	2,436	197	2,633	2	44	1	45
Finance and insurance	44,609	1,085	45,694	38	240	3	243
Real estate	9,193	2,582	11,775	10	455	21	475
Other	9,935	1,207	11,142	9	439	8	447
Total business customers	**85,066**	**7,410**	**92,476**	**77**	**2,121**	**71**	**2,192**
Personal customers	12,288	15,117	27,405	23	643	46	689
Total	**97,994**	**22,527**	**120,520**	**100**	**2,767**	**117**	**2,884**
Of which reverse repurchase lending (loans and advances at amortised cost)	37,427	-	37,427	31	-	-	-
31 December 2017							
Public sector	**714**	**-**	**714**	**1**	**-**	**2**	**2**
Business customers							
Agriculture, hunting, forestry and fishing	2,408	2,237	4,645	4	91	13	104
Manufacturing, mining and quarrying	4,488	199	4,687	4	174	21	195
Energy supply	1,940	30	1,970	2	9	5	14
Construction	2,285	559	2,844	3	164	13	177
Trade	3,344	542	3,886	4	61	115	176
Transport, accommodation and food service activities	2,404	550	2,954	3	97	3	100
Information and communication	808	242	1,050	1	23	2	25
Finance and insurance	33,937	1,029	34,966	32	63	9	72
Real estate	8,697	2,648	11,345	10	574	89	663
Other	9,983	1,579	11,562	11	193	46	239
Total business customers	**70,294**	**9,615**	**79,909**	**74**	**1,449**	**316**	**1,765**
Personal customers	12,341	15,464	27,805	26	540	41	581
Total	**83,349**	**25,079**	**108,428**	**100**	**1,989**	**359**	**2,348**
Of which reverse repurchase lending (loans and advances at fair value)	27,566	-	27,566	25	-	-	-

DKK million

Nykredit Bank Group

47. RISK MANAGEMENT (CONTINUED)

Bank lending (including repo transactions) by sector and rating category

The rating illustrates the customer's ability to pay, but not the probability of loss.

2018

Rating category	Manu-facturing and construction	Credit and finance	Property management and trade	Transport, trade and accom-modation	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	2,464	29,789
5	1,318	4,554	1,071	652	937	1,708	10,240
4	377	827	539	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	137	2	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 (excluding repo transactions) by sector and rating category

2017

Rating category	Manu-facturing and construction	Credit and finance	Property management and trade	Transport, trade and accom-modation	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	1,102	1,633	1,037	4,517	1,812	11,739
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**	**7,030**	**9,245**	**5,996**	**13,964**	**12,810**	**58,073**

Rating categories include loans, advances and receivables at amortised cost determined before impairments.

Nykredit Bank Group

DKK million

47. RISK MANAGEMENT (CONTINUED)

Loans carrying a reduced interest rate	2018	2017
Group		
Gross lending	577	795
Impairment provisions	461	615
Carrying amount	**116**	**180**
Of which non-accrual	115	175
Of which carrying a reduced interest rate	1	5

	2018				2017			
Provisioning rate	Q4/	Q3/	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/
Group								
Total loans and advances	97,993	91,418	89,536	93,854	83,349	77,438	79,055	79,705
Total guarantees	22,527	21,779	21,692	22,318	25,080	20,572	19,627	15,164
Impairment provisions	2,767	2,697	2,751	2,783	2,290	2,177	2,209	2,473
Provisions for guarantees	117	115	103	187	58	55	59	49
Total	**123,404**	**116,009**	**114,082**	**119,142**	**110,776**	**100,242**	**100,950**	**97,391**
Provisioning rate, %	2.3	2.4	2.5	2.5	2.1	2.2	2.2	2.6
Provisioning rate excluding guarantees	2.7	2.9	3.0	2.9	2.7	2.7	2.7	3.0

Secured lending before impairment provisions	2018			2017		
Group	Public sector	Personal customers	Business customers	Public sector	Personal customers	Business customers
Unsecured lending	44	4,370	38,000	22	6,071	29,587
Lending secured by way of legal charge or other collateral security:						
Fully secured	385	3,206	41,532	541	2,496	33,702
Partially secured	212	5,355	7,656	153	4,331	8,736
Total lending before impairment provisions	**641**	**12,931**	**87,188**	**716**	**12,898**	**72,025**

Includes the Nykredit Bank Group's loans and advances at amortised cost as well as loans and advances at fair value in 2017. The determination is based on official Danish sector codes and is therefore not a reflection of Nykredit Bank's business segments. Of total stage 3 impairment provisions for business lending of DKK 1.8 billion (2017: around DKK 1.4 billion), approximately DKK 0.4 billion, or 24% (2017: around 17%), is attributable to exposures to customers whose severe financial positions 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.

Non-impaired loans and advances in arrears at amortised cost for which stage 3 impairment provisions have not been made

Nykredit Bank A/S	2018	As % of loans and advances	2017	As % of loans and advances
5-10 days	77	0.1	39	0.1
11-30 days	140	0.2	70	0.1
31-90 days	31	0.1	177	0.3
91-360 days	70	0.1	65	0.1
Over 360 days	3	0.0	33	0.1
Total loans and advances in arrears	**321**	**0.5**	**384**	**0.7**
Total loans and advances at amortised cost (excluding reverse repurchase lending)	**60,566**		**55,783**	

Arrears of 0-4 days have not been included as they are usually eliminated for accounting purposes in early January and do not represent a specific credit risk. The amount was approximately DKK 5,876 million in 2017 and DKK 5,520 million in 2018.

				DKK million
Nykredit Bank A/S			Nykredit Bank Group	
2017	2018		2018	2017
		47. RISK MANAGEMENT (CONTINUED)		
		Foreign exchange risk		
31,446	38,957	Total foreign exchange assets	38,957	31,446
		Of which		
21,758	28,189	- receivables with credit institutions, loans and advances, securities etc	28,189	21,758
9,688	10,768	- interest receivable and positive market value of financial instruments	10,768	9,688
45,537	40,238	Total foreign exchange liabilities	40,238	45,537
		Of which		
40,098	35,190	- payables to credit institutions, deposits, bond in issue etc	35,190	40,098
5,439	5,048	- interest payable and negative market value of financial instruments	5,048	5,439
48.5	17.0	Exchange rate indicator 1 (DKK million)	17.0	48.5
0.2	0.1	Exchange rate indicator 1 as % of Tier 1 capital after deductions	0.1	0.2
0.3	0.3	Exchange rate indicator 2 (DKK million)	0.3	0.3
0.0	0.0	Exchange rate indicator 2 as % of Tier 1 capital after deductions	0.0	0.0
		Interest rate risk by the currency involving the highest interest rate exposure		
116	250	DKK	256	122
6	(179)	EUR	(179)	6
6	1	SEK	1	6
-	(2)	CHF	(2)	-
3	5	NOK	5	3
(4)	(3)	USD	(3)	(4)
(2)	-	GBP	-	(2)
(1)	-	Other currencies	-	(1)
124	**72**	**Total interest rate exposure of debt instruments etc, year-end**	**78**	**130**

Interest rate exposure measured at a general rise in interest rates of 1 percentage point ranged between a loss of DKK 20 million and a loss of DKK 159 million (2017: between a gain of DKK 12 million and a loss of 167 million).

		Value-at-Risk		
10	14	Year-end	14	10
9	11	Average for the year	11	9

Value-at-risk ranged between DKK 8 million and DKK 14 million (2016: DKK 7 million and DKK 13 million).

Value-at-Risk is a statistical measure of the maximum loss the Bank may incur at a given probability and time horizon. The Bank calculates the key figure subject to a one-tailed confidence level of 99% and a time horizon of one day.

(0.2)	(1.9)	**Volatility risk**	(1.9)	(0.2)

The interest rate volatility risk is measured as the change in a market value following a change in volatility of 1 percentage point.

694	842	**Yield spread risk**	842	694

Yield spread risk totalled DKK 842 million at end-2018 (2017: DKK 694 million). This figure indicates that a spread widening of 100bp at bank level will trigger a loss of DKK 842 million.

133	173	**Equity price risk**	173	133

Equity price risk has been disclosed as the carrying amount of the Bank's investments in equities, etc. After recognition of derivative financial instruments, the effect of a 10% change amounted to DKK 17 million (2017: DKK 13 million).

148%	157%	**Liquidity risk, Liquidity Coverage Ratio (LCR)**	157%	148%

DKK million

Nykredit Bank Group

48. 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:

2018	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
Assets			
Loans, advances and other receivables (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)	824	858	(34)
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	597	23	23
Interest rate swaps, deposits and other payables	1,044	(7)	(7)
Interest rate swaps, bonds in issue	956	39	39
Credit derivatives, deposits and other payables	10	0	0
Equity derivatives, deposits and other payables	-	-	-
Gain/loss for the year on hedging instruments		(48)	
Gain/loss for the year on hedged items		45	
Net gain/loss		**(3)**	

The figures comprise Nykredit Bank A/S and the Nykredit Bank Group as these values are identical.

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 the Group's strategy to apply derivatives to hedge the interest rate risk of fixed-rate financial assets and liabilities, except for the interest rate risk of short-term loans, advances and deposits, and the Company thus continuously hedges the interest rate risk of these instruments using eg derivative financial instruments. 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). Bonds in issue are hedged separately using interest rate swaps with characteristics similar to the bonds.

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 for accounting purposes of the financial assets and liabilities that form part of an effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (such as the interest rate risk). Reference is made to notes 43 and 44 which show offsetting and maturities relating to derivative financial instruments as well as "Hedge accounting" in accounting policies.

DKK million

Nykredit Bank Group

48. EQUITY FOR ACCOUNTING PURPOSES (CONTINUED)

2017	Nominal/ amortised value	Carrying amount	Fair value adjustment for accounting purposes
Assets			
Loans, advances and other receivables (interest rate risk)	702	712	10
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)	2,198	2,258	(60)
Subordinated debt (interest rate risk)	-	-	-
Derivative financial instruments			
Interest rate swaps, loans, advances and other receivables	1,156	27	27
Interest rate swaps, deposits and other payables	1,721	(11)	(11)
Interest rate swaps, bonds in issue	2,362	69	69
Credit derivatives, deposits and other payables	60	17	17
Equity derivatives, deposits and other payables	442	-	-
Gain/loss for the year on hedging instruments		(190)	
Gain/loss for the year on hedged items		191	
Net gain/loss		**1**	

DKK million

Nykredit Bank Group

49. 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 from credit institutions and central banks	17,909	-	13,850	6,141
Loans and advances at fair value (reverse repurchase lending)	-	-	-	27,566
Loans and advances etc	97,993	-	55,783	-
Bonds and equities	6,282	43,007	3,711	43,738
Positive market value of derivatives	-	17,763	-	18,379
Interest receivable etc	153	723	148	938
Total	**122,337**	**61,493**	**73,492**	**96,762**
Liabilities and equity				
Payables to credit institutions and central banks	54,620	-	32,592	7,626
Deposits and other payables	82,864	-	76,501	-
Bonds in issue at amortised cost	5,411	-	6,473	-
Other non-derivative financial liabilities at fair value	-	7,618	-	13,976
Subordinated debt	2,000	-	2,000	-
Negative market value of derivatives	-	10,712	-	11,540
Interest etc payable	113	681	94	1,004
Total	**145,008**	**19,011**	**117,660**	**34,146**

DKK million

Nykredit Bank Group

50. 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 for 2017	Equity, 31 December 2017	Number of staff in 2017
Nykredit Bank A/S (Parent), Copenhagen, a)		1,660	21,096	664	3,133	19,877	658
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	163	887	118	136	725	119
Nykredit Leasing A/S, Gladsaxe c)	100	84	755	55	78	671	55

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	837	3,767	2,118	458	-

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

a) Bank

b) Investment management company

c) Leasing business

Name and registered office	Ownership interest as %, 31 December 2017	Revenue 2017	Profit for 2017	Assets, 31 December 2017	Liabilities, 31 December 2017	Equity, 31 December 2017	Nykredit's share of profit for 2017	Nykredit's share of equity value, 31 December 2017	Profit for 2016	Equity, 31 December 2016
Associates										
Core Property Management P/S, Copenhagen, a)	20	83	14	77	53	24	3	5	-	-

a) Investment company

Nykredit Bank Group

51. OTHER INFORMATION

Events since the balance sheet date

No significant events have occurred in the period up to the presentation of the Annual Report for 2018 which affect the financial position of the Nykredit Bank Group.

DKK million

Nykredit Bank Group

52. 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)			13,850	6,141	(3)	19,988
Cash balances etc and receivables from credit institutions and central banks		X a)		6,141	(6,141)		-
Loans, advances and other receivables at fair value		X a)		27,566	(27,566)		-
Loans, advances and other receivables at amortised cost	X a) b)			55,783	27,566	(501)	82,848
Bonds at fair value		X		43,520			43,520
Bonds at amortised cost	X			3,711			3,711
Equities measured at fair value through profit or loss		X		218	-		218
Other balance sheet items				4,417			4,417
Positive market value of derivatives		X		18,379			18,379
Balance sheet total				**173,585**	**-**	**(504)**	**173,081**
a) Reclassification of repo transactions					33,707		
b) Impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(504)	
Liabilities and equity							
Payables to credit institutions and central banks	X a)			32,592	7,626	-	40,218
Payables to credit institutions and central banks		X a)		7,626	(7,626)		-
Deposits and other payables	X a)			76,501	8,214		84,715
Bonds in issue at amortised cost	X			6,473			6,473
Other non-derivative financial liabilities at fair value		X a)		13,976	(8,214)		5,762
Other balance sheet items b)				4,941		(125)	4,816
Negative market value of derivatives		X		11,540			11,540
Provisions for guarantees and other liabilities				58		62	120
Equity c)				19,877		(441)	19,436
Balance sheet total				**173,585**	**-**	**(504)**	**173,081**
a) Reclassification of repo transactions					15,840		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(125)	
c) Change in impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(441)	

DKK million

Nykredit Bank A/S

52. 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)			13,850	6,141	(3)	19,987
Cash balances etc and receivables from credit institutions and central banks		X a)		6,141	(6,141)		-
Loans, advances and other receivables at fair value		X a)		27,566	(27,566)		-
Loans, advances and other receivables at amortised cost	X a) b)			54,408	27,566	(501)	81,473
Bonds at fair value		X		42,885			42,885
Bonds at amortised cost	X			3,711			3,711
Equities measured at fair value through profit or loss		X		217			217
Other balance sheet items				5,768			5,768
Positive market value of derivatives		X		18,379			18,379
Balance sheet total				**172,925**	**-**	**(504)**	**172,421**
a) Reclassification of repo transactions					33,707		
b) Change in equity in Nykredit Bank A/S as a consequence of new impairment charges for loans and advances etc							
Liabilities and equity							
Payables to credit institutions and central banks	X a)			32,322	7,626	-	39,948
Payables to credit institutions and central banks		X a)		7,626	(7,626)		-
Deposits and other payables	X a)			76,610	8,214		84,824
Bonds in issue at amortised cost	X			6,473			6,473
Other non-derivative financial liabilities at fair value		X a)		13,976	(8,214)		5,762
Other balance sheet items				4,442		(125)	4,317
Negative market value of derivatives		X		11,540			11,540
Provisions for guarantees and other liabilities				58		62	120
Equity b)				19,877		(441)	19,436
Balance sheet total				**172,925**	**-**	**(504)**	**172,421**
a) Reclassification of repo transactions					15,840		
b) Tax effect concerning impairment charges (IFRS 9) for loans and advances measured at amortised cost etc						(125)	
b) Change in equity as a consequence of new impairment charges for loans and advances etc						(441)	

53. FINANCIAL RATIOS, DEFINITIONS

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

* Equity is calculated as a five-quarter average.

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 2), have been calculated in accordance with the Danish FSA's guidelines for reporting purposes.

DKK million

Nykredit Bank Group	2018	2017	2016	2015	2014
54. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	1,636	1,594	1,498	1,888	2,468
Net fee income etc	1,637	1,714	1,097	954	905
Net interest and fee income	**3,273**	**3,308**	**2,595**	**2,842**	**3,373**
Value adjustments	1,114	2,562	84	945	(3,516)
Other operating income	30	34	28	25	26
Staff and administrative expenses	2,005	1,934	2,000	1,832	1,928
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	0	12	16	26	11
Other operating expenses	23	28	45	65	96
Impairment charges for loans, advances and receivables etc	274	(102)	(141)	(121)	219
Profit from investments in associates and Group enterprises	3	2	-	-	-
Profit (loss) before tax	**2,118**	**4,033**	**788**	**2,010**	**(2,371)**
Tax	458	901	161	468	(599)
Profit (loss) for the year	**1,660**	**3,133**	**627**	**1,542**	**(1,772)**
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Comprehensive income for the year	**1,660**	**3,133**	**627**	**1,542**	**(1,772)**
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	17,909	19,991	35,723	13,425	33,885
Loans, advances and other receivables at fair value	-	27,566	30,091	39,467	35,228
Loans, advances and other receivables at amortised cost	97,993	55,783	55,003	46,747	50,494
Bonds and equities etc	49,288	47,453	42,576	40,412	65,314
Remaining assets	21,944	22,793	31,533	34,288	44,962
Total assets	**187,135**	**173,585**	**194,926**	**174,339**	**229,883**
Liabilities and equity					
Payables to credit institutions and central banks	54,620	40,218	51,606	34,957	63,876
Deposits and other payables	82,864	76,501	66,263	62,758	65,350
Bonds in issue at amortised cost	5,411	6,473	10,158	20,150	25,881
Other non-derivative financial liabilities at fair value	7,618	13,976	21,348	11,776	19,943
Remaining liabilities	13,236	14,298	26,546	28,267	41,913
Provisions	290	241	261	214	245
Subordinated debt	2,000	2,000	2,000	100	100
Equity	21,095	19,877	16,744	16,117	12,575
Total liabilities and equity	**187,135**	**173,585**	**194,926**	**174,339**	**229,883**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	22,527	25,080	17,152	15,180	20,893
Other commitments	8,924	6,835	5,375	5,566	4,839

Nykredit Bank Group	2018	2017	2016	2015	2014
					DKK million
54. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS[1]					
Total capital ratio, %	21.5	22.3	16.6	21.1	13.1
Tier 1 capital ratio, %	19.4	20.1	14.8	20.7	12.8
Return on equity before tax, %	10.3	21.7	4.8	14.0	(17.6)
Return on equity after tax, %	8.1	16.8	3.9	10.7	(13.2)
Income:cost ratio	1.92	3.15	1.41	2.12	(0.05)
Interest rate exposure, %	0.4	0.7	0.5	0.5	0.6
Foreign exchange position, %	0.3	0.2	1.0	1.1	0.4
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.2	1.1	1.3	1.4	1.3
Loans and advances:equity (loan gearing)	4.6	4.2	5.1	5.3	6.8
Growth in loans and advances for the year excluding repo transactions, %	8.6	1.4	17.7	(7.4)	7.4
Liquidity Coverage Ratio, %[2]	156.7	147.7			
Excess coverage:statutory liquidity requirements, %	-	-	263.5	347.2	281.7
Total large exposures, %	-	-	0.0	11.1	34.5
Large exposures, %[2]	91.8	96.1			
Impairment charges for the year, %	0.3	(0.1)	(0.1)	(0.1)	0.2
Return on capital employed, %	0.9	1.8	0.3	0.9	(0.8)
Average number of staff, full-time equivalent	837	822	800	761	820

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

[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures for 2017 have been restated accordingly. Compared with the previous method, the benchmark was 0.0% at end-December 2017. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

DKK million

Nykredit Bank A/S	2018	2017	2016	2015	2014
54. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	1,469	1,446	1,363	1,763	2,359
Net fee income etc	1,265	1,372	800	690	667
Net interest and fee income	**2,734**	**2,817**	**2,163**	**2,453**	**3,026**
Value adjustments	1,117	2,563	85	951	(3,511)
Other operating income	4	4	1	0	1
Staff and administrative expenses	1,799	1,712	1,785	1,629	1,733
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	-	12	16	26	10
Other operating expenses	19	25	41	61	93
Impairment charges for loans, advances and receivables etc	238	(123)	(158)	(136)	201
Profit from investments in associates and Group enterprises	250	217	177	151	125
Profit (loss) before tax	**2,049**	**3,975**	**742**	**1,976**	**(2,397)**
Tax	389	843	115	433	(625)
Profit (loss) for the year	**1,660**	**3,133**	**626**	**1,542**	**(1,772)**
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Comprehensive income for the year	**1,660**	**3,133**	**626**	**1,542**	**(1,772)**
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	17,909	19,990	35,723	13,425	33,884
Loans, advances and other receivables at fair value	-	27,566	30,091	39,467	35,228
Loans, advances and other receivables at amortised cost	96,699	54,408	53,481	45,345	49,024
Bonds and equities etc	48,441	46,813	42,025	39,984	64,966
Profit from investments in associates and Group enterprises	1,650	1,400	1,181	1,004	869
Remaining assets	21,882	22,748	31,475	34,307	44,949
Total assets	**186,581**	**172,925**	**193,977**	**173,532**	**228,920**
Liabilities and equity					
Payables to credit institutions and central banks	54,620	39,948	51,066	34,417	63,131
Deposits and other payables	82,942	76,610	66,317	62,834	65,440
Bonds in issue at amortised cost	5,411	6,473	10,158	20,150	25,881
Other non-derivative financial liabilities at fair value	7,618	13,976	21,348	11,776	19,943
Remaining liabilities	12,757	13,929	26,195	27,956	41,661
Provisions	139	111	149	182	189
Subordinated debt	2,000	2,000	2,000	100	100
Equity	21,095	19,877	16,744	16,117	12,575
Total liabilities and equity	**186,581**	**172,925**	**193,977**	**173,532**	**228,920**
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	22,626	25,449	17,790	15,279	20,993
Other commitments	8,724	6,726	5,225	5,480	4,685

DKK million

Nykredit Bank A/S	2018	2017	2016	2015	2014
54. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
FINANCIAL RATIOS[1]					
Total capital ratio, %	20.6	21.4	16.0	20.1	13.0
Tier 1 capital ratio, %	18.6	19.4	14.3	19.7	12.7
Return on equity before tax, %	10.3	21.4	4.5	13.8	(17.8)
Return on equity after tax, %	8.1	16.8	3.8	10.7	(13.2)
Income:cost ratio	2.00	3.44	1.44	2.25	(0.18)
Interest rate exposure, %	0.3	0.6	0.5	0.5	0.6
Foreign exchange position, %	0.3	0.2	1.0	1.1	0.4
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.2	1.1	1.3	1.4	1.3
Loans and advances:equity (loan gearing)	4.6	4.1	5.0	5.3	6.7
Growth in loans and advances for the year excluding repo transactions, %	8.9	1.7	17.9	(7.5)	6.8
Excess coverage:statutory liquidity requirements, %	-	-	264.7	346.5	281.7
Liquidity Coverage Ratio[2]	156.7	147.7			
Total large exposures, %	-	-	0.0	11.1	34.5
Large exposures, %[2]	91.7	96.0			
Impairment charges for the year, %	(0,2)	(0.1)	(0.2)	(0.1)	0.2
Return on capital employed, %	0.9	1.8	0.3	0.9	(0.8)
Average number of staff, full-time equivalent	664	658	641	606	672

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

[2] The benchmark "Large exposures" was changed in 2018 and now shows the 20 largest exposures relative to Common Equity Tier 1 capital. Comparative figures for 2017 have been restated accordingly. Compared with the previous method, the benchmark was 0.0% at end-December 2017. The liquidity benchmark replaced the former benchmark "Excess liquidity coverage" as at 30 June 2018. Comparative figures have been restated.

Nykredit Bank Group

FINANCIAL CALENDAR FOR 2019

5 February	Publication of Annual Reports for 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 Meetings 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 Bank Group's Management.

BOARD OF DIRECTORS

The Board of Directors meets monthly except in July. Weekly board meetings are held when required for approval of exposures.

The members of Nykredit Bank's Board of Directors appointed by the General Meeting are elected for a term of one year. The latest ordinary election took place on 21 March 2018. Re-election is not subject to any restrictions. The next annual general meeting of the Company is scheduled for 21 March 2019.

Staff-elected board members are elected for a term of four years.

Below, an account is given of the individual director's position, age and years of service on the Board as well as directorships and executive positions in other Danish and foreign companies as well as major organisational responsibilities.

Michael Rasmussen, Chairman
Group Chief Executive, Nykredit

Date of birth: 13 November 1964
Joined the Board on 1 April 2014

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Totalkredit A/S
Finance Denmark
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)*

Søren Holm, Deputy Chairman
Group Managing Director, Nykredit

Date of birth: 15 November 1956
Joined the Board on 26 September 2002

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Ejendomsselskabet Kalvebod A/S**

Director of:

Realkreditrådet
VP Securities A/S

Kim Duus
Group Managing Director, Nykredit

Date of birth: 8 December 1956
Joined the Board on 20 August 2009

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Nykredit Portefølje Administration A/S
Værdipapirfonden NPA

Director of:
Nærpension A/S

Flemming Ellegaard***
Chief Dealer

Date of birth: 1 January 1960
Joined the Board on 1 January 2016

David Hellemann
Group Managing Director, Nykredit

Date of birth: 5 December 1970
Joined the Board on 1 September 2016

Managing Director of:
Nykredit A/S
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(liquidated)**

Deputy Chairman of:
Bankernes EDB Central a.m.b.a.*

Director of:
Bankernes EDB Central a.m.b.a.**
CBS Executive Fonden
Finanssektorens Uddannelsescenter
Realkreditrådet
Totalkredit A/S

Anders Jensen
Group Managing Director, Nykredit

Date of birth: 20 January 1965
Joined the Board on 1 October 2014

Managing Director of:
Nykredit A/S
Nykredit Realkredit A/S

Chairman of:
Nykredit Leasing A/S
Nykredit Mægler A/S

Director of:
Bokis A/S
e-nettet A/S
Grænsefonden
Niels Brock (Copenhagen Business College)

Allan Kristiansen***
Chief Relationship Manager

Date of birth: 6 March 1958
Joined the Board on 13 March 2003

Director of:
Nykredit A/S
Nykredit Realkredit A/S

Resigned on 31 October 2018

Kent Ankersen *** **
Chief Dealer

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.

Henrik Rasmussen
Managing Director

Date of birth: 26 December 1961
Joined the Executive Board on 1 December 2015

Director of:
Landsdækkende Banker
Nykredit Leasing A/S
Nykredit Mægler A/S

Dan Sørensen
Managing Director

Date of birth: 15 December 1967
Joined the Executive Board on 1 December 2015

Director of:
Nykredit Portefølje Administration A/S

Chairman of:
Værdipapirfonden NPA

* Joined in 2018
** Resigned in 2018
*** Staff-elected member