

To Nasdaq Copenhagen
and the press

9 May 2017

NYKREDIT BANK A/S – A SUBSIDIARY OF NYKREDIT REALKREDIT A/S CONSOLIDATED IN THE NYKREDIT GROUP FINANCIAL STATEMENTS

INTERIM REPORT FOR THE PERIOD 1 JANUARY – 31 MARCH 2017

- Profit from core business was DKK 833m compared with DKK 286m in Q1/2016, equivalent to a return on equity of 19.4% pa against 7.2% in Q1/2016.
- Compared with end-2016, lending increased by DKK 1.3bn, or 2.3%, while deposits grew by DKK 1.8bn, or 2.7%.
- Core income from business operations totalled DKK 1,246m, up 67.9% on Q1/2016.
- Operating costs and depreciation of equipment were DKK 470m against DKK 475m in Q1/2016.
- Impairment losses on loans and advances equalled a gain of DKK 55m against a gain of DKK 16m in Q1/2016. Impairment losses were negative 0.1% of loans and advances against 0.0% in Q1/2016.
- Legacy derivatives produced a gain of DKK 337m against a charge of DKK 741m in Q1/2016. This category consists of derivatives that are no longer offered to Nykredit's customers.
- Profit after tax for the period came to DKK 940m against a loss of DKK 357m in Q1/2016, equivalent to a return on equity of 21.8% pa compared with a negative return on equity of 9.0% in Q1/2016.

LIQUIDITY

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 134% against 153% at end-2016. Deposits exceeded lending by DKK 11.8bn compared with DKK 11.3bn at end-2016.

CAPITAL

- Equity stood at DKK 17.7bn compared with DKK 16.7bn at end-2016.
- The Common Equity Tier 1 (CET1) capital ratio was 16.3% against 14.8% at end-2016. The total capital ratio was 18.4% against 16.6% at end-2016, and the internal capital adequacy requirement came to 10.8% compared with 10.7% at end-2016.

ABOUT NYKREDIT BANK GROUP

- The Q1 Interim Reports 2017 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at nykredit.com.

Contact

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

Contents

MANAGEMENT COMMENTARY	2
Financial highlights	3
Q1/2017 – summary	4
Outlook for 2017	5
Events since the balance sheet date	5
Special accounting circumstances	5
Other	5
Credit ratings	5
Balance sheet, equity and capital adequacy	6
Business areas	8
Retail	9
Wholesale Clients	10
Wealth Management	11
Group Items	13
Impairment and lending	14
MANAGEMENT STATEMENT	17
Statement by the Board of Directors and the Executive Board on the Interim Report	17
FINANCIAL STATEMENTS	18
Statements of income and comprehensive income	18
Balance sheets	19
Statement of changes in equity	21
Cash flow statement	23
Notes	24

FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	Q1/2017	Q1/2016	FY 2016
PROFIT FROM CORE BUSINESS AND PROFIT (LOSS) FOR THE PERIOD¹			
Core income from:			
- business operations	1,246	742	3,428
- securities	2	3	8
Income from core business	1,248	745	3,436
Operating costs and depreciation of equipment	470	475	2,060
Profit from core business before impairment losses	778	270	1,376
Impairment losses on loans and advances and provisions for guarantees	(55)	(16)	(141)
Profit from core business	833	286	1,517
Legacy derivatives	337	(741)	(763)
Investment portfolio income	34	(5)	34
Profit (loss) before tax	1,204	(459)	788
Tax	264	(102)	161
Profit (loss) for the period	940	(357)	627
SUMMARY BALANCE SHEET			
	31.03.2017	31.03.2016	31.12.2016
Assets			
Cash balances and receivables from central banks and credit institutions	36,324	20,305	35,723
Loans, advances and other receivables at fair value	23,449	34,963	30,091
Loans, advances and other receivables at amortised cost	56,256	48,972	55,003
Bonds at fair value and equities	35,277	42,688	42,576
Remaining assets	26,945	37,849	31,533
Total assets	178,251	184,777	194,926
Liabilities and equity			
Payables to credit institutions and central banks	48,346	41,552	51,606
Deposits and other payables	68,035	59,747	66,263
Bonds in issue at amortised cost	9,278	18,031	10,158
Other non-derivative financial liabilities at fair value	12,889	17,537	21,348
Remaining payables	19,784	31,869	26,546
Provisions	235	181	261
Subordinated debt	2,000	100	2,000
Equity	17,684	15,760	16,744
Total liabilities and equity	178,251	184,777	194,926
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	15,164	13,615	17,152
Other commitments	4,469	5,721	5,375
FINANCIAL RATIOS			
Profit (loss) for the period as % pa of average equity	21.8	(9.0)	3.8
Profit (loss) before tax for the period as % pa of average equity	28.0	(11.5)	4.8
Profit from core business before impairment losses as % pa of average equity	18.1	6.8	8.4
Profit from core business as % pa of average equity	19.4	7.2	9.2
Operating costs and depreciation of equipment as % of core income from business operations	37.7	64.0	60.1
Total provisions for loan impairment	2,473	2,753	2,537
Impairment losses for the period, %	(0.1)	0.0	(0.1)
Total capital ratio, %	18.4	19.6	16.6
Tier 1 capital ratio, %	16.3	19.2	14.8
Common Equity Tier 1 capital ratio, %	16.3	19.2	14.8
Average number of staff, full-time equivalent	830	792	800

¹ The presentation has been changed, which implies that value adjustments of legacy derivatives have been presented as a separate item that is not included in profit from core business. Reference is made to note 1, Accounting policies. Further, compared with Q1/2016, Nykredit has introduced Funding Valuation Adjustments (FVA) in the measurement of derivatives, which, viewed separately, had a positive impact of DKK 144m on profit for the period. The changes were incorporated in the Annual Report 2016, and reference is made to the Management Commentary and note 1, Accounting policies.

Q1/2017 – SUMMARY

Nykredit Bank is an important part of the Nykredit Group and underpins the mortgage business in many ways. For example, many of Nykredit Realkredit's customers are offered funding through Nykredit Bank. Also, Nykredit Bank offers market making in the Group's covered bonds and thus contributes to ensuring deep liquidity.

As a result of these activities – which support mortgage lending – Nykredit Bank generally has relatively large risk exposures, including exposures to interest rate swaps as a consequence of mortgage customers wishing to hedge the interest rate risk on their mortgage loans, which may cause significant movements in the Bank's value adjustments.

Results from core business and results before tax

In several areas, Q1/2017 saw positive trends. Several business activities delivered good growth in terms of customer numbers as well as business volumes, and value adjustments also developed positively. Our financial performance strengthened further thanks to a downward trend in impairments and unchanged cost levels.

The Nykredit Bank Group recorded a profit from core business of DKK 833m compared with DKK 286m in Q1/2016 and a profit before tax of DKK 1,204m against a loss before tax of DKK 459m in Q1/2016.

The rise in profit before tax of DKK 1,663m was notably driven by higher net interest and fee income of DKK 78m and a positive change in value adjustments of DKK 1,542. The rise was attributable to the Bank's core business activities and a positive change of DKK 1,078m in the earnings impact of legacy derivatives to a gain of DKK 337m from a loss of 741m in Q1/2016.

Income from core business

Income from core business grew by DKK 504m, or 67.7%, on Q1/2016 to DKK 1,248m, comprising a positive change in certain derivatives in our core business of DKK 260m, including positive Funding Valuation Adjustment (FVA) of DKK 67m, and an increase of DKK 244m in other income.

Core income totalled DKK 1,246m, up DKK 505m, of which Retail accounted for DKK 307m, Wholesale Clients for DKK 172m and Wealth Management for DKK 54m. Group Items dropped by DKK 26m.

Lending at amortised cost went up by DKK 1.3bn on end-2016 to DKK 56.3bn as at 31 March 2017.

Deposits rose by DKK 1.8bn from DKK 66.3bn at end-2016 to DKK 68.0bn.

Core income from securities

Income was DKK 2m in Q1/2017 compared with DKK 3m in Q1/2016 based on a short-term risk-free interest rate (the lending rate of Denmark's Nationalbank), which remained unchanged at 0.05% from Q1/2016.

Operating costs, depreciation and amortisation

Operating costs and depreciation of equipment fell by DKK 4m to DKK 470m. Payroll costs increased by DKK 10m, or 5.4%, to DKK 196m, while other capacity costs declined by DKK 14m.

The average number of full-time equivalent staff totalled 830 compared with 792 in Q1/2016, equal to a rise of 4.8%.

Impairment losses on loans and advances and provisions for guarantees

Impairment losses and provisions were a gain of DKK 55m against a gain of DKK 16m in Q1/2016, equivalent to a positive earnings impact of DKK 39m.

Individual impairment provisions had a positive earnings impact, changing from a gain of DKK 26m to a gain of DKK 66m, particularly driven by higher income from loans and advances previously written off and fewer losses on exposures not previously provided for compared with Q1/2016. Collective impairment provisions were DKK 14m against DKK 10m in Q1/2016.

Provisions for guarantees came to a gain of DKK 3m against a gain of DKK 2m in 2016.

Impairment losses in the period under review were negative 0.1% of loans and advances against 0.0% in Q1/2016.

Legacy derivatives

The presentation of derivatives has been changed compared with the Q1 Interim Report 2016.

In Q1/2016, the presentation included credit value adjustment of swaps involving an increased risk of loss. These value adjustments have not been part of our core business. In the Annual Report 2016, the presentation was changed, and certain interest rate swaps in the financial highlights and the presentation of business areas were presented as a separate item: Legacy derivatives, comprising all net income from a number of derivatives which we no longer offer to our customers. Reference is made to note 1, Accounting policies.

Value adjustments were a gain of DKK 337m against a loss of DKK 741m in Q1/2016. This has been driven by several factors in 2017, including changes in interest rates and credit spreads as well as a positive effect from maturity reduction. Viewed separately, the FVA adjustment contributed a positive value adjustment of DKK 77m in Q1/2017.

The portfolio of legacy derivatives had a total market value of DKK 6.3bn against DKK 6.7bn at end-2016. The portfolio was written down to DKK 3.3bn at end-Q1/2017 against DKK 3.4bn at end-2016.

Investment portfolio income

The investment portfolio generated income of DKK 34m against a loss of DKK 5m in Q1/2016.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest.

Tax

The calculated tax charge was DKK 264m, corresponding to 21.9% of profit before tax, compared with 22.2% in Q1/2016.

Results

Profit after tax came to DKK 940m in Q1/2017 against a loss of DKK 357m in Q1/2016.

RESULTS RELATIVE TO Q4/2016

Profit before tax grew by DKK 333m to DKK 1,204m in Q1/2017. Profit from core business rose by DKK 383m, driven by an increase in core income of DKK 294m and a decline in capacity costs of DKK 116m, while impairments had an adverse impact of DKK 27m.

Value adjustment of legacy derivatives was a gain which was DKK 85m lower than in Q4/2016, while investment portfolio income went up by DKK 35m.

OUTLOOK FOR 2017

In the Annual Report 2016, Nykredit Bank's guidance for profit from core business in 2017 was on a level with 2016 when profit was DKK 1.4bn.

Based on the business income performance in Q1/2017 and an impairment level that is now expected to be lower than forecast, Management anticipates that profit from core business in 2017 will increase compared with 2016.

The most significant uncertainty factors in respect of our guidance for 2017 relate to movements in interest rate markets and uncertainty about loan impairment losses.

EVENTS SINCE THE BALANCE SHEET DATE

Other events

No events have occurred in the period up to the presentation of the Q1 Interim Report 2017 which affect the Nykredit Bank Group's financial position.

SPECIAL ACCOUNTING CIRCUMSTANCES

Change to valuation of derivatives

At end-2016, Nykredit implemented FVA in the fair value measurement of Nykredit Bank's derivatives contracts with customers. FVA corresponds to Nykredit's funding costs resulting from customers having provided insufficient or no collateral.

The implementation entails a value adjustment, affecting profit before tax by DKK 144m in Q1/2017, of which DKK 77m was attributable to legacy derivatives, while DKK 67m was included in core income from business operations.

OTHER

Nykredit Group prepares for stock exchange listing

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for a stock exchange listing of Nykredit A/S (formerly Nykredit Holding A/S) in order to ensure greater capital flexibility in the Group.

This should be seen against the backdrop that Nykredit currently has more restricted access to capital markets than listed companies. It is difficult for Nykredit's main shareholder to contribute capital today, if required due to general economic conditions, new regulation, etc.

CREDIT RATINGS

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

S&P Global Ratings

Nykredit Realkredit A/S and Nykredit Bank A/S each have a long-term unsecured rating of A and a short-term unsecured rating of A-1 with S&P. The rating outlook is stable.

Fitch Ratings

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

Moody's Investors Service

Moody's Investors Service continues to publish unsolicited ratings for some companies of the Nykredit Group.

Nykredit Bank Group
Summary balance sheet

DKK million	31.03.2017	31.12.2016
Assets		
Receivables from credit institutions	36,324	35,723
Loans and advances at fair value (reverse repurchase lending)	23,449	30,091
Loans and advances at amortised cost	56,256	55,003
Retail	30,945	30,079
- Personal Banking	12,282	11,952
- Business Banking	18,664	18,127
Wholesale Clients	21,839	21,554
Wealth Management	2,982	2,603
Other loans and advances	490	767
Bonds and equities	35,277	42,576
Remaining assets	26,945	31,533
Liabilities and equity		
Payables to credit institutions and central banks	48,346	51,606
Deposits and other payables	68,035	66,263
Retail	43,945	43,037
- Personal Banking	26,085	25,760
- Business Banking	17,861	17,277
Wholesale Clients	12,902	12,207
Wealth Management	9,751	9,522
Other deposits	1,437	1,497
Bonds in issue	9,278	10,158
Other non-derivative financial liabilities at fair value	12,889	21,348
- of which deposits at fair value (repo deposits)	6,020	14,562
Remaining payables and provisions	20,019	26,807
Subordinated debt	2,000	2,000
Equity	17,684	16,744
Balance sheet total	178,251	194,926

Nykredit Bank Group
Equity

DKK million	31.03.2017	31.12.2016
Equity, beginning of period	16,744	16,117
Profit after tax	940	627
Total equity	17,684	16,744

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 178.3bn compared with DKK 194.9bn at end-2016.

The balance sheet reduction should primarily be seen in the context of declining repo transactions/reverse repurchase lending and a reduced bond portfolio.

Balances with credit institutions and cash balances increased by DKK 0.6bn to DKK 36.3bn, while loans and advances at fair value (reverse repurchase lending) decreased by DKK 6.6bn to DKK 23.4bn.

Bank lending at amortised cost was DKK 56.3bn, up DKK 1.3bn on end-2016, of which Wholesale Clients, Retail and Wealth Management accounted for a rise of DKK 0.3bn, DKK 0.9bn and DKK 0.4bn, respectively, and Group Items for a decline of DKK 0.3bn.

The bond portfolio reduced from DKK 42.3bn at end-2016 to DKK 35.0bn. The 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 portfolio mainly consists of high-rated government and covered bonds.

Other assets totalled DKK 26.8bn against DKK 31.3bn at end-2016. As at 31 March 2017, DKK 22.1bn was attributable to positive market values of derivatives compared with DKK 26.9bn at end-2016. The positive market values related to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. The interest rate risk is widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in relation to "Other liabilities", which included negative market values of DKK 16.0bn.

Moreover, "Other assets" includes interest and commission receivable.

Payables to credit institutions and central banks were down by DKK 3.3bn to DKK 48.3bn.

Deposits and other payables totalled DKK 68.0bn, which represented an increase on end-2016. Deposits in Retail grew by DKK 0.9bn, Wholesale Clients by DKK 0.7bn and Wealth Management by DKK 0.2bn, while Group Items and other deposits dropped by DKK 0.1bn.

As at 31 March 2017, the Bank's deposits exceeded lending at amortised cost by DKK 11.8bn. At end-2016, deposits exceeded lending by DKK 11.3bn.

Nykredit Bank Group Capital and capital adequacy		
DKK million	31.03.2017 ¹	31.12.2016
Share capital	8,045	8,045
Retained earnings ¹	8,699	8,699
Equity, end of period¹	16,744	16,744
Prudent valuation adjustment	(48)	(46)
Intangible assets and deferred tax assets	(17)	(22)
Deduction for difference between IRB losses and impairments	(211)	(315)
Other deductions	(21)	(63)
Transitional adjustment of deductions	42	126
Common Equity Tier 1 capital	16,489	16,424
Additional Tier 1 capital	0	0
Other deductions	0	0
Tier 1 capital	16,489	16,424
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	54	-
Transitional adjustment of Tier 2 capital	(21)	(63)
Own funds¹	18,521	18,361
Credit risk	85,918	95,079
Market risk	8,565	9,369
Operational risk	6,112	5,898
Total risk exposure amount	100,595	110,346
Total capital ratio, %	18.4	16.6
Tier 1 capital ratio, %	16.3	14.8
Common Equity Tier 1 capital ratio, %	16.3	14.8

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

Nykredit Bank Group Required own funds and internal capital adequacy requirement		
DKK million	31.03.2017	31.12.2016
Credit risk	6,874	7,606
Market risk	685	750
Operational risk	489	472
Total Pillar I	8,048	8,828
Slightly weaker economic climate (stress tests, etc)	1,027	1,198
Other risks	1,290	1,192
Model and calculation uncertainties	518	561
Total Pillar II	2,836	2,951
Total required own funds	10,883	11,779
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.8	10.7

Bonds in issue totalled DKK 9.3bn against DKK 10.2bn at end-2016. 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 deposits relating to repo transactions, came to DKK 12.9bn against DKK 21.3bn at end-2016.

Other payables and deferred income totalled DKK 19.8bn against DKK 26.5bn at end-2016. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The decline of DKK 6.8bn on end-2016 mainly reflected a decline in negative market values of derivative financial instruments from DKK 23.0bn at end-2016 to DKK 16.0bn.

Equity and capital adequacy

Equity carried for accounting purposes totalled DKK 17.7bn at end-Q1/2017. In Q1/2017, equity increased by profit for the period of DKK 940m. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

The determination of own funds for Q1/2017 excludes current profit for the period. At end-Q1/2017, Nykredit Bank's own funds totalled DKK 18.5bn. The 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 totalled DKK 16.5bn at end-Q1/2017 compared with DKK 16.4bn at end-2016.

The risk exposure amount (REA) totalled DKK 100.6bn at end-Q1/2017 against DKK 110.3bn at end-2016. The reduction resulted mainly from planned model adjustments and a minor fall in market risk and counterparty risk (swaps) owing to rising yield levels.

At end-Q1/2017, the total capital ratio was 18.4%. The Tier 1 capital ratio as well as the CET1 capital ratio stood at 16.3%.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required own funds totalled DKK 10.9bn at end-Q1/2017. 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 10.8% against 10.7% at end-2016.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves personal customers and SMEs and also comprises the subsidiary Nykredit Leasing A/S.
- Wholesale Clients, which comprises the business units Corporate & Institutional Banking and Nykredit Markets.
- Wealth Management, which comprises Private Banking Elite (clients with investable assets in excess of DKK 7m) and Nykredit Asset Management as well as the subsidiary Nykredit Portefølje Administration A/S.
- Group Items, which comprises the Treasury area, other income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

Adjustment of income statement format

As stated in the Annual Report 2016 and in note 1, Accounting policies, of this Interim Report, the presentation of certain derivatives was altered in Q4/2016, which changed the recognition in the income statement of these and core income from business operations. Comparative figures for previous periods have been restated.

Earnings

Gross income from customer business is generally allocated to the business areas which have supplied the individual products, which include Corporate & Institutional Banking, Nykredit Leasing A/S, Nykredit Markets, Nykredit Asset Management and Private Banking Elite. With the exception of Private Banking Elite, gross income attributable to the sales activities of Retail is subsequently reallocated to Retail in full. Correspondingly, Retail pays a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management attributable to the sales activities.

Nykredit Bank Group Results by business area

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016
Core income from										
- customer activities, gross	461	203	495	279	287	228	4	30	1,246	742
- payment for distribution	175	126	(92)	(48)	(83)	(78)	0	0	0	0
Total business operations	636	329	403	231	204	150	4	30	1,246	742
Core income from securities	0	0	0	0	0	0	2	3	2	3
Income from core business	636	329	403	231	204	150	6	33	1,248	745
Operating costs and depreciation of equipment	263	242	100	133	107	92	1	6	470	474
Profit from core business before impairment losses	374	86	303	98	97	58	5	28	778	270
Impairment losses on loans and advances	(2)	(3)	(50)	(39)	(3)	26	0	0	(55)	(16)
Profit from core business	376	89	353	137	101	32	4	28	833	286
Legacy derivatives	162	(369)	175	(372)	0	0	0	0	337	(741)
Investment portfolio income	0	0	0	0	0	0	34	(5)	34	(5)
Profit (loss) before tax	538	(280)	528	(235)	101	32	38	23	1,204	(459)
Operating costs and depreciation of equipment as % of core income from business operations	41.4	73.6	24.8	57.5	52.5	61.5	-	-	37.7	64.0

RETAIL

Retail consists of the business units Retail Personal Banking and Retail Business Banking and provides banking services to personal customers and SMEs, including agricultural customers, residential rental customers and Private Banking Retail's wealth clients. Retail also includes the subsidiary Nykredit Leasing A/S.

Nykredit serves its customers through 43 local customer centres, of which 18 serve business customers, and the sales and advisory call centre Nykredit Direkte®. Nykredit offers insurance in partnership with Gjensidige Forsikring.

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

Strategy

Nykredit has built a regional structure with few, but effective regional units and focus on full-service customers. Therefore, we are constantly working to improve and customise our product propositions, strengthen our advisory services and optimise processes as part of our Winning the Double strategy.

We aim to offer our customers an enduring relationship based on trust. Thus, we want higher satisfaction among full-service homeowner and business customers as well as to grow the number and proportion of full-service customers.

Q1/2017 – summary

Retail Personal Banking

Since the beginning of Q1/2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBank, launching ten new independent Private Banking teams. These specialist teams are responsible for all wealth management services to Retail customers in ten customer centres. The aim is to serve all the needs of the customers, including wealth management and financing needs. The number of full-service BoligBank customers grew satisfactorily in Q1/2017.

The partnership between Nykredit and Lunar Way, a fintech company, got off to a good start, and Lunar Way saw a decent customer inflow in Q1/2017.

Retail Business Banking

Retail Business Banking continued to improve Nykredit's business banking programme, Nykredit ErhvervsBank, and launched a new and updated version of Nykredit's online banking service for business customers, MitNykredit Erhverv. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

At the beginning of the quarter, Nykredit launched a new app named Nykredit Wallet for contactless mobile payments. The solution has been developed as part of a collaboration with a number of other banks.

Results from core business

The Nykredit Bank Group recorded a profit from core business of DKK 376m compared with DKK 89m in Q1/2016 and a profit before tax of DKK 538m against a loss before tax of DKK 280m in Q1/2016.

Gross income

The division's gross income came to DKK 461m against DKK 203m in Q1/2016. Moreover, Retail received DKK 175m as total payment for distribution from the other business areas.

Results for the period

Income from core business went up from DKK 329m in Q1/2016 to DKK 636m in Q1/2017.

Operating costs and depreciation of equipment rose by DKK 21m to DKK 263m. Costs as a percentage of core income from business operations totalled 41.4% against 73.6% in Q1/2016.

Impairment losses came to a gain of DKK 2m compared with a gain of DKK 3m in Q1/2016. Impairments relating to business customers were a gain of DKK 29m against a gain of DKK 31m in 2016, while impairment losses relating to personal customers reduced by DKK 1m to DKK 27m.

Impairment losses were unchanged at 0.0% of loans and advances.

Legacy derivatives had a positive earnings impact of DKK 531m, rising from a loss of DKK 369m in Q1/2016 to a gain of DKK 162m. In both years, the value adjustment resulted from SMEs, including housing cooperatives, and was a result of the movement in interest rates, credit quality and FVA.

Profit before tax subsequently totalled DKK 538m compared with a loss of DKK 280m in Q1/2016.

Lending and deposits

Retail's lending activities expanded to DKK 30.9bn from DKK 30.1bn at end-2016, while deposits rose to DKK 43.9bn from DKK 43.0bn at end-2016.

Subsidiaries

Nykredit Leasing A/S

The company handles the leasing activities of the Nykredit Group.

Nykredit Leasing recorded a profit before tax of DKK 28m compared with DKK 22m in Q1/2016.

WHOLESALE CLIENTS

Wholesale Clients comprises activities with Nykredit's corporate and institutional clients, the public housing segment and large housing cooperatives. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading. Wholesale Clients consists of the business units Corporate & Institutional Banking and Nykredit Markets. Corporate & Institutional Banking also comprises a portfolio of large non-continuing exposures.

Strategy

Nykredit's business strategy in this area is to provide clients with added value through broad financial advisory services and deep client insight.

Based on our specialist skills in Corporate & Institutional Banking and Nykredit Markets, which is the Group's trading operations and one of the leading Danish market participants within bond issuance and bond trading, we strive to ensure a better and more unified experience whenever we are in contact with our clients.

Q1/2017 – summary

Corporate & Institutional Banking

Corporate & Institutional Banking's activity level in Q1/2017 was higher than in the same period last year despite continued fierce price competition.

Moreover, strategic financial advisory services continue to attract new clients.

Nykredit Markets

Income in Nykredit Markets was driven by high customer activity across all customer segments in Q1/2017. Further, the number of new clients, and consequently assets under management, grew.

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to strengthen collaboration to improve services to wealth clients. Nykredit Markets provides comprehensive advisory services and offers wealth clients tailored solutions using a mix of products from Nykredit Markets and Nykredit Asset Management.

Results from core business

Profit from core business was DKK 353m compared with DKK 137m in Q1/2016. The rise was primarily driven by growth in core income from business operations of DKK 172m.

Gross income

The division's gross income came to DKK 495m against DKK 279m in Q1/2016. Of this amount, gross income from Nykredit Markets was DKK 262m, up DKK 54m on Q1/2016, and gross income from Corporate & Institutional Banking accounted for a rise of DKK 111m from DKK 122m to DKK 233m. Total payment for distribution to Retail came to negative DKK 92m, equal to 18.6% of gross income, which will be reallocated to the other business divisions.

Results for the period

Wholesale Client's core income from business operations totalled DKK 403m, equal to an upturn of DKK 172m on Q1/2016. This was mainly a result of an income rise of DKK 57m in Nykredit Markets and of DKK 114m in Corporate & Institutional Banking compared with Q1/2016.

Operating costs and depreciation of equipment were trimmed by DKK 33m compared with Q1/2016 to DKK 100m.

Operating costs and depreciation of equipment as a percentage of core income from business operations were 24.8% compared with 57.6% in Q1/2016.

Impairment losses on loans and advances equalled a gain of DKK 50m against a gain of DKK 39m in Q1/2016. The income of DKK 50m related particularly to non-continuing exposures.

Impairment losses were negative 0.2% of loans and advances against negative 0.2% in Q1/2016.

Legacy derivatives were a gain of DKK 175m in Q1/2017, equal to a positive earnings impact of DKK 547m compared with Q1/2016, when value adjustment was a loss of DKK 372m.

Profit before tax subsequently totalled DKK 528m compared with a loss of 235m in Q1/2016.

Lending and deposits

Lending amounted to DKK 21.8bn compared with DKK 21.6bn at end-2016.

Deposits came to DKK 12.9bn against DKK 12.2bn at end-2016.

Assets under management and administration and investment funds		
DKK million	31.03.2017	31.12.2016
Managed by Nykredit	148,768	138,990
Insourced mandates	18,701	18,066
Total assets under management	167,469	157,056
Assets under administration, Nykredit Portefølje Administration A/S	798,633	786,549
Of which Nykredit Group investment funds	78,890	74,648

WEALTH MANAGEMENT

The business division Wealth Management handles Nykredit's asset and wealth management activities. Wealth Management comprises the business units Nykredit Asset Management, Nykredit Portefølje Administration A/S and Private Banking Elite. Nykredit's asset management and portfolio administration services are undertaken by Nykredit Asset Management and Nykredit Portefølje Administration A/S, and their products and solutions include Nykredit Invest, Private Portfolio, Savings Invest, Pension Invest and discretionary asset management and administration agreements with institutional clients, foundations, businesses, public institutions and personal wealth clients.

Q1/2017 – summary

Total assets under administration went up by DKK 10.4bn to DKK 167.5bn at end-Q1/2017. The increase comprised net growth of DKK 8.0bn and capital gains of DKK 2.4bn.

Total assets under administration rose by DKK 12.1bn to DKK 799.6bn at end-Q1/2017. The increase comprised net outflows of DKK 14.7bn and capital gains of DKK 26.7bn.

Nykredit Asset Management

Nykredit Asset Management delivered good investment results in Q1/2017.

85% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1/2017, and 90% generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1/2017 especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, have performed extraordinarily well.

Private Banking Elite

Private Banking Elite achieved satisfactory client growth in the first three months of the year, both in terms of new clients and advancement of existing client relationships. Assets under administration also recorded very satisfactory net growth in the period.

In 2017 Private Banking Elite has maintained focus on increasing its market share, both by entering into agreements with new Nykredit customers and advancing existing client relationships with Private Banking Elite potential.

Results from core business

Profit before tax from core business was DKK 101m compared with DKK 32m in Q1/2016, corresponding to a DKK 69m increase that was primarily attributable to a rise in core income owing to increasing customer activities.

Gross income

Gross income came to DKK 287m against DKK 228m in Q1/2016. Total payment for distribution to Retail was negative at DKK 83m, equal to 28.9% of gross income, which will be reallocated to the other business areas.

Results for the period

The business division's core income from business operations totalled DKK 204m, up DKK 54m on Q1/2016, which was mainly a result of an earnings increase in Private Banking Elite and Nykredit Asset Management.

Operating costs amounted to DKK 107m, which represented an increase of DKK 15m on Q1/2016, which should be seen against the backdrop of the intensified focus on the business area.

Operating costs and depreciation of equipment as a percentage of core income from business operations were 52.5% compared with 61.3% in Q1/2016.

Impairment losses on loans and advances generated a gain of DKK 3m, driven by Private Banking Elite.

Impairment losses were negative 0.1% of loans and advances against 1.0% in Q1/2016.

Profit before tax subsequently totalled DKK 101m compared with DKK 32m in Q1/2016.

Lending and deposits

Lending amounted to DKK 3.0bn compared with DKK 2.6bn at end-2016.

Deposits came to DKK 9.8bn against DKK 9.5bn at end-2016.

Subsidiaries

Nykredit Portefølje Administration A/S

Nykredit Portefølje Administration A/S handles the Nykredit Group's fund administration activities. The company is a licensed investment management company and alternative investment fund manager.

Business areas comprise administration of Danish UCITS funds and management of alternative investment funds.

Moreover, the company may perform discretionary portfolio management or related tasks in Denmark and offer services as a management company in Luxembourg.

Nykredit Portefølje Administration A/S recorded a profit before tax of DKK 38m compared with DKK 27m in Q1/2016.

GROUP ITEMS

Group Items includes the results of the Bank's Treasury, which forms part of Nykredit's Group Treasury, core income from securities and investment portfolio income as well as other income and expenses not allocated to the business units.

Profit from core business was DKK 4m against DKK 28m in Q1/2016, and profit before tax amounted to DKK 38m against DKK 23m in Q1/2016. Treasury activities contributed a loss of DKK 3m compared with a profit of DKK 51m in Q1/2016.

Core income was DKK 5m in Q1/2017, while operating costs and depreciation of equipment amounted to DKK 1m compared with DKK 6m in Q1/2016.

Core income from securities and investment portfolio income grew to a profit of DKK 36m from a loss of DKK 2m in Q1/2016.

IMPAIRMENT AND LENDING

Earnings impact

Impairments were a gain of DKK 55m in Q1/2017 compared with a gain of DKK 16m in Q1/2016.

Of the total gain of DKK 55m, individual impairment provisions accounted for a gain of DKK 45m, while collective impairment provisions accounted for a loss of DKK 14m. Recoveries on loans and advances previously written off totalled DKK 35m, while write-offs of loans, advances and guarantees not previously impaired or provided for came to a charge of DKK 11m.

Provisions for guarantees were a gain of DKK 3m in Q1/2017 against a gain of DKK 2m in Q1/2016.

Retail impairment losses came to a gain of DKK 2m compared with a gain of DKK 3m in Q1/2016. This was attributable to impairment losses on lending to business customers, down DKK 2m from a gain of DKK 31m in Q1/2016 to a gain of DKK 29m, and impairment losses on lending to personal customers, down DKK 1m to DKK 27m.

Impairment losses on loans and advances in Wholesale Clients equalled a gain of DKK 50m against a gain of DKK 39m in Q1/2016. The impairment charge for Corporate & Institutional Banking increased by DKK 23m to DKK 0m.

Impairments in Wealth Management were a gain of DKK 3m in Q1/2017 compared with a loss of DKK 26m in Q1/2016.

Provisions for loan impairment and guarantees at 31 March 2017

Total provisions decreased by 2.5% from DKK 2,560m at 31 December 2016 to DKK 2,496m at 31 March 2017. Individual impairment provisions reduced by DKK 78m and collective impairment provisions rose by DKK 14m. Of the decline in individual impairment provisions, DKK 36m was write-offs.

In addition, value adjustment of interest rate swaps of DKK 4.4bn have been made, of which credit value adjustments amounted to DKK 3.7bn, comprising DKK 3.0bn relating to legacy derivatives and DKK 0.7bn relating to other.

Impairment provisions in Retail fell from DKK 1,715m at end-2016 to DKK 1,677m due to a reduction of DKK 46m in impairment provisions for SMEs and a rise of DKK 8m in impairment provisions for personal customers.

Impairment provisions for Wholesale Clients and Wealth Management reduced by DKK 26m from DKK 822m at end-2016 to DKK 796m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 21m from DKK 213m to DKK 192m. Other business units showed a DKK 5m reduction on end-2016.

Total non-continuing exposures were fairly unchanged at DKK 0.3bn at March 2017 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 49m against DKK 51m at end-2016.

Provisions for loan impairment and guarantees – Nykredit Bank Group

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016
Impairment provisions, beginning of period	1,715	1,784	805	1,011	17	4	23	76	2,560	2,875
Impairment provisions and reversals	(38)	(68)	(23)	(56)	(3)	25	0	0	(64)	(99)
Impairment provisions, end of period	1,677	1,716	782	955	14	29	23	76	2,496	2,776
Of which individual	1,576	1,631	738	889	14	29	0	53	2,328	2,602
Of which individual, banks	0	0	0	0	0	0	23	23	23	23
Of which collective	101	85	44	66	0	0	0	0	145	151
Provisions for guarantees										
Provisions, beginning of period	42	44	9	55	0	0	0	0	51	99
Provisions, end of period	41	47	8	49	0	1	0	0	49	97
Total provisions for loan impairment and guarantees	1,718	1,763	790	1,004	14	30	23	76	2,545	2,873
Earnings impact										
New impairment provisions and losses for the period, net	7	3	(22)	(31)	(3)	25	1	0	(17)	(3)
Recoveries on loans and advances previously written off	8	5	27	5	0	0	0	0	35	10
Total	(1)	(2)	(49)	(36)	(3)	25	1	0	(52)	(13)
Provisions for guarantees	(1)	(1)	(1)	(3)	0	1	0	0	(3)	(3)
Total earnings impact	(2)	(3)	(50)	(39)	(3)	26	1	0	(55)	(16)

Relative to total loans, advances and guarantees, provisions amounted to 2.6% compared with 2.5% at end-2016. Excluding guarantees, the ratio was 3.0% compared with 2.9% at end-2016. The carrying amount of non-accrual loans was DKK 0.1bn against DKK 0.2bn in 2016.

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees of the Group totalled DKK 94.9bn against DKK 102.2bn at end-2016, down DKK 7.4bn.

This figure comprised a decline in reverse repurchase lending of DKK 6.6bn, a rise in other loans and advances of DKK 1.3bn and a decline in guarantees of DKK 2.0bn. Reverse repurchase lending totalled DKK 23.4bn at 31 March 2017 against DKK 30.1bn at end-2016.

Finance and insurance still accounted for the largest single sector exposure at DKK 27.8bn against DKK 34.7bn at end-2016. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 6.9bn fall was thus notably an effect of the decrease in reverse repurchase lending of DKK 6.6bn.

Finance and insurance accounted for 29.3% against 34.0% at end-2016, the real estate sector 11.3% against 11.3% at end-2016 and personal customers 22.5% against 21.7% at end-2016.

Lending to the real estate and construction sectors totalled DKK 14.3bn at end-Q1/2017 compared with DKK 14.8bn at end-2016. Of total loans, advances and guarantees, DKK 8.6bn derived from the category "Renting of real estate", which was a DKK 0.7bn drop on end-2016.

At 31 March 2017, loan impairment provisions for the real estate sector totalled DKK 1.1bn compared with DKK 1.2bn at end-2016, or 7.1% of total loans and advances to the sector. At end-2016, the percentage was 7.3%.

Loans, advances and guarantees by sector DKK million	Loans, advances and guarantees		Provisions	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Public sector	428	597	0	0
Agriculture, hunting, forestry and fishing	2,733	2,660	99	95
Manufacturing, mining and quarrying	6,531	6,290	179	185
Energy supply	1,954	2,252	3	3
Construction	3,557	3,177	171	206
Trade	4,784	3,843	52	57
Transport, accommodation and food service activities	3,450	3,101	102	113
Information and communication	1,371	1,551	20	18
Finance and insurance	27,844	34,749	123	119
Real estate	10,760	11,589	922	950
Other	10,133	10,274	222	223
Total business customers	73,117	79,486	1,893	1,969
Personal customers	21,324	22,163	630	621
Total	94,869	102,246	2,523	2,590
Total, incl impairment provisions for banks			2,545	2,613

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

FSA Supervisory Diamond

	Q1/2017	Q1/2016
Lending growth ¹ (limit value <20%)	15.7	(0.7)
Large exposures (limit value <125%)	0.0	11.1
Property exposure (limit value <25%)	12.8	11.9
Funding ratio (limit value <1.0%)	0.6	0.6
Excess liquidity coverage (limit value 50%)	275.4	213.2

¹ The lending growth has been adjusted to comprise a moving 12-month period. Previously the key figure was based on opening balances. This change does not imply that Nykredit Bank has exceeded the limit values set by the Danish FSA.

FSA 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's key ratios were below the maximum limit values of the Danish FSA throughout 2016 and at 31 March 2017.

Nykredit Bank recorded lending growth of 15.7%, 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 12.8% against 11.9% at end-Q1/2016.

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE INTERIM REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for 1 January – 31 March 2017 of Nykredit Bank A/S and the Nykredit Bank Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 March 2017 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 31 March 2017.

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

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

Copenhagen, 9 May 2017

Executive Board

Henrik Rasmussen

Dan Sørensen

Board of Directors

Michael Rasmussen, Chairman

Søren Holm, Deputy Chairman

Kent Ankersen*

Kim Duus

Flemming Ellegaard*

David Hellemann

Anders Jensen

Allan Kristiansen*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
Q1/2016	Q1/2017		Note	Q1/2017	Q1/2016
INCOME STATEMENT					
476	376	Interest income	5	411	509
(33)	(58)	Negative interest, income	5a	(58)	(33)
(46)	(68)	Negative interest, expenses	5a	(68)	(46)
94	68	Interest expenses	6	68	94
395	318	Net interest income		353	428
0	9	Dividend on equities		9	-
277	363	Fee and commission income		461	353
125	75	Fee and commission expenses		93	129
547	615	Net interest and fee income		730	652
(660)	882	Value adjustments	7	882	(660)
0	0	Other operating income		7	6
404	405	Staff and administrative expenses	8	460	463
4	4	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		4	4
6	5	Other operating expenses		6	6
(19)	(55)	Impairment losses on loans, advances and receivables	9	(55)	(16)
39	52	Profit from investments in associates and Group enterprises	10	-	-
(469)	1,190	Profit (loss) before tax		1,204	(459)
(112)	250	Tax	11	264	(102)
(357)	940	Profit (loss) for the period		940	(357)
Proposal for the distribution of profit					
39	52	Statutory reserves		-	-
(396)	888	Retained earnings		940	(357)
(357)	940	Profit (loss) for the period		940	(357)
Comprehensive income					
(357)	940	Profit (loss) for the period		940	(357)
-	-	Other additions and disposals		-	-
-	-	Other comprehensive income		-	-
(357)	940	Comprehensive income for the period		940	(357)

BALANCE SHEETS

DKK million

Nykredit Bank A/S				Nykredit Bank Group	
31.12.2016	31.03.2017		Note	31.03.2017	31.12.2016
ASSETS					
1,980	2,892	Cash balances and demand deposits with central banks		2,892	1,980
33,743	33,432	Receivables from credit institutions and central banks	12	33,432	33,743
30,091	23,449	Loans, advances and other receivables at fair value	13	23,449	30,091
53,481	55,023	Loans, advances and other receivables at amortised cost	14	56,256	55,003
41,768	34,463	Bonds at fair value	15	35,011	42,318
257	265	Equities	16	266	258
-	2	Investments in associates		2	-
1,181	1,233	Investments in Group enterprises		-	-
22	19	Intangible assets		19	22
3	3	Other property, plant and equipment		3	3
-	-	Current tax assets		2	5
109	109	Deferred tax assets		110	110
27	28	Assets in temporary possession	17	28	27
31,300	26,715	Other assets	18	26,758	31,343
15	15	Prepayments		23	23
193,977	177,648	Total assets		178,251	194,926

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	31.03.2017	Note	31.03.2017	31.12.2016
LIABILITIES AND EQUITY				
51,066	48,075	19	48,346	51,606
66,317	68,104	20	68,035	66,263
10,158	9,278	21	9,278	10,158
21,348	12,889	22	12,889	21,348
8	259		280	15
29	29		29	29
26,153	19,193	23	19,465	26,493
5	6		10	9
175,084	157,833		158,332	175,921
Provisions				
-	-		104	112
52	49	24	49	52
97	82	24	82	97
149	131		235	261
2,000	2,000	25	2,000	2,000
Equity				
8,045	8,045		8,045	8,045
Other reserves				
713	765		-	-
7,986	8,874		9,639	8,699
16,744	17,684		17,684	16,744
193,977	177,648		178,251	194,926
OFF-BALANCE SHEET ITEMS				
17,790	15,532	26	15,164	17,152
5,225	4,323	27	4,469	5,375

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total
EQUITY, 31 MARCH 2017				
Equity, 1 January	8,045	713	7,986	16,744
Comprehensive income				
Profit for the period	-	52	888	940
Total comprehensive income	-	52	888	940
Capital increase	-	-	-	-
Total changes in equity	-	52	888	940
Equity, 31 March 2017	8,045	765	8,874	17,684
EQUITY, 31 MARCH 2016				
Equity, 1 January	8,045	536	7,536	16,117
Comprehensive income				
Loss for the period	-	-	(357)	(357)
Total comprehensive income	-	-	(357)	(357)
Capital increase	-	-	-	-
Total changes in equity	-	-	(357)	(357)
Equity, 31 March 2016	8,045	536	7,179	15,760

¹ The share capital breaks down into 19 shares in multiples of DKK 1m. 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 Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit may be obtained from the association.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Total
EQUITY, 31 MARCH 2017			
Equity, 1 January	8,045	8,699	16,744
Comprehensive income			
Profit for the period	-	940	940
Total comprehensive income	-	940	940
Capital increase	-	-	-
Total changes in equity	-	940	940
Equity, 31 March 2017	8,045	9,639	17,684
EQUITY, 31 MARCH 2016			
Equity, 1 January	8,045	8,072	16,117
Comprehensive income			
Loss for the period	-	(357)	(357)
Total comprehensive income	-	(357)	(357)
Capital increase	-	-	-
Total changes in equity	-	(357)	(357)
Equity, 31 March 2016	8,045	7,715	15,760

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group	Q1/2017	Q1/2016
Profit (loss) for the period	940	(357)
Adjustments		
Net interest income	(353)	(428)
Depreciation and impairment losses for property, plant and equipment	4	4
Other non-cash changes	(1)	7
Impairment losses on loans, advances and receivables	(20)	(6)
Tax calculated on profit (loss) for the period	264	0
Total	834	(780)
Change in working capital		
Loans, advances and other receivables	5,384	2,216
Deposits and other payables	1,876	(2,481)
Payables to credit institutions and central banks	(3,500)	6,643
Bonds at fair value	7,316	(2,940)
Equities	(8)	26
Other working capital	(11,035)	5,694
Total	33	9,158
Interest income received	693	908
Interest expenses paid	(206)	(199)
Corporation tax paid, net	(5)	(207)
Cash flows from operating activities	1,349	8,880
Cash flows from investing activities		
Property, plant and equipment	(3)	-
Total	(3)	-
Cash flows from financing activities		
Capital increase	-	-
Subordinated debt	-	-
Bonds in issue	(879)	(1,921)
Total	(879)	(1,921)
Total cash flows for the period	467	6,959
Cash and cash equivalents, beginning of period	35,723	13,425
Foreign currency translation adjustment of cash	134	(79)
Cash and cash equivalents, end of period	36,324	20,305
Cash and cash equivalents, end of period		
Specification of cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	2,892	3,244
Receivables from credit institutions and central banks	33,432	17,061
Total	36,324	20,305

NOTES

1. Accounting policies	25
2. Capital and capital adequacy	26
3. Business areas	27
4. Reconciliation of internal and regulatory income statement	29
5. Interest income	30
5a. Negative interest	30
6. Interest expenses	30
7. Value adjustments	31
8. Staff and administrative expenses	31
9. Impairment losses on loans, advances and receivables	31
10. Profit from investments in associates and group enterprises	32
11. Tax	32
12. Receivables from credit institutions and central banks	33
13. Loans, advances and other receivables at fair value	33
14. Loans, advances and other receivables at amortised cost	33
15. Bonds at fair value	33
16. Equities	33
17. Assets in temporary possession	34
18. Other assets	34
19. Payables to credit institutions and central banks	34
20. Deposits and other payables	34
21. Bonds in issue at amortised cost	35
22. Other non-derivative financial liabilities at fair value	35
23. Other liabilities	35
24. Provisions	36
25. Subordinated debt	36
26. Contingent liabilities	37
27. Other commitments	38
28. Related party transactions and balances	38
29. Loans, advances, guarantees and provisions	39
30. Fair value disclosures	40
31. Foreign exchange and interest rate exposures	44
32. Group structure	45
33. Five-year financial highlights, Group	46

NOTES

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1/2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Parent Interim Financial Statements for Q1/2017 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish executive order on the presentation of financial reports) issued by the Danish Financial Supervisory Authority (FSA).

Changed presentation of business areas

The income statement format for financial highlights on page 3 and the business areas (note 3) has been adjusted compared with the Q1 Interim Report 2016.

The presentation has been changed to the effect that interest rate swaps with special valuation adjustments are no longer presented as a separate item.

In order to better illustrate earnings exclusive of legacy business, such business has been separated out under the item "Legacy derivatives" as from the Annual Report 2016.

These are derivatives, including instruments with step-up interest rate structures and swaps, carrying an initial maturity over 15 years and entered into with eg housing cooperatives and agricultural customers. This item covers all net income from the relevant business activities and not merely credit value adjustments. A considerable part of the derivatives concerned relates to the portfolio previously separated out for which credit value adjustments have been made. Compared with previous practice, viewed separately, this change means that about DKK 200m is transferred to core income from business operations. Profit from core business is thus affected positively. Comparative figures for 2015 have been changed, and an expense of DKK 61m has now been included in profit from core business.

The change did not affect the results, comprehensive income, balance sheet or equity of Nykredit Bank A/S or the Nykredit Bank Group.

IFRS 9

IFRS 9 will be implemented for financial years beginning on 1 January 2018 or later. Where Nykredit is concerned, especially the new loan impairment rules will have a material impact on the Financial Statements. Reference is made to the accounting policies (note 1) of the Annual Report 2016.

New and amended standards, interpretations and reporting provisions

Reporting standards and interpretations that entered into force on 1 January 2017 have been implemented with no effect on results, comprehensive income, balance sheets or equity for the period.

Compared with the information disclosed in the accounting policies (note 1) of the Annual Report 2016, no new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish Executive Order on the Presentation of Financial Reports issued by the Danish FSA which influence the Q1 Interim Report 2017 of Nykredit Bank A/S and the Nykredit Bank Group.

Significant accounting estimates and assessments

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and provisions of the Annual Report 2016.

Other information

The accounting policies are otherwise unchanged compared with the Annual Report 2016. For a full description of the Group's and the Parent's accounting policies, please refer to note 1 of the Annual Report 2016, which is available at nykredit.com/reports.

All figures in the Q1 Interim Report are rounded to the nearest million Danish kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	31.03.2017		31.03.2017	31.12.2016
2. CAPITAL AND CAPITAL ADEQUACY				
16,744	16,744	Equity¹	16,744	16,744
(46)	(48)	Prudent valuation adjustment	(48)	(46)
(22)	(17)	Intangible assets	(17)	(22)
(315)	(211)	Deduction for difference between IRB losses and impairments	(211)	(315)
(63)	(21)	Other deductions	(21)	(63)
126	42	Transitional adjustment of deductions	42	126
(320)	(255)	Common Equity Tier 1 capital deductions	(255)	(320)
16,424	16,489	Common Equity Tier 1 capital	16,489	16,424
-	-	- Additional Tier 1 capital	-	-
-	-	- Transitional Additional Tier 1 capital adjustment	-	-
-	-	Additional Tier 1 capital	-	-
16,424	16,489	Tier 1 capital	16,489	16,424
2,000	2,000	Tier 2 capital	2,000	2,000
-	54	Tier 2 capital additions/deductions	54	-
(63)	(21)	Transitional adjustment of Tier 2 capital	(21)	(63)
18,361	18,521	Own funds	18,521	18,361
99,622	90,553	Credit risk	85,918	95,079
9,369	8,565	Market risk	8,565	9,369
5,201	5,300	Operational risk	6,112	5,898
114,192	104,417	Total risk exposure amount	100,595	110,346
14.3	15.7	Common Equity Tier 1 capital ratio, %	16.3	14.8
14.3	15.7	Tier 1 capital ratio, %	16.3	14.8
16.0	17.7	Total capital ratio, %	18.4	16.6

¹ Equity for Q1/2017 has been determined exclusive of profit for the period.

Capital and capital adequacy have been determined in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish FSA.

Nykredit Realkredit A/S has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the Nykredit Bank Group. The requirement of 2% is being phased in and currently constitutes 1.2%. To this should be added the phase-in of the permanent buffer requirement, currently 1.25%, applicable to all financial institutions.

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Total Wealth Management	Group Items	Total
RESULTS									
31 MARCH 2017									
Core income from									
- customer activities, gross	141	320	461	233	262	495	287	3	1,246
- payment for distribution	95	80	175	23	(115)	(92)	(83)	-	-
Total business operations	236	400	636	256	147	403	204	3	1,246
- core income from securities	-	-	-	-	-	-	-	2	2
Income from core business*	236	400	636	256	147	403	204	5	1,248
Operating costs and depreciation of equipment ¹	160	103	263	59	40	99	107	1	470
Profit from core business before impairment losses	76	295	374	196	107	304	97	4	778
Impairment losses on loans and advances	27	(29)	(2)	(50)	-	(50)	(3)	-	(55)
Profit from core business	49	324	376	246	107	354	100	4	833
Legacy derivatives	-	162	162	151	24	175	-	-	337
Investment portfolio income ²	-	-	-	-	-	-	-	34	34
Profit for the period before tax	49	486	538	397	131	529	100	38	1,204
* Of which transactions between business areas	89	54	143	2	(110)	(108)	(87)	52	-
Operating costs and depreciation of equipment as % of core income from business operations	67.8	25.8	41.4	23.0	27.2	24.6	52.5	-	37.7
Average allocated business capital	2,532	4,956	7,488	4,840	1,220	6,060	675	1,278	15,501
Profit from core business as % pa of allocated capital	7.7	26.1	20.1	20.3	35.1	23.4	59.3	-	21.5
BALANCE SHEET									
ASSETS									
Loans and advances at fair value	-	-	-	-	-	-	-	23,449	23,449
Loans and advances at amortised cost	12,282	18,664	30,945	21,839	-	21,839	2,982	490	56,256
Assets by business area	12,282	18,664	30,945	21,839	-	21,839	2,982	23,939	79,705
Unallocated assets									98,545
Total assets									178,251
LIABILITIES AND EQUITY									
Deposits and other payables	26,085	17,861	43,945	12,887	15	12,902	9,751	1,437	68,035
Liabilities by business area	26,085	17,861	43,945	12,887	15	12,902	9,751	1,437	68,035
Unallocated liabilities									90,532
Equity and subordinated debt									19,684
Total liabilities and equity									178,251
Off-balance sheet items (guarantees)	9,598	3,076	12,673	5,540	-	5,540	1,179	240	19,633

¹ Operating costs and depreciation of equipment for Personal Banking and Business Banking are presented and assessed jointly for internal reporting purposes.

² Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

NOTES

DKK million

Nykredit Bank Group

3. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Total Wealth Management	Group Items	Total
RESULTS									
31 MARCH 2016									
Core income from									
- customer activities, gross	133	71	203	120	160	280	228	31	742
- payment for distribution	76	50	126	20	(68)	(48)	(78)	-	-
Total business operations	209	121	329	140	92	231	150	31	742
- core income from securities	-	-	-	-	-	-	-	3	3
Income from core business	209	121	329	140	92	231	150	34	745
Operating costs and depreciation of equipment ¹	147	96	243	61	72	133	92	6	475
Profit from core business before impairment losses	62	25	86	79	19	98	58	28	270
Impairment losses on loans and advances	28	(31)	(3)	(40)	-	(40)	26	-	(16)
Profit from core business	33	56	89	119	19	138	32	28	286
Legacy derivatives	(2)	(367)	(369)	(370)	(2)	(372)	-	-	(741)
Investment portfolio income ²	-	-	-	-	-	-	-	(5)	(5)
Profit (loss) for the period before tax	31	(312)	(280)	(251)	17	(234)	32	23	(459)
* Of which transactions between business areas	72	19	91	(10)	(65)	(75)	(76)	61	0
Operating costs and depreciation of equipment as % of core income from business operations	70.5	79.7	73.9	43.7	78.9	57.6	61.5	-	64.0
Average allocated business capital	2,437	4,114	6,551	3,842	1,746	5,588	423	1,100	13,662
Profit from core business as % pa of allocated capital	5.4	5.4	5.4	12.4	4.4	9.9	30.1	-	8.4
BALANCE SHEET, 31 DECEMBER 2016									
ASSETS									
Loans and advances at fair value	-	-	-	-	-	-	-	30,091	30,091
Loans and advances at amortised cost	11,952	18,127	30,079	21,554	-	21,554	2,603	767	55,003
Assets by business area	11,952	18,127	30,079	21,554	-	21,554	2,603	30,858	85,094
Unallocated assets									109,832
Total assets									194,926
LIABILITIES AND EQUITY									
Deposits and other payables	25,760	17,277	43,037	12,203	4	12,207	9,522	1,497	66,263
Liabilities by business area	25,760	17,277	43,037	12,203	4	12,207	9,522	1,497	66,263
Unallocated liabilities									109,919
Equity and subordinated debt									18,744
Total liabilities and equity									194,926
Off-balance sheet items (guarantees)	11,491	3,773	15,264	6,048	-	6,048	931	285	22,528

¹ Operating costs and depreciation of equipment for Personal Banking and Business Banking are presented and assessed jointly for internal reporting purposes.

² Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest.

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1/2017			Q1/2016		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
Net interest income	344	9	353	417	11	428
Dividend on equities	9	-	9	0	0	0
Fee and commission income, net	368	-	368	224	0	224
Net interest and fee income	721	9	730	641	11	652
Value adjustments	520	362	882	97	(757)	(660)
Other operating income	7	-	7	6	-	6
Staff and administrative expenses	460	-	460	464	-	464
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	4	-	4	4	-	4
Other operating expenses	6	-	6	5	-	5
Impairment losses on loans and advances	(55)	-	(55)	(16)	-	(16)
Profit (loss) before tax	833	371	1,204	286	(746)	(459)

¹ Other Activities comprises legacy derivatives of DKK 337m (2016: a negative DKK 741m) and investment portfolio income of DKK 34m (2015: a negative DKK 5m).

The presentation of financial highlights and business areas in the Management Commentary lists some key alternative performance targets: income from core business, profit from core business before impairment losses and profit from core business. These targets are presented in the external Financial Statements in order to create consistency with Nykredit's internal reporting. The same applies to the presentation of business areas in note 3.

Profit (loss) before tax equals the corresponding performance target in the official income statement, as identical principles for recognition and measurement are applied. A reconciliation to the official income statement is shown above.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
5. INTEREST INCOME			
3	4	4	3
455	449	484	487
71	48	48	72
(55)	(126)	(126)	(55)
	Of which		
83	22	22	83
(134)	(145)	(145)	(134)
(7)	(3)	(3)	(7)
3	-	-	3
2	1	1	2
476	376	411	509
Of which interest income from genuine purchase and resale transactions entered as			
0	-	-	0
5	6	6	5
5A. NEGATIVE INTEREST			
Interest income			
(4)	(29)	(29)	(4)
(29)	(29)	(29)	(29)
(33)	(58)	(58)	(33)
Of which interest income from genuine purchase and resale transactions entered as			
(3)	(21)	(21)	(3)
(29)	(29)	(29)	(29)
Interest expenses			
(23)	(35)	(35)	(23)
(23)	(33)	(33)	(23)
(46)	(68)	(68)	(46)
Of which interest expenses for genuine purchase and resale transactions entered as			
(9)	(14)	(14)	(9)
(16)	(20)	(20)	(16)
13	10	10	13
6. INTEREST EXPENSES			
22	12	12	22
24	14	14	24
39	17	17	39
0	11	11	0
9	14	14	9
94	68	68	94
Of which interest expenses for genuine sale and repurchase transactions entered as			
6	-	-	6
4	1	1	4

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
7. VALUE ADJUSTMENTS			
2	-	-	2
48	175	175	48
0	6	6	0
(14)	17	17	(14)
(696)	684	684	(696)
(660)	882	882	(660)
8. STAFF AND ADMINISTRATIVE EXPENSES			
1	1	1	1
156	167	195	185
247	237	264	277
404	405	460	463
Remuneration of Board of Directors and Executive Board:			
Board of Directors			
0	0	0	0
Fees Staff-elected board representatives each receive an annual fee of DKK 60,000. No additional fees are paid to the Board of Directors.			
Executive Board			
1	1	1	1
1	1	1	1
The terms and conditions governing the salaries and pensions of the Executive Board have not changed since the Annual Report 2016, to which reference is made.			
Staff expenses			
123	129	152	147
12	14	16	15
21	24	27	23
156	167	195	185
635	669	830	792
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
Specification of impairment provisions			
2,553	2,269	2,328	2,602
23	23	23	23
146	139	145	151
2,722	2,431	2,496	2,776
Individual impairment provisions for loans, advances and receivables			
2,660	2,346	2,406	2,711
166	140	147	173
198	181	189	207
75	36	36	75
2,553	2,269	2,328	2,602
Individual impairment provisions for receivables from credit institutions			
23	23	23	23
0	-	-	0
23	23	23	23
Collective impairment provisions			
136	126	131	141
10	13	14	10
146	139	145	151

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)			
Earnings impact			
(22)	(28)	Change in provisions for loan and receivable impairment	(28) (24)
15	11	Write-offs for the period, net	11 20
10	35	Recoveries on claims previously written off	35 10
(17)	(52)	Total impairment losses	(52) (14)
(2)	(3)	Provisions for guarantees	(3) (2)
(19)	(55)	Total	(55) (16)
(29)	(68)	Of which individual impairment provisions	(69) (26)
10	13	Of which collective impairment provisions	14 10
0	-	Of which credit institutions	- -
Receivables from credit institutions with objective evidence of impairment			
25	25	Receivables subject to individual impairment provisioning	25 25
23	23	Impairment provisions	23 23
2	2	Carrying amount	2 2
Loans and advances with objective evidence of impairment			
3,715	3,207	Loans and advances at amortised cost subject to individual impairment provisioning	3,355 3,849
2,553	2,269	Impairment provisions	2,327 2,602
1,162	938	Total	1,028 1,247
46,551	54,224	Loans and advances at amortised cost subject to collective impairment provisioning	55,373 47,876
146	139	Impairment provisions	145 151
46,405	54,085	Carrying amount	55,228 47,725
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
39	-	Profit from investments in associates	- -
-	52	Profit from investments in Group enterprises	- -
39	52	Total	- -
11. TAX			
(112)	250	Tax for the period	264 (102)
(112)	250	Total	264 (102)
23.9	21.0	Effective tax rate, %	21.9 22.2

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	31.03.2017		31.03.2017	31.12.2016
12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
12,648	12,180	Receivables at call from central banks	12,180	12,648
21,095	21,252	Receivables from credit institutions	21,252	21,095
33,743	33,432	Total	33,432	33,743
14,417	13,349	Of which genuine purchase and resale transactions	13,349	14,417
13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
30,091	23,449	Loans and advances at fair value	23,449	30,091
30,091	23,449	Total	23,449	30,091
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
53,481	55,023	Loans and advances at amortised cost	56,256	55,003
53,481	55,023	Total	56,256	55,003
15. BONDS AT FAIR VALUE				
38,474	31,231	Covered bonds	31,779	39,024
1,198	1,446	Government bonds	1,446	1,198
3,436	2,828	Other bonds	2,828	3,436
43,108	35,505	Total	36,053	43,658
1,340	1,042	Self-issued bonds offset against bonds in issue	1,042	1,340
41,768	34,463	Total	35,011	42,318
The effect of fair value adjustment is recognised in the income statement.				
1,733	796	Of which redeemed bonds	796	1,733
26,296	22,731	Assets sold as part of genuine sale and repurchase transactions	22,731	26,296
3,285	892	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	892	3,285
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.				
16. EQUITIES				
110	118	Listed on Nasdaq Copenhagen A/S	119	111
3	4	Listed on other stock exchanges	4	3
144	143	Unlisted equities carried at fair value	143	144
257	265	Total	266	258

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
17. ASSETS IN TEMPORARY POSSESSION			
31	27	27	31
-	1	1	-
4	-	-	4
27	28	28	27
<p>Assets in temporary possession comprise properties acquired by foreclosure.</p> <p>Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc.</p> <p>The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.</p>			
18. OTHER ASSETS			
1,699	1,362	1,425	1,765
26,940	22,149	22,149	26,940
2,661	3,204	3,184	2,638
31,300	26,715	26,758	31,343
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
7,087	5,152	5,152	7,087
43,979	42,923	43,194	44,519
51,066	48,075	48,346	51,606
6,555	9,743	9,743	6,555
20. DEPOSITS AND OTHER PAYABLES			
55,466	57,340	57,271	55,412
2,096	1,923	1,923	2,096
5,923	6,017	6,017	5,923
2,832	2,824	2,824	2,832
66,317	68,104	68,035	66,263
14,562	6,020	6,020	14,562

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	31.03.2017		31.03.2017	31.12.2016
21. BONDS IN ISSUE AT AMORTISED COST				
Issues				
7,850	7,676	EMTN issues*	7,676	7,850
3,493	2,572	ECP issues*	2,572	3,493
155	72	Other issues	72	155
11,498	10,320	Total	10,320	11,498
1,340	1,042	Own portfolio	1,042	1,340
10,158	9,278	Total	9,278	10,158
No adjustments have been made that can be attributed to changes in own credit risk. *Listed on Nasdaq Copenhagen A/S or the Luxembourg Stock Exchange.				
22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
14,562	6,020	Deposits at fair value	6,020	14,562
6,786	6,869	Negative securities portfolios	6,869	6,786
21,348	12,889	Total	12,889	21,348
14,562	6,020	Of "Deposits at fair value", genuine sale and repurchase transactions total	6,020	14,562
23. OTHER LIABILITIES				
1,803	1,594	Interest and commission payable	1,595	1,801
22,963	16,003	Negative market value of derivative financial instruments	16,003	22,963
1,387	1,596	Other payables	1,867	1,729
26,153	19,193	Total	19,465	26,493

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
26. CONTINGENT LIABILITIES			
11,123	8,555	8,287	10,585
1,366	1,350	1,350	1,366
5,301	5,627	5,527	5,201
17,790	15,532	15,164	17,152

OTHER CONTINGENT LIABILITIES

Legal proceedings

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

Bankernes EDB Central (BEC)

BEC is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate otherwise for reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Guarantee and resolution schemes

Nykredit Bank A/S participates in the mandatory Danish depositor 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 financed 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.

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
27. OTHER COMMITMENTS			
5,130	4,228	4,228	5,130
95	95	241	245
5,225	4,323	4,469	5,375

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1/2017.

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.

Significant related party transactions prevailing/entered into in 2016 or 2017 include:

Nykredit Bank received Tier 2 capital of DKK 2bn from Nykredit Realkredit A/S in December 2016.

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. 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 Nykredit Bank has transferred secured homeowner loans worth DKK 0.5bn.

NOTES

DKK million

Nykredit Bank Group

29. LOANS, ADVANCES, GUARANTEES AND PROVISIONS

Loans, advances, guarantees and provisions by sector

	Carrying amount			Proportion, %	Provisions		
	Loans and advances	Guarantees	Total		Individual impairment and other provisions	Collective impairment provisions	Total
31 March 2017							
Public sector	428	-	428	0.5	-	-	-
Business customers							
Agriculture, hunting, forestry and fishing	2,230	503	2,733	2.9	86	13	99
Manufacturing, mining and quarrying	6,305	226	6,531	6.9	177	2	179
Energy supply	1,914	40	1,954	2.1	2	1	3
Construction	2,908	649	3,557	3.7	169	2	171
Trade	4,436	348	4,784	5.0	49	3	52
Transport, accommodation and food service activities	2,915	535	3,450	3.6	98	4	102
Information and communication	1,188	183	1,371	1.4	19	1	20
Finance and insurance	26,914	930	27,844	29.3	121	2	123
Real estate	8,996	1,764	10,760	11.3	848	74	922
Other	9,299	834	10,133	10.7	215	7	222
Total business customers	67,105	6,012	73,117	77.1	1,784	109	1,893
Personal customers	12,172	9,152	21,324	22.5	593	37	630
Total	79,705	15,164	94,869	100	2,377	146	2,523
Of which reverse repurchase lending (loans and advances at fair value)	23,449	-	23,449	24.7	-	-	-
31 December 2016							
Public sector	446	151	597	0.6	-	-	-
Business customers							
Agriculture, hunting, forestry and fishing	2,091	570	2,661	2.6	85	10	95
Manufacturing, mining and quarrying	6,099	191	6,290	6.2	177	8	185
Energy supply	2,205	47	2,252	2.2	3	-	3
Construction	2,302	875	3,177	3.1	204	2	206
Trade	3,447	396	3,843	3.8	53	4	57
Transport, accommodation and food service activities	2,505	596	3,101	3.0	110	4	114
Information and communication	1,370	181	1,551	1.5	17	1	18
Finance and insurance	33,776	973	34,749	34.0	117	2	119
Real estate	9,510	2,079	11,589	11.3	887	63	950
Other	9,138	1,135	10,273	10.0	218	4	222
Total business customers	72,443	7,043	79,486	77.7	1,871	98	1,969
Personal customers	12,205	9,958	22,163	21.7	588	33	621
Total	85,094	17,152	102,246	100	2,459	131	2,590
Of which reverse repurchase lending (loans and advances at fair value)	30,091	-	30,091	29.4	-	-	-
Provisioning rate	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015
Group							
Total loans and advances	79,705	85,094	77,986	79,904	83,936	86,214	82,040
Total guarantees	15,164	17,152	15,528	13,688	13,615	15,180	15,182
Impairment on provisions for loans and advances at amortised cost	2,473	2,537	2,611	2,584	2,753	2,852	3,118
Provisions for guarantees	49	51	50	65	97	100	110
Total loans, advances, guarantees and provisions	97,391	104,834	96,175	96,241	100,401	104,346	100,450
Provisioning rate, %	2.6	2.5	2.8	2.8	2.8	2.8	3.2
Provisioning rate excluding guarantees	3.0	2.9	3.2	3.1	3.2	3.2	3.7

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

30. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

Valuation techniques are generally applied to measure derivatives and unlisted assets and liabilities.

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

Practice has changed towards using a so-called FVA adjustment for the valuation of derivatives. FVA allows for Nykredit's future funding costs incurred by derivatives transactions where customers have not provided sufficient collateral. Nykredit has used a funding curve for this calculation, which is assessed on the basis of objective prices of Danish SIFI banks' traded bonds. This calculation is made on the basis of a "discount curve method".

FVA may involve both funding benefit and funding costs, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment. Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 360m at 31 March 2017 against a negative DKK 568m at end-2016.

Upon entering into financial derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity, credit risk and return on capital. The minimum margin is amortised at valuation of derivatives over their times-to-maturity. At 31 March 2017, the non-amortised minimum margin amounted to DKK 398m against DKK 403m at end-2016. 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, become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

Unobservable inputs

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

The positive market values of a number of interest rate swaps with customers in the Bank's lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. Following value adjustment, the fair value came to DKK 591m at 31 March 2017. Credit value adjustments came to DKK 3,579m at 31 March 2017 (2016: DKK 3,926m).

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 around +/- DKK 134m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value.

At 31 March 2017, the proportion was thus 0.8% against 0.6% at end-2016. The proportion of financial liabilities was 0.0% against 0.0% at end-2016.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.7bn (end-2016: DKK 0.7bn) 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 71m in 2017 (0.4% of equity at 31 March 2017). The earnings impact for 2016 was estimated at DKK 71m (0.4% of equity at 31 December 2016).

30. FAIR VALUE DISCLOSURES (CONTINUED)

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 2017 and 2016, 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 resulted in all material respects from bonds that were reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2017, financial assets of DKK 5.2bn have been transferred from Listed prices to Observable inputs and DKK 4.6bn from Observable inputs to Listed prices. Financial liabilities of DKK 0.2bn have been transferred from Listed prices to Observable inputs and DKK 0.7bn from Observable inputs to Listed prices. Furthermore, redeemed bonds may be classified differently. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets.

At 31 March 2017, the amount was DKK 0.1bn against DKK 0.0bn at end-2016.

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

NOTES

DKK million

Nykredit Bank Group

30. FAIR VALUE DISCLOSURES (CONTINUED)

Assets and liabilities recognised at fair value by valuation category (IFRS hierarchy)

31 March 2017	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- reverse repurchase lending to credit institutions and central banks	-	13,349	-	13,349
- other reverse repurchase lending	-	23,449	-	23,449
- bonds at fair value	21,902	13,109	-	35,011
- equities measured at fair value through profit or loss	145	-	121	266
- positive fair value of derivative financial instruments	35	21,523	591	22,149
Fair value, 31 March 2017, assets	22,082	71,430	712	94,224
Percentage	23.4	75.8	0.8	100
Financial liabilities:				
- repo transactions with credit institutions and central banks	-	9,743	-	9,743
- other non-derivative financial liabilities at fair value	5,563	7,326	-	12,889
- negative fair value of derivative financial instruments	27	15,976	-	16,003
Fair value, 31 March 2017, liabilities	5,590	33,045	-	38,635
Percentage	14	86	-	100
Assets and liabilities measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	123	587	710
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	1	55	56
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	-	-	-
Purchases for the period	-	-	-	-
Sales for the period	-	(3)	(3)	(6)
Redemptions for the period	-	-	-	-
Transferred from Listed prices and Observable inputs	-	-	22	22
Transferred to Listed prices and Observable inputs	-	-	(70)	(70)
Reclassified to "Other assets"	-	-	-	-
Fair value, 31 March 2017, assets	-	121	591	712

For 2017, unrealised negative value adjustments of DKK 2m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 31 March 2017 have been recognised in the income statement.

NOTES

DKK million

Nykredit Bank Group

30. FAIR VALUE DISCLOSURES (CONTINUED)

Assets and liabilities recognised at fair value by valuation category (IFRS hierarchy)

31 December 2016	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- reverse repurchase lending to credit institutions and central banks	-	14,417	-	14,417
- other reverse repurchase lending	-	30,091	-	30,091
- bonds at fair value	23,823	18,495	-	42,318
- equities measured at fair value through profit or loss	135		123	258
- positive fair value of derivative financial instruments	51	26,301	587	26,939
Fair value, 31 December 2016, assets	24,009	89,304	710	114,023
Percentage	21.1	78.3	0.6	100
Financial liabilities:				
- repo transactions with credit institutions and central banks	-	6,555	-	6,555
- other non-derivative financial liabilities at fair value	4,167	17,181	-	21,348
- negative fair value of derivative financial instruments	50	22,913	-	22,963
Fair value, 31 December 2016, liabilities	4,217	46,649	-	50,866
Percentage	8.3	91.7	-	100
Assets and liabilities measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	-	138	621	759
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(10)	(69)	(79)
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	-	-	-
Purchases for the period	-	7	-	7
Sales for the period	-	(12)	(33)	(45)
Redemptions for the period	-	-	-	-
Transferred from Listed prices and Observable inputs	-	-	238	238
Transferred to Listed prices and Observable inputs	-	-	(170)	(170)
Fair value, 31 December 2016, assets	-	123	587	710

For 2016 unrealised negative value adjustments of DKK 161m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 31 December 2016 have been recognised in the income statement.

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
31. FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES			
Foreign exchange risk			
167.8	32.0	32.0	167.8
1.0	0.2	0.2	1.0
0.4	0.1	0.1	0.4
-	0.0	0.0	-
Interest rate risk by the currency involving the highest interest rate exposure			
106	41	45	108
(14)	(12)	(12)	(14)
(4)	2	2	(4)
(2)	(1)	(1)	(2)
3	2	2	3
(1)	1	1	(1)
(1)	(5)	(5)	(1)
(1)	0	0	(1)
86	28	32	88
Total interest rate exposure of debt instruments, end of period			

Interest rate risk is the risk of loss as a result of interest rate changes, and Nykredit Bank's interest rate risk is measured as the change in market value caused by a general interest rate rise of 1 percentage point on bonds and other financial instruments. The interest rate exposure ranged between a loss of DKK 6m and a gain of DKK 134m in Q1/2017 compared with a gain ranging between DKK 24m and DKK 144m in Q1/2016. The interest rate exposure was DKK 28m at end-Q1/2017 against DKK 100m at end-Q1/2016.

Value-at-Risk

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

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

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

Nykredit Bank's internal VaR was DKK 11m at end-Q1/2017 against DKK 12m at end-Q1/2016. This means that according to the internal VaR model, Nykredit Bank could potentially, at a 99% probability, lose a maximum of DKK 11m in one day in consequence of market fluctuations.

NOTES

DKK million

Nykredit Bank Group

32. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 31 March 2017	Profit for the period	Equity, 31 March 2017	Profit for 2016	Equity, 31 December 2016	Number of staff
Nykredit Bank A/S (Parent), Copenhagen, a)		940	17,684	627	16,744	669
Consolidated subsidiaries						
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	30	618	106	588	106
Nykredit Leasing A/S, Gladsaxe c)	100	22	615	71	593	55

Geographical distribution of activities	Number of staff	Revenue ²	Profit before tax	Tax	Government aid received
Denmark: Companies and activities appear from the Group structure	830	821	1,204	264	-
Sweden: Nykredit Bank A/S, branch ¹	-	-	-	-	-

¹ The branch in Sweden ceased its activities in January 2015 and is expected to be wound up entirely by the end of 2017.

² 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) Banking
- b) Investment management company
- c) Leasing

Subsidiaries in temporary possession

The property group Kalvebod III is included in the balance sheet item "Assets in temporary possession".

As at 31 March 2017, the property group comprised a parent and a subsidiary – both of them without activities.

NOTES

DKK million

Nykredit Bank Group	Q1/ 2017	FY 2016	Q1/ 2016	Q1/ 2015	Q1/ 2014	Q1/ 2013
33. FIVE-YEAR FINANCIAL HIGHLIGHTS, GROUP						
SUMMARY INCOME STATEMENT						
Net interest and fee income	730	2,595	652	708	857	759
Value adjustments	882	84	(660)	(720)	(298)	46
Other operating income	7	28	6	7	7	7
Staff and administrative expenses	460	2,000	463	479	508	469
Other operating expenses, depreciation and amortisation	10	60	10	23	19	27
Impairment losses on loans, advances and receivables	(55)	(141)	(16)	(19)	40	217
Profit from investments in associates and Group enterprises	-	-	-	-	-	-
Profit (loss) before tax	1,204	788	(459)	(488)	(1)	99
Tax	264	161	(102)	(113)	9	25
Profit (loss) for the period	940	627	(357)	(375)	(10)	74
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	940	627	(357)	(375)	(10)	74
BALANCE SHEETS, END OF PERIOD						
Assets						
Cash balances and receivables from central banks and credit institutions	36,324	35,723	20,305	42,699	29,389	29,287
Loans, advances and other receivables at fair value	23,449	30,091	34,963	29,569	35,831	43,097
Loans, advances and other receivables at amortised cost	56,256	55,003	48,972	49,404	48,078	50,271
Bonds at fair value and equities	35,277	42,576	42,688	44,014	82,471	64,250
Remaining assets	26,945	31,533	37,849	53,365	33,102	52,427
Total assets	178,251	194,926	184,777	219,051	228,871	239,332
Liabilities and equity						
Payables to credit institutions and central banks	48,346	51,606	41,552	61,649	58,492	56,264
Deposits and other payables	68,035	66,263	59,747	67,832	68,694	65,183
Bonds in issue at amortised cost	9,278	10,158	18,031	24,427	23,849	27,362
Other non-derivative financial liabilities at fair value	12,889	21,348	17,537	4,930	33,108	26,702
Remaining payables	19,784	26,546	31,869	45,687	29,894	48,910
Total payables	158,332	175,921	168,736	204,525	214,037	224,421
Provisions	235	261	181	226	247	317
Subordinated debt	2,000	2,000	100	100	250	250
Equity	17,684	16,744	15,760	14,200	14,337	14,344
Total liabilities and equity	178,251	194,926	184,777	219,051	228,871	239,332
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	15,164	17,152	13,615	20,320	12,306	10,084
Other commitments	4,469	5,375	5,721	4,632	6,734	8,591

NOTES

Nykredit Bank Group	Q1/ 2017	FY 2016	Q1/ 2016	Q1/ 2015	Q1/ 2014	Q1/ 2013
33. FIVE-YEAR FINANCIAL HIGHLIGHTS, GROUP (CONTINUED)						
Financial ratios						
Total capital ratio, %	18.4	16.6	19.6	15.6	16.1	20.6
Tier 1 capital ratio, %	16.3	14.8	19.2	15.1	15.7	20.6
Return on equity before tax, %	7.0	4.8	(2.9)	(3.6)	0.0	0.7
Return on equity after tax, %	5.5	3.8	(2.2)	(2.8)	(0.1)	0.5
Income:cost ratio	3.90	1.41	0.00	(0.01)	1.00	1.14
Interest rate exposure, %	0.2	0.5	0.8	0.3	0.7	0.7
Foreign exchange position, %	0.2	1.0	0.2	0.0	4.2	0.2
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.3	0.0
Loans and advances:deposits	1.2	1.3	1.5	1.2	1.3	1.5
Loans and advances:equity	4.5	5.1	5.3	5.6	5.9	6.5
Growth in loans and advances excl repo transactions for the period, %	20.3	17.7	4.1	5.1	2.2	0.9
Excess coverage:statutory liquidity requirements, %	275.4	263.5	214.6	309.2	270.1	218.1
Total large exposures, %	0.0	0.0	11.1	11.2	0.0	15.2
Impairment losses for the period, %	(0.1)	(0.1)	0.0	0.0	0.0	0.2
Return on capital employed, %	0.5	0.3	(0.2)	(0.2)	0.0	0.0
Average number of staff, full-time equivalents	830	800	792	769	860	856

NOTES

Nykredit Bank Group

FINANCIAL RATIOS, DEFINITIONS

Total capital ratio, %	Own funds divided by total risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by total risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by total risk exposure amount
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income including profit (loss) from associates and Group enterprises divided by costs excluding tax
Operating costs and depreciation of equipment as % of core income from business operations	Operating costs and depreciation of equipment divided by core income from business operations
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital
Foreign exchange position, %	Exchange rate indicator 1 divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits. Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (end of period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excluding repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the period (loans and advances at the beginning of the year divided by loans and advances at the end of the period). Loans and advances include loans and advances at amortised cost
Growth in loans and advances including repo transactions, %	Growth in loans and advances from the beginning of the year to the end of the period (loans and advances at the beginning of the year divided by loans and advances at the end of the period). Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of section 152 of the Danish Financial Business Act (Available excess liquidity relative to 10% of reduced payables). (Reduced payables include balance sheet total plus guarantees less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by eligible capital
Impairment losses for the period, %	Impairment losses for the period divided by loans and advances plus guarantees plus impairment provisions
Return on capital employed, %	Profit (loss) for the period divided by total assets

The financial ratios, exclusive of "Common Equity Tier 1 capital ratio, %" (cf note 2), "Operating costs and depreciation of equipment as % of core income from business operations" and "Growth in loans and advances excluding repo transactions, %", have been calculated in accordance with the Danish FSA's reporting guidelines. The three financial ratios are thus not included in the reporting.

FIVE-QUARTER FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group – five quarters	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016	Q1/ 2016
SUMMARY INCOME STATEMENT					
Net interest income	353	436	359	275	428
Dividend on equities and fee and commission income, net	377	312	260	301	224
Net interest and fee income	730	748	619	576	652
Value adjustments	882	621	241	(118)	(660)
Other operating income	7	7	8	7	6
Staff and administrative expenses	460	557	490	490	463
Other operating expenses, depreciation and amortisation	10	29	10	11	10
Impairment losses on loans, advances and receivables	(55)	(83)	28	(70)	(16)
Profit (loss) from investments in associates and Group enterprises	-	-	-	-	-
Profit (loss) before tax	1,204	872	341	34	(459)
Tax	264	194	74	(5)	(102)
Profit (loss) for the period	940	678	267	39	(357)
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	940	678	267	39	(357)
SUMMARY BALANCE SHEET					
Assets					
Cash balances and receivables from central banks and credit institutions	36,324	35,723	35,409	37,410	20,305
Loans, advances and other receivables at fair value	23,449	30,091	24,871	30,350	34,963
Loans, advances and other receivables at amortised cost	56,256	55,003	53,115	49,554	48,972
Bonds at fair value	35,011	42,318	40,905	37,867	42,353
Equities	266	258	263	277	335
Remaining assets	26,945	31,533	38,893	39,558	37,849
Total assets	178,251	194,926	193,456	195,016	184,777
Liabilities and equity					
Payables to credit institutions and central banks	48,346	51,606	47,668	40,205	41,552
Deposits and other payables	68,035	66,263	65,031	69,643	59,747
Bonds in issue	9,278	10,158	12,071	14,990	18,031
Other non-derivative financial liabilities at fair value	12,889	21,348	19,598	21,075	17,537
Remaining payables	19,784	26,546	32,806	33,081	31,869
Total payables	158,332	175,921	177,174	178,994	168,736
Provisions	235	261	217	222	181
Subordinated debt	2,000	2,000	-	-	100
Equity	17,684	16,744	16,065	15,800	15,760
Total liabilities and equity	178,251	194,926	193,456	195,016	184,777
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	15,164	17,152	15,528	13,689	13,615
Other commitments	4,469	5,375	5,857	6,022	5,721

FIVE-QUARTER FINANCIAL HIGHLIGHTS (CONTINUED)

	DKK million				
Nykredit Bank Group	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016	Q1/ 2016
Summary core earnings and investment portfolio income					
Core income from business operations	1,246	953	790	944	742
Core income from securities	2	2	2	1	3
Income from core business	1,248	955	792	945	745
Operating costs and depreciation of equipment	470	586	500	500	475
Profit from core business before impairment losses	778	369	292	445	270
Impairment losses on loans and advances	(55)	(82)	27	(70)	(16)
Profit from core business	833	451	265	515	286
Legacy derivatives	337	422	66	(510)	(741)
Investment portfolio income	34	(1)	10	30	(5)
Profit (loss) before tax	1,204	872	341	34	(459)
Tax	264	194	74	(5)	(102)
Profit (loss) for the period	940	678	267	39	(357)

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.