

To Nasdaq Copenhagen
and the press

17 August 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 – 30 JUNE 2017

- Profit from core business was DKK 1,658m compared with DKK 801m in H1/2016, equivalent to a return on equity of 18.5% pa against 10.0% in H1/2016. The rise was mainly attributable to higher income from core business and a reversal of impairments.
- Compared with end-2016, lending increased by DKK 2.5bn, or 5%, while deposits grew by DKK 3.5bn, or 5%.
- Core income from business operations totalled DKK 2,400m, up 42% on H1/2016.
- Operating costs and depreciation of equipment dropped by 2% compared with H1/2016 to DKK 953m.
- Impairment losses on loans and advances equalled a gain of DKK 207m against a gain of DKK 86m in H1/2016. Impairment losses were negative 0.2% of loans and advances against negative 0.1% in H1/2016.
- Legacy derivatives produced a gain of DKK 1,366m against a charge of DKK 1,251m in H1/2016. The rise was driven by recoveries of losses previously written off on swap transactions with two housing cooperatives as well as a positive trend in interest rates and credit spreads etc.
- Profit before tax for the period came to DKK 3,054m against a loss of DKK 424m in H1/2016, equivalent to a return on equity of 34.1% pa compared with a negative return on equity of 5.3% in H1/2016.

LIQUIDITY

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 154% against 153% at end-2016. Deposits exceeded lending by DKK 12.2bn compared with DKK 11.3bn at end-2016.

CAPITAL

- Equity stood at DKK 19.1bn compared with DKK 16.7bn at end-2016.
- The Common Equity Tier 1 (CET1) capital ratio was 18.7% against 14.8% at end-2016. The total capital ratio was 20.8% against 16.6% at end-2016, and the internal capital adequacy requirement came to 10.7% compared with end-2016.

ABOUT NYKREDIT BANK GROUP

- The H1 Interim Reports 2017 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at nykredit.com.

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FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	H1/2017	H1/2016	Q2/2017	Q2/2016	FY 2016
PROFIT FROM CORE BUSINESS AND PROFIT FOR THE PERIOD¹					
Core income from:					
- business operations	2,400	1,686	1,154	944	3,428
- securities	4	4	2	1	8
Income from core business	2,404	1,690	1,156	945	3,436
Operating costs and depreciation of equipment	953	974	483	501	2,060
Profit from core business before impairment losses	1,451	716	673	445	1,376
Impairment losses on loans and advances and provisions for guarantees	(207)	(86)	(152)	(70)	(141)
Profit from core business	1,658	802	825	515	1,517
Legacy derivatives	1,366	(1,251)	1,029	(510)	(763)
Investment portfolio income	30	25	(4)	30	34
Profit (loss) before tax	3,054	(424)	1,850	35	788
Tax	671	(107)	407	(5)	161
Profit (loss) for the period	2,383	(317)	1,443	40	627
SUMMARY BALANCE SHEET	30.06.2017	30.06.2016	30.06.2017	30.06.2016	31.12.2016
Assets					
Cash balances and receivables from credit institutions and central banks	25,486	37,410	25,486	37,410	35,723
Loans, advances and other receivables at fair value	21,511	30,350	21,511	30,350	30,091
Loans, advances and other receivables at amortised cost	57,544	49,554	57,544	49,554	55,003
Bonds at fair value and equities	36,205	38,144	36,205	37,144	42,576
Remaining assets	25,041	39,558	25,041	39,558	31,533
Total assets	165,787	195,016	165,787	194,016	194,926
Liabilities and equity					
Payables to credit institutions and central banks	41,252	40,205	41,252	40,205	51,606
Deposits and other payables	69,716	69,643	69,716	69,643	66,263
Bonds in issue at amortised cost	6,366	14,990	6,366	14,990	10,158
Other non-derivative financial liabilities at fair value	10,149	21,075	10,149	21,075	21,348
Remaining payables	16,958	33,081	16,958	33,081	26,546
Provisions	219	222	219	222	261
Subordinated debt	2,000	-	2,000	-	2,000
Equity	19,127	15,800	19,127	15,800	16,744
Total liabilities and equity	165,787	195,016	165,787	195,016	194,926
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	19,627	13,689	19,627	13,689	17,152
Other commitments	6,291	6,022	6,291	6,022	5,375
FINANCIAL RATIOS					
Profit (loss) for the period as % pa of average equity	26.6	(4.0)	31.4	1.0	3.8
Profit (loss) before tax for the period as % pa of average equity	34.1	(5.3)	40.2	0.9	4.8
Profit from core business before impairment losses as % pa of average equity	16.2	9.0	14.6	11.1	8.4
Profit from core business as % pa of average equity	18.5	10.0	17.9	12.9	9.2
Operating costs and depreciation of equipment as % of core income from business operations	39.7	57.8	41.9	53.0	60.1
Total provisions for loan impairment	2,209	2,584	2,209	2,584	2,537
Impairment losses for the period, %	(0.2)	0.1	(0.2)	0.1	(0.1)
Total capital ratio, %	20.8	19.6	20.8	19.6	16.6
Tier 1 capital ratio, %	18.7	19.2	18.7	19.2	14.8
Common Equity Tier 1 capital ratio, %	18.7	19.2	18.7	19.2	14.8
Average number of staff, full-time equivalent	827	791	824	790	800

¹ The presentation has been changed, which implies that value adjustments of legacy derivatives are 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 H1/2016, Nykredit has introduced Funding Valuation Adjustments (FVA) in the measurement of derivatives, which, viewed separately, had a positive impact of DKK 188m 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.

H1/2017 – 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, H1/2017 saw positive trends. Several business activities delivered good growth in terms of customer numbers as well as business volumes, and deposits and lending also developed satisfactorily.

The half-year was significantly affected by value adjustments on interest rate swaps of DKK 1,724m in H1/2017, of which DKK 1,366m was attributable to legacy derivatives. This should be seen in the context of the one-off gain from losses previously written off on swaps with two large housing cooperatives as well as the generally positive of both interest rates and credit spreads.

Our financial performance strengthened further thanks to a downward trend in loan impairments and slightly lower cost levels.

The Nykredit Bank Group recorded a profit from core business of DKK 1,658m compared with DKK 801m in H1/2016 and a profit before tax of DKK 3,054m against a loss before tax of DKK 424m in H1/2016.

The rise in profit before tax of DKK 3,478m was notably driven by a large change in value adjustments of DKK 3,020m, attributable to general market rate and credit spread trends, as well as a one-off gain of DKK 739m from losses previously written off on the portfolio of legacy derivatives. To this should be added an increase in net interest and fee income of DKK 315m where particularly fee income rose.

Finally, results were positively affected by a reduction in operating costs of DKK 21m on H1/2016, whereas impairment of loans, advances and receivables generated income of DKK 121m, driven by for example reversals.

Income from core business

Income from core business grew by DKK 714m, or 42%, on H1/2016 to DKK 2,404m, comprising a positive change in the earnings impact of certain derivatives in our core business totalling DKK 428m, including positive Funding Valuation Adjustment (FVA) of DKK 87m, and an increase of DKK 286m in other income partly due to increased net fees of DKK 275m.

Core income totalled DKK 2,400m, up DKK 714m on H1/2016, of which Retail accounted for DKK 523m, Wholesale Clients for DKK 168m and Wealth Management for DKK 82m. Group Items dropped by DKK 59m.

Lending at amortised cost went up by DKK 2.5bn compared with end-2016 to DKK 57.5bn as at 30 June 2017.

Deposits rose by DKK 3.5bn from DKK 66.3bn at end-2016 to DKK 69.8bn.

Core income from securities

Income was DKK 4m, which was unchanged relative to H1/2016. This calculation is based on a short-term risk-free interest rate (the lending rate of Danmarks Nationalbank), unchanged at 0.05%.

Operating costs, depreciation and amortisation

Operating costs and depreciation of equipment fell by DKK 21m from DKK 974m to DKK 953m. Payroll costs increased by DKK 13m, or 3%, to DKK 415m, while other capacity costs declined by DKK 34m.

The average number of full-time equivalent staff totalled 827 compared with 791 in H1/2016, equal to a rise of 4.5%.

Impairment losses on loans and advances and provisions for guarantees

Impairment losses and provisions were a gain of DKK 207m, including a one-off gain of DKK 183m relating to two large housing cooperatives, against a gain of DKK 86m in H1/2016, equivalent to a positive change of DKK 121m.

Retail and Wholesale Clients accounted for DKK 28m and DKK 75m, respectively, whereas Wealth Management and Group Items contributed a gain of DKK 18m in total.

Individual impairment provisions saw a positive change from a gain of DKK 44m in H1/2016 to a gain of DKK 217m, particularly driven by a reversal of impairment provisions and higher income from reversed loan impairment. Collective impairment provisions were an expense of DKK 3m against a gain of DKK 8m in H1/2016.

Provisions for guarantees came to an expense of DKK 7m against a gain of DKK 34m in H1/2016.

Impairment losses for H1 were negative 0.2% against negative 0.1% in H1/2016.

Legacy derivatives

The presentation of derivatives has been changed compared with the H1 Interim Report 2016.

In H1/2016, 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 Financial Statements for 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 1,366m against a loss of DKK 1,251m in H1/2016. This was driven by several factors in 2017 such as changes in interest rates and credit spreads as well as a positive effect from maturity reduction. To this should be added a one-off gain of DKK 739m resulting from the trustee's winding up of two large housing cooperatives.

The portfolio of legacy derivatives had a total market value of DKK 5.9bn against DKK 6.7bn at end-2016. The portfolio was written down to DKK 3.2bn at end-H1/2017 against DKK 3.4bn at end-2016.

Investment portfolio income

Investment portfolio income came to DKK 30m against DKK 25m in H1/2016.

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 671m, corresponding to 22.0% of profit before tax, compared with 25.2% in H1/2016.

Results

Profit after tax came to DKK 2,383m in H1/2017 against a loss of DKK 357m in H1/2016.

RESULTS FOR Q2/2017

Profit before tax grew by DKK 646m, from DKK 1,204m in Q1/2017 to DKK 1,850m in Q2/2017. The upturn was in part driven by one-off income totalling DKK 922m relating to two large housing cooperatives as referred to above, of which DKK 183m resulted from loan impairment losses and DKK 739m from non-core business swaps (legacy derivatives).

Profit from core business was DKK 825m in Q2/2017, relatively unchanged on Q1/2017 when DKK 833m was recorded. This was mainly driven by a fall in income from core business of DKK 92m, whereas impairment losses accounted for increased income of DKK 97m. Operating costs were DKK 13m above the Q1/2017 level.

Value adjustment of legacy derivatives was a gain which was DKK 692m higher than in Q1/2017, including a one-off gain of DKK 739m, cf above. Investment portfolio income went down by DKK 38m.

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 1.5bn.

The strong business income growth in Q1 continued into H1 and is forecast to generate higher-than-expected income for the full year. Impairment losses on loans and advances, including the positive outcome of two large housing cooperative exposures, saw a particularly positive trend in H1. Even though this level of impairment is not expected to continue in H2, total impairments for the full year are expected to be very low. For this year, Management therefore anticipates profit from core business in 2017 to increase considerably 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 material events have occurred in the period up to the presentation of the 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 188m in H1/2017, of which DKK 102m was attributable to legacy derivatives, while DKK 86m was included in core income from business operations.

OTHER

Nykredit Group prepares for IPO

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for an initial public offering 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, as it is difficult for Nykredit's main shareholder to contribute capital today, if, for instance, general economic conditions, new regulation or similar should make it necessary.

Recoveries on claims previously written off in housing cooperatives

The trustees of the estates in bankruptcy AB Hostrups Have and AB Duegård sold the properties of the housing cooperatives in H1. In continuation thereof, being principal creditor of the estates in bankruptcy, Nykredit was able to recognise DKK 0.9bn as income in the Bank's H1 Financial Statements. This income relates to losses on loans, advances and swaps previously recognised.

Effect of new IFRS 9 accounting standard

As mentioned in the Accounting policies, IFRS 9 will enter into force on 1 January 2018. The accounting standard will have an effect mainly on the size of Group's impairment losses on loans and advances.

Nykredit's processes of preparing models and implementing the standard have not yet been concluded, but the implementation is currently expected to result in an increase in total impairment provisions of DKK 0.2bn-0.4bn. Determination of the level still involves some uncertainty.

CREDIT RATINGS

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

Fitch Ratings

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

Moody's Investors Service

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

Listing of ratings

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

Nykredit Bank Group
Summary balance sheet

DKK million	30.06.2017	31.12.2016
Assets		
Receivables from credit institutions	25,486	35,723
Loans and advances at fair value (reverse repurchase lending)	21,511	30,091
Loans and advances at amortised cost	57,544	55,003
Retail	32,059	30,079
- Personal Banking	12,361	11,952
- Business Banking	19,698	18,127
Wholesale Clients	21,824	21,554
Wealth Management	3,113	2,603
Other loans and advances	547	767
Bonds and equities	36,207	42,576
Remaining assets	25,040	31,533
Liabilities and equity		
Payables to credit institutions and central banks	41,252	51,606
Deposits and other payables	69,716	66,263
Retail	45,134	43,037
- Personal Banking	27,379	25,760
- Business Banking	17,755	17,277
Wholesale Clients	11,310	12,207
Wealth Management	11,373	9,522
Other deposits	1,899	1,497
Bonds in issue	6,366	10,158
Other non-derivative financial liabilities at fair value	10,149	21,348
- of which deposits at fair value (repo deposits)	3,573	14,562
Remaining payables and provisions	17,177	26,807
Subordinated debt	2,000	2,000
Equity	19,127	16,744
Balance sheet total	165,787	194,926

Nykredit Bank Group
Equity

DKK million	30.06.2017	31.12.2016
Equity, beginning of period	16,744	16,117
Profit after tax	2,383	627
Total equity	19,127	16,744

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 165.8bn 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, balances with credit institutions and a reduced bond portfolio. To this should be added lower market values on derivatives.

Balances with credit institutions and cash balances reduced by DKK 10.2bn to DKK 25.5bn, while loans and advances at fair value (reverse repurchase lending) decreased by DKK 8.6bn to DKK 21.5bn.

Bank lending at amortised cost was DKK 57.5bn, up DKK 2.5bn on end-2016, of which Retail accounted for a rise of DKK 2.0bn, particularly driven by increased business lending. Wholesale Clients were largely at end-2016 level, while Wealth Management rose by DKK 0.5bn. Group Items went down by DKK 0.2bn. Nykredit Bank continuously provides secured homeowner loans, initially recognised in the Bank's balance sheet and subsequently expected to be transferred to Totalkredit A/S.

The portfolio of bonds and equities shrank from DKK 42.6bn at end-2016 to DKK 36.2bn. The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The portfolio mainly consists of high-rated government and covered bonds.

Other assets totalled DKK 24.8bn against DKK 31.3bn at end-2016. As at 30 June 2017, DKK 19.5bn 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 12.3bn.

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

Payables to credit institutions and central banks were down by DKK 10.4bn to DKK 41.3bn.

Deposits and other payables totalled DKK 69.7bn, which represented an increase of DKK 3.5bn on end-2016. Deposits in Retail grew by DKK 2.1bn, particularly driven by increased deposits from personal customers, while Wealth Management saw a rise of DKK 1.9bn. Wholesale Clients dropped by DKK 0.9bn, while Group Items and other deposits rose by DKK 0.4bn.

NYKREDIT BANK GROUP CAPITAL AND CAPITAL ADEQUACY		
DKK million	30.06.2017 ¹	31.12.2016
Share capital	8,045	8,045
Retained earnings ¹	11,082	8,699
Equity, end of period¹	19,127	16,744
Prudent valuation adjustment	(56)	(46)
Intangible assets and deferred tax assets	(19)	(22)
Deduction for difference between IRB losses and impairments	(229)	(315)
Other deductions	(23)	(63)
Transitional adjustment of deductions	46	126
Common Equity Tier 1 capital	18,846	16,424
Additional Tier 1 capital	0	0
Other deductions	0	0
Tier 1 capital	18,846	16,424
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	87	-
Transitional adjustment of Tier 2 capital	(23)	(63)
Own funds¹	20,910	18,361
Credit risk	85,201	95,079
Market risk	9,050	9,369
Operational risk	6,112	5,898
Total risk exposure amount	100,364	110,346
Total capital ratio, %	20.8	16.6
Tier 1 capital ratio, %	18.7	14.8
Common Equity Tier 1 capital ratio, %	18.7	14.8

¹ Capital and capital adequacy are specified further in note 2.

Nykredit Bank Group Required own funds and internal capital adequacy requirement		
DKK million	30.06.2017	31.12.2016
Credit risk	6,816	7,606
Market risk	724	750
Operational risk	489	472
Total Pillar I	8,029	8,828
Slightly weaker economic climate (stress tests, etc)	1,007	1,198
Other risks	1,159	1,192
Model and calculation uncertainties	510	561
Total Pillar II	2,676	2,951
Total required own funds	10,705	11,779
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.7	10.7

As at 30 June 2017, the Bank's deposits exceeded lending at amortised cost by DKK 12.2bn. At end-2016, deposits exceeded lending by DKK 11.3bn.

Bonds in issue totalled DKK 6.4bn 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 10.1bn against DKK 21.3bn at end-2016.

Other payables and deferred income totalled DKK 16.3bn 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 10.2bn on end-2016 mainly reflected a decline in negative market values of derivative financial instruments from DKK 23.0bn at end-2016 to DKK 12.3bn.

Equity and capital adequacy

Equity carried for accounting purposes totalled DKK 19.1bn at 30 June 2017. In H1/2017, equity increased by profit for the period of DKK 2.4bn. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

At 30 June 2017, Nykredit Bank's own funds totalled DKK 20.9bn. 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 18.8bn at 30 June 2017 compared with DKK 16.4bn at end-2016.

The risk exposure amount totalled DKK 100.4bn at end-H1/2017 against DKK 110.3bn at end-2016.

At end H1/2017, the total capital ratio was 20.8%. The Tier 1 capital ratio as well as the Common Equity Tier 1 capital ratio stood at 18.7%.

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 to DKK 10.7bn at 30 June 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 10.7% against 10.7% at end-2016.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves personal customers and SMEs (small and medium-sized enterprises) 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.

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	
	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016
Core income from										
- customer activities, gross	924	457	897	685	587	493	(8)	51	2,400	1,686
- payment for distribution	329	273	(152)	(108)	(177)	(165)	-	-	-	-
Total business operations	1,253	730	745	577	410	328	(8)	51	2,400	1,686
Core income from securities	-	-	-	-	-	-	4	4	4	4
Income from core business	1,253	730	745	577	410	328	(4)	55	2,404	1,690
Operating costs and depreciation of equipment	518	507	226	261	202	190	7	16	953	974
Profit (loss) from core business before impairment losses	735	223	519	316	208	138	(11)	39	1,451	716
Impairment losses on loans and advances	(25)	3	(182)	(107)	-	24	-	(6)	(207)	(86)
Profit (loss) from core business	760	220	701	423	208	113	(11)	45	1,658	802
Legacy derivatives	307	(585)	1,059	(666)	-	-	-	-	1,366	(1,251)
Investment portfolio income	-	-	-	-	-	-	30	25	30	25
Profit (loss) before tax	1,067	(364)	1,760	(244)	208	113	19	70	3,054	(424)
Operating costs and depreciation of equipment as % of core income from business operations	41.3	69.5	30.3	45.2	49.3	57.9	-	-	39.7	57.8

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.

H1/2017 – summary

Retail Personal Banking

Since the beginning of H1/2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBank. Specialist teams are responsible for all wealth management services to Retail customers in ten customer centres. The number of new Private Banking customers grew satisfactorily in H1.

Growth in the number of full-service BoligBank customers continued in H1/2017 and contributed with increasing business volumes within especially banking, investment and pension products.

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 H1/2017.

Retail Business Banking

Retail Business Banking continued to improve the business banking programme, Nykredit ErhvervsBank. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

In H1/2017 Retail Business Banking remained focused on raising profitability through capital-reducing initiatives and price optimisation to create a better balance between the capital usage associated with a customer and pricing.

Results from core business

The Nykredit Bank Group recorded a profit from core business of DKK 760m compared with DKK 220m in H1/2016 and a profit before tax of DKK 1,067m against a loss before tax of DKK 364m in H1/2016.

Gross income

Retail's income from customer activities came to DKK 924m against DKK 457m in H1/2016. Moreover, Retail received DKK 329m as total payment for distribution from the other business areas.

Results for the period

Income from core business went up from DKK 730m in H1/2016 to DKK 1,253m in H1/2017. The increase was seen primarily in Retail Business Banking of DKK 487m, driven by business customer growth.

Operating costs and depreciation of equipment rose by DKK 11m to DKK 518m. Costs as a percentage of core income from business operations totalled 41.3% against 69.5% in H1/2016.

Impairment losses came to a gain of DKK 25m compared with a loss of DKK 3m in H1/2016. Impairments relating to business customers were a gain of DKK 55m against a gain of DKK 34m in 2016, while impairment losses relating to personal customers reduced by DKK 30m to DKK 37m in H1/2016.

Impairment losses were -0.1% of loans and advances.

Legacy derivatives had a positive earnings impact of DKK 892m, rising from a loss of DKK 585m in H1/2016 to a gain of DKK 307m. In both years, the value adjustment resulted from business customers, including small housing cooperatives.

Lending and deposits

Lending amounted to DKK 32.1bn compared with DKK 30.1bn at end-2016.

Deposits came to DKK 45.1bn against 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 58m compared with DKK 46m in H1/2016.

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.

H1/2017 – summary

Corporate & Institutional Banking

Corporate & Institutional Banking saw decent demand for bank and funding in 2017 despite continued fierce price competition. Moreover, strategic financial advisory services and capital market transactions continue to attract interest.

Nykredit Markets

Income in Nykredit Markets was driven by high customer activity across all customer segments in H1/2017, including the addition of new customers and an increased amount of assets under management per client.

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 701m compared with DKK 423m in Q1/2016. The rise was primarily driven by growth in core income from business operations of DKK 168m and income from reversed loan impairment of DKK 75m.

Gross income

The division's gross income came to DKK 897m against DKK 685m in H1/2016. Of this amount, gross income from Nykredit Markets was DKK 432m, up DKK 44m on H1/2016, and gross income from Corporate & Institutional Banking accounted for a rise of DKK 168m from DKK 297m to DKK 465m in H1/2016. Total payment for distribution, which will be reallocated to the other business areas, came to DKK 152m, corresponding to 17.0% of gross income.

Results for the period

Core income from business operations totalled DKK 745m, equal to an upturn of DKK 168m year-on-year. This was mainly the result of an income rise of DKK 164m in Corporate & Institutional Banking and of DKK 4m in Nykredit Markets.

Operating costs and depreciation of equipment were trimmed by DKK 35m compared with H1/2016 to DKK 226m.

Operating costs and depreciation of equipment as a percentage of core income from business operations were 30.3% compared with 45.2% in H1/2016.

Impairment losses on loans and advances equalled a gain of DKK 182m against a gain of DKK 107m in H1/2016. Of the income of DKK 182m, DKK 23m related to non-continuing exposures, a one-off gain of DKK 183m relating to reversed loan impairment on two large housing cooperative exposures.

Impairment losses were negative 0.4% of loans and advances against negative 0.2% in H1/2016.

Legacy derivatives produced a gain of DKK 1,059m in H1/2017, equal to a positive change of DKK 1,725m, against a charge of DKK 666m in H1/2016. Value adjustment concerns swaps entered into with housing cooperatives, including a one-off gain of DKK 739m concerning two large housing cooperatives.

Profit before tax subsequently totalled DKK 1,760m compared with a loss of 244m in H1/2016.

Lending and deposits

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

Deposits came to DKK 11.3bn against DKK 12.2bn at end-2016.

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. The latter is targeted at clients with investable assets in excess of DKK 7m.

Nykredit's asset management and portfolio administration services are undertaken by Nykredit Asset Management and Nykredit Portefølje Administration 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.

H1/2017 – summary

Total assets under management went up by DKK 15.9bn to DKK 152.4bn at end-H1/2017. The increase comprised net growth of DKK 12.6bn and capital gains as well as other returns of DKK 3.3bn. Compared with previously, assets under management were determined according to a new definition based on the rules of MiFID II.

Total assets under administration rose by DKK 12.2bn to DKK 798.7bn at end-H1/2017. The increase comprised net outflows of DKK 11.7bn and capital gains as well as other returns of DKK 23.9bn.

Nykredit Asset Management

Nykredit Asset Management delivered good investment results in H1/2017.

84% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in H1/2017, and 88% generated above-benchmark returns over the past three years. This is considered satisfactory. In H1/2017, especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed extraordinarily well.

Private Banking Elite

Private Banking Elite achieved satisfactory client growth in H1/2017, both in terms of new clients and advancement of existing client relationships. Net growth of assets under administration in the period was very satisfactory.

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

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

Results from core business

Profit from core business was DKK 208m compared with DKK 113m in H1/2016, corresponding to a DKK 95m increase that was primarily attributable to a rise in core income owing to increased customer activity.

Gross income

The division's gross income came to DKK 587m against DKK 493m in H1/2016. Total payment for distribution was DKK 177m, equal to 30.1% of gross income.

Results for the period

Nykredit Market's core income from business operations totalled DKK 410m, equal to an upturn of DKK 82m year-on-year. This was mainly a result of an earnings increase in Private Banking Elite as well as Nykredit Asset Management.

Operating costs amounted to DKK 202m, corresponding to an increase of DKK 12m on H1/2016. This 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 49.3% compared with 57.9% in H1/2016.

No impairment losses were recorded for this business area in H1/2017. In H1/2016 this was a charge of DKK 24m attributable to Private Banking Elite.

Profit before tax subsequently totalled DKK 208m compared with a loss of DKK 113m in H1/2016.

Lending and deposits

Lending amounted to DKK 3.1bn compared with DKK 2.6bn at end-2016.

Deposits came to DKK 11.4bn 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.

Total assets under management and administration and investment funds		
DKK million	30.06.2017	31.12.2016
Managed by Nykredit	142,222	122,148
Insourced mandates	10,182	14,366
Total assets under management	152,404	136,514
Assets under administration, Nykredit Portefølje Administration A/S	798,734	786,549
Of which Nykredit Group investment funds	83,672	74,648

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 83bn compared with DKK 62bn in H1/2016.

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 negative DKK 11m against DKK 45m in H1/2016, while profit before tax came to DKK 19m against DKK 70m in H1/2016.

Core income was negative DKK 8m in H1/2017, while operating costs and depreciation of equipment amounted to DKK 7m compared with DKK 16m in H1/2016.

Core income from securities and investment portfolio income were DKK 34m against DKK 29m in H1/2016.

IMPAIRMENT AND LENDING

Earnings impact

Impairments were a gain of DKK 207m in H1/2017 compared with a gain of DKK 86m in H1/2016.

Of the total gain of DKK 207m, individual impairment provisions accounted for a gain of DKK 204m, while collective impairment provisions accounted for a loss of DKK 3m. Recoveries on loans and advances previously written off totalled DKK 43m, while write-offs of loans, advances and losses under guarantees not previously impaired or provided for came to a charge of DKK 30m.

Provisions for guarantees were a charge of DKK 7m in H1/2017 against a gain of DKK 34m in H1/2016.

Retail impairment losses were a gain of DKK 25m compared with a loss of DKK 3m in H1/2016. This was attributable to impairment losses on lending to business customers, which saw a positive change of DKK 21m from a gain of DKK 34m in H1/2016 to a gain of DKK 55m, while impairment losses on lending to personal customers went down by DKK 7m to a loss of DKK 30m compared with a loss of DKK 37m in H1/2016.

Impairment losses in Wholesale Clients equalled a gain of DKK 182m against a gain of DKK 107m in H1/2016, which partly reflected one-off income from reversed loan impairment on two large housing cooperative exposures in Corporate & Institutional Banking of DKK 183m.

Wealth Management did not carry any impairment losses in H1/2017 compared with impairment losses of DKK 24m, recorded in H1/2016.

Total impairment provisions

Total provisions decreased by 12.8% from DKK 2,560m at 31 December 2016 to DKK 2,232m at 30 June 2017. Individual impairment provisions reduced by DKK 331m, while collective impairment provisions rose by DKK 3m.

Impairment provisions at the beginning of year, which were written off in H1/2017, came to DKK 127m compared with DKK 212m in H1/2016. Furthermore, write-offs not previously written down for impairment came to DKK 30m compared with DKK 27m in H1/2016.

In addition, value adjustment of interest rate swaps of DKK 3.9bn was made, of which credit value adjustments amounted to DKK 3.3bn, comprising DKK 2.7bn relating to legacy derivatives and DKK 0.6bn relating to other items.

Impairment provisions in Retail fell from DKK 1,715m at end-2016 to DKK 1,592m due to a reduction of DKK 118m in impairment provisions for SMEs and of DKK 5m in impairment provisions for personal customers.

Provisions for loan impairment and guarantees – Nykredit Bank Group

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016	H1/2017	H1/2016
Impairment provisions, beginning of period	1,715	1,784	805	1,011	17	4	23	77	2,560	2,875
Impairment provisions and reversals	(123)	(104)	(205)	(134)	-	24	-	(53)	(328)	(267)
Impairment provisions, end of period	1,592	1,680	600	877	17	28	23	23	2,232	2,608
Of which individual	1,528	1,596	530	829	17	27	-	-	2,076	2,452
Of which individual, banks	-	-	-	-	-	-	23	23	23	23
Of which collective	64	84	70	48	-	1	-	-	134	133
Provisions for guarantees										
Provisions, beginning of period	42	44	9	55	-	-	-	-	51	99
Provisions, end of period	50	39	8	25	-	-	-	-	58	64
Total provisions for loan impairment and guarantees	1,642	1,719	608	902	17	28	23	23	2,290	2,672
Earnings impact										
New impairment provisions and losses for the period, net	(19)	22	(152)	(68)	-	24	-	(6)	(171)	(28)
Recoveries on loans and advances previously written off	14	10	29	13	-	-	-	-	43	23
Total	(33)	12	(181)	(81)	-	24	-	(6)	(214)	(51)
Provisions for guarantees	8	(9)	(1)	(26)	-	-	-	-	7	(34)
Total earnings impact	(25)	3	(182)	(107)	-	24	-	(6)	(207)	(86)

Impairment provisions for Wholesale Clients and Wealth Management reduced by DKK 205m from DKK 805m at end-2016 to DKK 600m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 40m from DKK 213m to DKK 173m. Other business units showed a DKK 165m reduction on end-2016.

Total non-continuing exposures were fairly unchanged at DKK 0.3bn at 30 June 2017 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 59m against DKK 52m at end-2016.

Relative to total loans, advances and guarantees, provisions amounted to 2.2% compared with 2.5% at end-2016. Excluding guarantees, the ratio was 2.7% compared with 2.9% at end-2016. The carrying amount of non-accrual loans was DKK 0.3bn 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 98.7bn against DKK 102.2bn at end-2016, down DKK 3.6bn.

This figure comprised a decline in reverse repurchase lending of DKK 8.6bn, a rise in other loans and advances of DKK 2.5bn and a rise in guarantees of DKK 2.5bn. Reverse repurchase lending totalled DKK 21.5bn at 30 June 2017 against DKK 30.1bn at end-2016.

Finance and insurance still accounted for the largest single sector exposure at DKK 26.5bn against DKK 34.7bn at end-2016. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 8.3bn fall was thus notably an effect of the decrease in reverse repurchase lending of DKK 8.6bn.

Finance and insurance accounted for 26.8% against 34.0% at end-2016, the real estate sector 10.7% against 11.3% at end-2016 and personal customers 26.1% against 21.7% at end-2016.

Lending to the real estate and construction sectors totalled DKK 10.5bn at end-H1/2017 and DKK 3.8bn compared with DKK 11.6bn and DKK 3.2bn at end-2016. Of total loans, advances and guarantees, DKK 8.4bn derived from the category "Renting of real estate", which was a DKK 1.0bn drop on end-2016.

At 30 June 2017, loan impairment provisions for the real estate sector totalled DKK 0.9bn compared with DKK 1.2bn at end-2016, or 5.8% 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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Public sector	583	597	0	0
Agriculture, hunting, forestry and fishing	2,956	2,661	99	95
Manufacturing, mining and quarrying	6,430	6,290	165	185
Energy supply	1,934	2,252	2	3
Construction	3,814	3,177	162	206
Trade	4,342	3,843	89	57
Transport, accommodation and food service activities	3,412	3,101	92	113
Information and communication	1,430	1,551	18	18
Finance and insurance	26,489	34,749	87	119
Real estate	10,554	11,589	723	950
Other	10,982	10,273	224	223
Total business customers	72,343	79,486	1,661	1,969
Personal customers	25,755	22,163	607	621
Total	98,681	102,246	2,268	2,590
Total, incl impairment provisions for banks			2,291	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

	H1/2017	H1/2016
Lending growth ¹ (limit value <20%)	16.9	(0.1)
Large exposures (limit value <125%)	0.0	0.0
Property exposure (limit value <25%)	12.1	12.7
Funding ratio (limit value <1.0%)	0.6	0.5
Excess liquidity coverage (limit value 50%)	264.9	246.5

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 in H1/2017 and as at 30 June 2017.

Nykredit Bank recorded lending growth of 16.9%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 12.1% against 12.7% at end-H1/2016.

MANAGEMENT STATEMENT

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD ON THE IN- TERIM REPORT

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for 1 January – 30 June 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.

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 June 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 – 30 June 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, 17 August 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 Group

	Note	H1/2017	H1/2016	Q2/2017	Q2/2016
INCOME STATEMENT					
Interest income	5	878	854	467	345
Negative interest, income	5a	(131)	(69)	(73)	(36)
Negative interest, expenses	5a	(161)	(90)	(93)	(44)
Interest expenses	6	165	172	97	78
Net interest income		743	703	390	275
Dividend on equities		11	12	2	12
Fee and commission income		984	807	523	454
Fee and commission expenses		195	294	102	165
Net interest and fee income		1,543	1,228	813	576
Value adjustments	7	2,241	(778)	1,359	(118)
Other operating income		16	14	9	8
Staff and administrative expenses	8	934	953	474	490
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		8	8	4	4
Other operating expenses		11	13	5	7
Impairment losses on loans, advances and receivables	9	(207)	(86)	(152)	(70)
Profit (loss) before tax		3,054	(424)	1,850	35
Tax	11	671	(107)	407	(5)
Profit (loss) for the period		2,383	(317)	1,443	40
Proposal for the distribution of profit					
Statutory reserves		-	-	-	-
Retained earnings		2,383	(317)	1,443	40
Profit (loss) for the period		2,383	(317)	1,443	40
Comprehensive income					
Profit (loss) for the period		2,383	(317)	1,443	40
Other additions and disposals		-	-	-	-
Other comprehensive income		-	-	-	-
Comprehensive income for the period		2,383	(317)	1,443	40

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S

	Note	H1/2017	H1/2016	Q2/2017	Q2/2016
INCOME STATEMENT					
Interest income	5	806	787	430	311
Negative interest, income	5a	(131)	(69)	(73)	(36)
Negative interest, expenses	5a	(161)	(90)	(93)	(44)
Interest expenses	6	165	172	97	78
Net interest income		671	636	353	241
Dividend on equities		11	12	2	12
Fee and commission income		786	617	423	340
Fee and commission expenses		160	250	85	125
Net interest and fee income		1,308	1,015	693	468
Value adjustments	7	2,241	(779)	1,359	(119)
Other operating income		2	1	2	1
Staff and administrative expenses	8	829	841	424	437
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		8	8	4	4
Other operating expenses		10	11	5	5
Impairment losses on loans, advances and receivables	9	(209)	(91)	(154)	(72)
Profit from investments in associates and Group enterprises	10	111	86	59	47
Profit (loss) before tax		3,024	(446)	1,834	23
Tax	11	641	(129)	391	(17)
Profit (loss) for the period		2,383	(317)	1,443	40
Comprehensive income					
Profit (loss) for the period		2,383	(317)	1,443	40
Other additions and disposals		-	-	-	-
Other comprehensive income		-	-	-	-
Comprehensive income for the period		2,383	(317)	1,443	40

BALANCE SHEETS

		DKK million			
Nykredit Bank A/S		Nykredit Bank Group			
31.12.2016	30.06.2017		Note	30.06.2017	31.12.2016
ASSETS					
1,980	1,803	Cash balances and demand deposits with central banks		1,803	1,980
33,743	23,682	Receivables from credit institutions and central banks	12	23,683	33,743
30,091	21,511	Loans, advances and other receivables at fair value	13	21,511	30,091
53,481	56,254	Loans, advances and other receivables at amortised cost	14	57,544	55,003
41,768	35,303	Bonds at fair value	15	35,888	42,318
257	315	Equities	16	317	258
-	2	Investments in associates		2	-
1,181	1,293	Investments in Group enterprises		-	-
22	16	Intangible assets		16	22
3	2	Other property, plant and equipment		2	3
-	-	Current tax assets		-	5
109	101	Deferred tax assets		102	110
27	23	Assets in temporary possession	17	23	27
31,300	24,788	Other assets	18	24,835	31,343
15	54	Prepayments		61	23
193,977	165,147	Total assets		165,787	194,926

BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
31.12.2016	30.06.2017		Note	30.06.2017	31.12.2016
LIABILITIES AND EQUITY					
51,066	40,982	Payables to credit institutions and central banks	19	41,252	51,606
66,317	69,809	Deposits and other payables	20	69,716	66,263
10,158	6,366	Bonds in issue at amortised cost	21	6,366	10,158
21,348	10,149	Other non-derivative financial liabilities at fair value	22	10,149	21,348
8	642	Current tax liabilities		677	15
29	29	Liabilities temporarily assumed		29	29
26,153	15,921	Other liabilities	23	16,242	26,493
5	6	Deferred income		10	9
175,084	143,904	Total payables		144,441	175,921
Provisions					
-	-	Provisions for deferred tax		103	112
52	59	Provisions for losses under guarantees	24	59	52
97	57	Other provisions	24	57	97
149	116	Total provisions		219	261
2,000	2,000	Subordinated debt	25	2,000	2,000
Equity					
8,045	8,045	Share capital		8,045	8,045
Accumulated value adjustments					
-	-	- revaluation reserves		-	-
Other reserves					
713	824	Statutory reserves		-	-
7,986	10,258	Retained earnings		11,082	8,699
16,744	19,127	Total equity		19,127	16,744
193,977	165,147	Total liabilities and equity		165,787	194,926
Off-balance sheet items					
17,790	19,996	Contingent liabilities	26	19,627	17,152
5,225	6,145	Other commitments	27	6,291	5,375

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital ¹	Statutory reserves	Retained earnings	Total
EQUITY, 30 JUNE 2017				
Equity, 1 January	8,045	713	7,986	16,744
Comprehensive income				
Profit for the period	-	111	2,272	2,383
Total comprehensive income	-	111	2,272	2,383
Capital increase	-	-	-	-
Total changes in equity	-	111	2,272	2,383
Equity, 30 June 2017	8,045	824	10,258	19,127
EQUITY, 30 JUNE 2016				
Equity, 1 January	8,045	536	7,536	16,117
Comprehensive income				
Loss for the period	-	-	(317)	(317)
Total comprehensive income	-	-	(317)	(317)
Capital increase	-	-	-	-
Total changes in equity	-	-	(317)	(317)
Equity, 30 June 2016	8,045	536	7,219	15,800

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, 30 JUNE 2017			
Equity, 1 January	8,045	8,699	16,744
Comprehensive income			
Profit for the period	-	2,383	2,383
Total comprehensive income	-	2,383	2,383
Capital increase	-	-	-
Total changes in equity	-	2,383	2,383
Equity, 30 June 2017	8,045	11,082	19,127
EQUITY, 30 JUNE 2016			
Equity, 1 January	8,045	8,072	16,117
Comprehensive income			
Loss for the period	-	(317)	(317)
Total comprehensive income	-	(317)	(317)
Capital increase	-	-	-
Total changes in equity	-	(317)	(317)
Equity, 30 June 2016	8,045	7,755	15,800

CASH FLOW STATEMENT

DKK million

Nykredit Bank Group

	H1/2017	H1/2016
Profit (loss) for the period	2,383	(317)
Adjustments		
Net interest income	(743)	(703)
Depreciation and impairment losses for property, plant and equipment	8	8
Other non-cash changes	(1)	25
Impairment losses on loans, advances and receivables	(164)	(63)
Tax calculated on profit (loss) for the period	671	(107)
Total	2,154	(1,157)
Change in working capital		
Loans, advances and other receivables	6,205	6,217
Deposits and other payables	4,244	7,501
Payables to credit institutions and central banks	(10,329)	5,260
Bonds at fair value	5,631	1,476
Equities	(61)	84
Other working capital	(15,059)	8,826
Total	(9,369)	29,364
Interest income received	1,488	1,670
Interest expenses paid	(701)	(703)
Corporation tax paid, net	(5)	(105)
Cash flows from operating activities	(6,433)	29,069
Cash flows from investing activities		
Property, plant and equipment	(1)	0
Total	(1)	0
Cash flows from financing activities		
Capital increase	-	-
Subordinated debt	-	(100)
Bonds in issue	(3,708)	(4,913)
Total	(3,708)	(5,013)
Total cash flows for the period	(10,142)	24,056
Cash and cash equivalents, beginning of period	35,723	13,425
Foreign currency translation adjustment of cash	(95)	(71)
Cash and cash equivalents, end of period	25,486	37,410
Cash and cash equivalents, end of period		
Specification of cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	1,803	1,425
Receivables from credit institutions and central banks	23,683	35,985
Total	25,486	37,410

NOTES

Nykredit Bank Group

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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2017 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 H1/2017 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 H1 Interim Report 2016.

Compared with the previous financial years, the presentation has been changed, and interest rate swaps with special credit value adjustments are no longer presented as a separate item.

In order to better illustrate earnings exclusive of legacy business, from and including the Annual Report for 2016, 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 contracts 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 a negative DKK 358m is transferred to core income from business operations. Profit from core business is thus affected positively. Comparative figures for H1/2016 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

In July 2014, the IASB issued the final IFRS 9 "Financial Instruments". The standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

For Nykredit, an important feature of IFRS 9 is the new principles for calculation of impairment losses on loans, advances and receivables as well as guarantees and unutilised credit facilities.

According to IFRS 9, measurement must be based on an expected loss principle, whereas the method of the current IAS 39 is based on objective evidence of impairment (OEI) and losses incurred.

Previously, provisions for guarantees and unutilised credit facilities were made on the basis of IAS 37, but in future these areas will also be covered by IFRS 9.

Compared with the current standard, IFRS 9 implies earlier recognition of impairment losses on loans and advances as impairment must be made for 12-month expected losses on initial recognition.

If the loan loss probability increases significantly after initial recognition, the recognition of full lifetime expected losses on the asset/loan is generally required. The standard thus implies earlier recognition of impairment than previously and consequently higher total impairment provisions at the time of implementation. Nykredit's Group Risk Management, which reports to the project's steering group is responsible for these processes and calculations. In addition, Group Credits and Group Finance participate as stakeholders coordinating and performing the determination and presentation of impairment provisions for accounting purposes. The procedures and calculations are widely based on the Group's current risk models.

The size of both 12-month expected losses as well as the lifetime expected losses on the asset/loan will be calculated based on models already applied as part of Nykredit Bank's daily risk management. Impairment losses will thus reflect the Probability of Default (PD) and Loss Given Default (LGD).

The IFRS 9 provisions concern impairment losses on loans and advances at amortised cost. By contrast, impairment losses on loans and advances measured at fair value are not covered by the standard. The new practice for impairment losses on loans and advances at amortised cost will have an impact on the calculation of impairment losses on loans and advances at fair value and the principles will be adapted. Similar practices are applied today where the principles of IAS 39, to some extent, form the basis for impairment losses on loans and advances measured at fair value.

This is also stated in a new Danish draft executive order on the presentation of financial reports partly encompassing the new impairment rules, submitted for consultation by the Danish FSA in H1/2017.

Nykredit will continue its efforts involving interpretations, analyses and setting of accounting policies as well as model adjustments in 2017, and any accounting estimates of the impact on Nykredit's impairments are currently subject to uncertainty.

Measurement of financial assets and liabilities is not otherwise expected to change significantly following implementation of IFRS 9.

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 H1 Interim Report 2017 of Nykredit Bank A/S and the Nykredit Bank Group.

NOTES

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 H1 Interim Report 2017 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	30.06.2017		30.06.2017	31.12.2016
2. CAPITAL AND CAPITAL ADEQUACY				
16,744	19,127	Equity	19,127	16,744
(46)	(56)	Prudent valuation adjustment	(56)	(46)
(22)	(19)	Intangible assets	(19)	(22)
(315)	(229)	Deduction for difference between IRB losses and impairments	(229)	(315)
(63)	(23)	Other deductions	(23)	(63)
126	46	Transitional adjustment of deductions	46	126
(320)	(281)	Common Equity Tier 1 capital deductions	(281)	(320)
16,424	18,846	Common Equity Tier 1 capital	18,846	16,424
-	(23)	Additional Tier 1 capital	(23)	-
-	23	Transitional Additional Tier 1 capital adjustment	23	-
-	-	Additional Tier 1 capital	-	-
16,424	18,846	Tier 1 capital	18,846	16,424
2,000	2,000	Tier 2 capital	2,000	2,000
-	87	Tier 2 capital additions/deductions	87	-
(63)	(23)	Transitional adjustment of Tier 2 capital	(23)	(63)
18,361	20,910	Own funds	20,910	18,361
99,622	90,744	Credit risk	85,201	95,079
9,369	9,050	Market risk	9,050	9,369
5,201	5,300	Operational risk	6,112	5,898
114,192	105,094	Total risk exposure amount	100,364	110,346
14.3	17.9	Common Equity Tier 1 capital ratio, %	18.7	14.8
14.3	17.9	Tier 1 capital ratio, %	18.7	14.8
16.0	19.8	Total capital ratio, %	20.8	16.6

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

RESULTS 30 JUNE 2017

Core income from

- customer activities, gross	291	633	924	465	432	897	587	(8)	2,400
- payment for distribution	188	141	329	43	(195)	(152)	(177)	-	-

Total business operations*	479	774	1,253	508	237	745	410	(8)	2,400
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- core income from securities	-	-	-	-	-	-	-	4	4
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Income from core business	479	774	1,253	508	237	745	410	(4)	2,404
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Operating costs and depreciation of equipment	342	176	518	120	106	226	202	7	953
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Profit (loss) from core business before impairment losses	137	598	735	388	131	519	208	(11)	1,451
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Impairment losses on loans and advances	30	(55)	(25)	(182)	-	(182)	-	-	(207)
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Profit (loss) from core business	107	653	760	570	131	701	208	(11)	1,658
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Legacy derivatives	-	307	307	1,024	35	1,059	-	-	1,366
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Investment portfolio income ¹	-	-	-	-	-	-	-	30	30
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Profit for the period before tax	107	960	1,067	1,594	166	1,760	208	19	3,054
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* Of which transactions between business areas	73	59	132	19	(183)	(163)	(62)	94	-
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Operating costs and depreciation of equipment as % of core income from business operations	71.4	22.7	41.3	23.6	44.7	30.3	49.3	-	39.7
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BALANCE SHEET

ASSETS

Loans and advances at fair value	-	-	-	-	-	-	-	21,511	21,511
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Loans and advances at amortised cost	12,361	19,698	32,059	21,824	-	21,824	3,113	547	57,543
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Assets by business area	12,361	19,698	32,059	21,824	-	21,824	3,113	22,058	79,054
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Unallocated assets									86,734
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Total assets									165,788
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LIABILITIES AND EQUITY

Deposits and other payables	27,379	17,755	45,134	11,304	6	11,310	11,373	1,899	69,716
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Liabilities by business area	27,379	17,755	45,134	11,304	6	11,310	11,373	1,899	69,716
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Unallocated liabilities									74,905
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Equity and subordinated debt									21,167
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Total liabilities and equity									165,788
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Off-balance sheet items (guarantees)	14,148	2,856	17,004	7,068	-	7,068	1,535	311	25,918
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¹ 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)

RESULTS 30 JUNE 2016

Core income from

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
- customer activities, gross	283	174	457	297	388	685	493	51	1,686
- payment for distribution	160	113	273	47	(155)	(108)	(165)	-	-
Total business operations*	443	287	730	344	233	577	328	51	1,686
- core income from securities	-	-	-	-	-	-	-	4	4
Income from core business	443	287	730	344	233	577	328	55	1,690
Operating costs and depreciation of equipment	304	203	507	126	135	261	190	16	974
Profit from core business before impairment losses	139	84	223	218	98	316	138	39	716
Impairment losses on loans and advances	37	(34)	3	(107)	-	(107)	24	(6)	(86)
Profit from core business	102	118	220	325	98	423	113	45	802
Legacy derivatives	-	(585)	(585)	(666)	-	(666)	-	-	(1,251)
Investment portfolio income ¹	-	-	-	-	-	-	-	25	25
Profit (loss) for the period before tax	102	(467)	(364)	(342)	98	(244)	113	70	(424)
* Of which transactions between business areas	161	53	214	(5)	(142)	(147)	(165)	98	-
Operating costs and depreciation of equipment as % of core income from business operations	68.6	70.8	69.5	36.6	57.9	45.2	57.9	-	57.8

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

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	H1/2017			H1/2016		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
Net interest income	725	18	743	683	20	703
Dividend on equities	11	0	11	12	0	12
Fee and commission income, net	789	-	789	513	0	513
Net interest and fee income	1,525	18	1,543	1,208	20	1,228
Value adjustments	863	1,378	2,241	468	(1,246)	(778)
Other operating income	16	-	16	14	-	14
Staff and administrative expenses	934	-	934	953	-	953
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	8	-	8	8	-	8
Other operating expenses	11	-	11	13	-	13
Impairment losses on loans and advances	(207)	-	(207)	(86)	-	(86)
Profit (loss) before tax	1,658	1,396	3,054	802	(1,226)	(424)

¹ Other Activities comprises legacy derivatives of DKK 1,366m (2016: a negative DKK 1,251m) and investment portfolio income of DKK 30m (2016: DKK 25m).

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	
H1/2016	H1/2017	H1/2017	H1/2016
5. INTEREST INCOME			
5	15	15	5
899	915	985	964
121	89	89	122
(241)	(214)	(213)	(241)
	Of which		
88	39	39	88
(318)	(245)	(245)	(318)
(14)	(7)	(7)	(14)
3	(1)	-	3
3	1	2	4
787	806	878	854
	Total		
Of which interest income from genuine purchase and resale transactions entered as			
0	11	11	0
0	13	13	0
5A. NEGATIVE INTEREST			
Interest income			
(16)	(69)	(69)	(16)
(53)	(62)	(62)	(53)
(69)	(131)	(131)	(69)
	Total		
Of which interest income from genuine purchase and resale transactions entered as			
(11)	(53)	(53)	(11)
(52)	(62)	(62)	(52)
Interest expenses			
(40)	(88)	(88)	(40)
(50)	(73)	(73)	(50)
(90)	(161)	(161)	(90)
	Total		
Of which interest expenses for genuine purchase and resale transactions entered as			
(14)	(35)	(35)	(14)
(38)	(39)	(39)	(38)
21	30	30	21
	Negative interest, net		
6. INTEREST EXPENSES			
34	29	28	34
35	49	49	35
72	36	36	72
1	21	21	1
30	30	31	30
172	165	165	172
	Total		
Of which interest expenses for genuine sale and repurchase transactions entered as			
7	35	35	7
0	39	39	0

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
H1/2016	H1/2017	H1/2017	H1/2016
7. VALUE ADJUSTMENTS			
1	1	1	1
168	162	162	169
3	12	12	3
(1)	40	40	(1)
(950)	1,287	1,287	(950)
-	739	739	-
(779)	2,241	2,241	(778)
8. STAFF AND ADMINISTRATIVE EXPENSES			
2	2	2	2
340	353	413	400
499	474	519	551
841	829	934	953
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			
2	2	2	2
2	2	2	2
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			
273	276	325	321
24	27	32	30
43	50	56	49
340	353	413	400
633	666	827	791
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
Specification of impairment provisions			
2,403	2,023	2,075	2,451
23	23	23	23
128	125	134	133
2,554	2,171	2,232	2,607
Individual impairment provisions for loans, advances and receivables			
2,660	2,346	2,406	2,711
262	294	303	276
307	490	507	324
212	127	127	212
2,403	2,023	2,075	2,451
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
(8)	(1)	3	(8)
128	125	134	133

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
H1/2016	H1/2017	H1/2017	H1/2016

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.06.2017		30.06.2017	31.12.2016
12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
12,648	7,721	Receivables at call from central banks	7,721	12,648
21,095	15,961	Receivables from credit institutions	15,962	21,095
33,743	23,682	Total	23,683	33,743
14,417	8,295	Of which genuine purchase and resale transactions	8,295	14,417
13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
30,091	21,511	Loans and advances at fair value	21,511	30,091
30,091	21,511	Total	21,511	30,091
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
53,481	56,254	Loans and advances at amortised cost	57,544	55,003
53,481	56,254	Total	57,544	55,003
15. BONDS AT FAIR VALUE				
38,474	30,526	Covered bonds	31,111	39,024
1,198	2,646	Government bonds	2,646	1,198
3,436	3,010	Other bonds	3,010	3,436
43,108	36,182	Total	36,767	43,658
1,340	879	Self-issued bonds offset against bonds in issue	879	1,340
41,768	35,303	Total	35,888	42,318
The effect of fair value adjustment is recognised in the income statement.				
1,733	2,173	Of which redeemed bonds	2,173	1,733
26,296	16,394	Assets sold as part of genuine sale and repurchase transactions	16,394	26,296
3,285	608	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	608	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	135	Listed on Nasdaq Copenhagen A/S	137	111
3	1	Listed on other stock exchanges	1	3
144	179	Unlisted equities carried at fair value	179	144
257	315	Total	317	258

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
17. ASSETS IN TEMPORARY POSSESSION			
31	27	27	31
4	4	4	4
27	23	23	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	956	1,024	1,765
26,940	19,482	19,482	26,940
2,661	4,350	4,329	2,638
31,300	24,788	24,835	31,343
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
7,087	2,217	2,217	7,087
43,979	38,765	39,035	44,519
51,066	40,982	41,252	51,606
6,555	10,764	10,764	6,555
20. DEPOSITS AND OTHER PAYABLES			
55,466	60,257	60,164	55,412
2,096	1,417	1,417	2,096
5,923	5,192	5,192	5,923
2,832	2,943	2,943	2,832
66,317	69,809	69,716	66,263
14,562	3,573	3,573	14,562

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.06.2017		30.06.2017	31.12.2016
21. BONDS IN ISSUE AT AMORTISED COST				
Issues				
7,850	5,297	EMTN issues*	5,297	7,850
3,493	1,882	ECP issues*	1,882	3,493
155	66	Other issues	66	155
11,498	7,245	Total	7,245	11,498
1,340	879	Own portfolio	879	1,340
10,158	6,366	Total	6,366	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	3,573	Deposits at fair value	3,573	14,562
6,786	6,576	Negative securities portfolios	6,576	6,786
21,348	10,149	Total	10,149	21,348
14,562	3,573	Of "Deposits at fair value", genuine sale and repurchase transactions total	3,573	14,562
23. OTHER LIABILITIES				
1,803	1,102	Interest and commission payable	1,104	1,801
22,963	12,257	Negative market value of derivative financial instruments	12,257	22,963
1,387	2,562	Other payables	2,881	1,729
26,153	15,921	Total	16,242	26,493

NOTES

[illegible]

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
26. CONTINGENT LIABILITIES			
11,123	10,190	9,921	10,585
1,366	4,066	4,065	1,366
5,301	5,740	5,641	5,201
17,790	19,996	19,627	17,152
Total			

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

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

Joint taxation

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

NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
27. OTHER COMMITMENTS			
5,130	6,048	6,048	5,130
95	97	243	245
5,225	6,145	6,291	5,375
Total			

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 H1/2017.

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 1.2bn.

NOTES

DKK million

Nykredit Bank Group

29. LOANS, ADVANCES, GUARANTEES AND PROVISIONS

Loans, advances, guarantees and provisions by sector

	Carrying amount			Provisions			Total
	Loans and advances	Guarantees	Total	Proportion, %	Individual impairment and other provisions	Collective impairment provisions	
30 June 2017							
Public sector	583	-	583	0.6	-	-	-
Business customers							
Agriculture, hunting, forestry and fishing	2,352	604	2,956	3.0	85	14	99
Manufacturing, mining and quarrying	6,238	192	6,430	6.5	164	1	165
Energy supply	1,913	21	1,934	2.0	2	-	2
Construction	3,173	641	3,814	3.9	161	1	162
Trade	3,920	422	4,342	4.4	64	25	89
Transport, accommodation and food service activities	2,910	502	3,412	3.5	91	1	92
Information and communication	1,237	193	1,430	1.4	17	1	18
Finance and insurance	25,529	960	26,489	26.8	85	2	87
Real estate	9,144	1,410	10,554	10.7	671	52	723
Other	9,768	1,214	10,982	11.1	217	7	224
Total business customers	66,184	6,159	72,343	73.3	1,557	104	1,661
Personal customers	12,287	13,468	25,755	26.1	577	30	607
Total	79,054	19,627	98,681	100	2,134	134	2,268
Of which reverse repurchase lending (loans and advances at fair value)	21,511	-	21,511	21.8	-	-	-
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	Q2/	Q1/	Q4/	Q3/	Q2/	Q1/	
Group	2017	2017	2016	2016	2016	2016	
Total loans and advances	79,055	79,705	85,094	77,986	79,904	83,936	
Total guarantees	19,627	15,164	17,152	15,528	13,688	13,615	
Impairment provisions for loans and advances at amortised cost	2,209	2,473	2,537	2,611	2,584	2,753	
Provisions for guarantees	59	49	51	50	65	97	
Total loans, advances, guarantees and provisions	100,950	97,391	104,834	96,175	96,241	100,401	
Provisioning rate, %	2.2	2.6	2.5	2.8	2.8	2.8	
Provisioning rate excluding guarantees	2.7	3.0	2.9	3.2	3.1	3.2	

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 to this category.

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

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 positive market value is primarily based on external credit curves such as Itraxx Main, but also on internal data as regards customers without OEI in the lowest rating categories, as there are no external curves suitable for the calculation of credit risk on these customers. Finally, calculations are made to simulate future exposures to interest rate swaps. Calculations 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 234m at 30 June 2017 against a negative DKK 568m at end-2016.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2017, the non-amortised minimum margin amounted to DKK 388m 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 604m at 30 June 2017. Credit value adjustments came to DKK 3,253m at 30 June 2017 (end-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 +/- DKK 126m.

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

At 30 June 2017, the proportion was thus 0.7% compared with 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 73m in 2017 (0.4% of equity at 30 June 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 5.7bn have been transferred from Listed prices to Observable inputs and DKK 3.4bn from Observable inputs to Listed prices. Financial liabilities of DKK 1.0bn have been transferred from Listed prices to Observable inputs and DKK 1.1bn 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 30 June 2017, the amount was DKK 0.0bn 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)

30 June 2017	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Financial assets:				
- reverse repurchase lending to credit institutions and central banks	-	8,295	-	8,295
- other reverse repurchase lending	-	21,511	-	21,511
- bonds at fair value	20,043	15,845	-	35,888
- equities measured at fair value through profit or loss	189	-	128	317
- positive fair value of derivative financial instruments	73	18,805	604	19,482
Fair value, 30 June 2017, assets	20,305	64,456	732	85,493
Percentage	23.8	75.4	0.9	100

Financial liabilities:

- repo transactions with credit institutions and central banks	-	10,764	-	10,764
- other non-derivative financial liabilities at fair value	4,382	5,767	-	10,149
- negative fair value of derivative financial instruments	67	12,190	-	12,257
Fair value, 30 June 2017, liabilities	4,449	28,721	-	33,170
Percentage	13.4	86.6	-	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	-	3	84	87
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	-	-	-
Purchases for the period	-	8	-	8
Sales for the period	-	(6)	(11)	(17)
Redemptions for the period	-	-	-	-
Transferred from Listed prices and Observable inputs	-	-	85	85
Transferred to Listed prices and Observable inputs	-	-	(141)	(141)
Reclassified to "Other assets"	-	-	-	-
Fair value, 30 June 2017, assets	-	128	604	732

For 2017, unrealised negative value adjustments of DKK 39m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 30 June 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 year	-	7	-	7
Sales for the year	-	(12)	(33)	(45)
Redemptions for the year	-	-	-	-
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.

NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
31. FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES			
Foreign exchange risk			
167.8	77.8	77.8	167.8
1.0	0.4	0.4	1.0
0.4	0.6	0.6	0.4
-	0.0	0.0	-
Interest rate risk by the currency involving the highest interest rate exposure			
106	24	32	108
(14)	51	51	(14)
(4)	12	12	(4)
(2)	(1)	(1)	(2)
3	3	3	3
(1)	-	-	(1)
(1)	(3)	(3)	(1)
(1)	(0)	(0)	(1)
86	86	93	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 gain of DKK 6m and a loss of DKK 167m in H1/2017 compared with a gain of DKK 69m and a loss of DKK 144m in H1/2016. The interest rate exposure was a loss of DKK 84m at end-H1/2017 against DKK 74m at end-H1/2016.

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 10m at end-H1/2017 against DKK 13m at end-H1/2016. This means that according to the internal VaR model, Nykredit Bank could potentially, at a 99% probability, lose a maximum of DKK 10m in one day in consequence of market fluctuations.

NOTES

DKK million

Nykredit Bank Group

32. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 June 2017	Profit for the period 2017	Equity, 30 June 2017	Profit for 2016	Equity, 31 December 2016	Number of staff
Nykredit Bank A/S (Parent), Copenhagen, a)		1,762	19,127	627	16,744	666
Consolidated subsidiaries						
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	65	653	106	588	106
Nykredit Leasing A/S, Gladsaxe c)	100	46	639	71	593	55

Geographical distribution of activities

Denmark: Companies and activities appear from the Group structure
Sweden: Nykredit Bank A/S, branch¹

	Number of staff	Revenue ²	Profit before tax	Tax	Government aid received
Denmark: Companies and activities appear from the Group structure	827	747	3,054	671	-
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 30 June 2017, the property group comprised a parent and a subsidiary – both of them without activities.

NOTES

DKK million

Nykredit Bank Group	H1/ 2017	FY 2016	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
33. FIVE-YEAR FINANCIAL HIGHLIGHTS						
SUMMARY INCOME STATEMENT						
Net interest and fee income	1,543	2,595	1,228	1,375	1,760	1,560
Value adjustments	2,241	84	(778)	954	(483)	156
Other operating income	16	28	14	15	13	16
Staff and administrative expenses	934	2,000	953	932	1,019	978
Other operating expenses, depreciation and amortisation	19	60	21	41	38	41
Impairment losses on loans, advances and receivables	(207)	(141)	(86)	(89)	39	166
Profit from investments in associates and Group enterprises	-	-	-	-	-	30
Profit (loss) before tax	3,054	788	(424)	1,460	194	577
Tax	671	161	(107)	342	42	146
Profit (loss) for the period	2,383	627	(317)	1,118	152	431
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	2,383	627	(317)	1,118	152	431
BALANCE SHEETS, END OF PERIOD						
Assets						
Cash balances and receivables with central banks and credit institutions	25,486	35,723	37,410	31,954	27,790	27,853
Loans, advances and other receivables at fair value	21,511	30,091	30,350	29,765	45,328	48,797
Loans, advances and other receivables at amortised cost	57,544	55,003	49,554	49,441	46,908	50,424
Bonds at fair value and equities	36,205	42,576	38,144	44,109	79,968	80,313
Remaining assets	25,041	31,533	39,558	37,688	36,906	44,638
Total assets	165,787	194,926	195,016	192,957	236,900	252,025
Liabilities and equity						
Payables to credit institutions and central banks	41,252	51,606	40,205	45,693	63,306	61,393
Deposits and other payables	69,716	66,263	69,643	66,056	61,918	63,407
Bonds in issue at amortised cost	6,366	10,158	14,990	25,763	22,565	26,754
Other non-derivative financial liabilities at fair value	10,149	21,348	21,075	8,171	40,857	43,258
Remaining payables	16,958	26,546	33,081	31,286	33,268	41,987
Total payables	144,441	175,921	178,994	176,969	221,914	236,799
Provisions	219	261	222	195	236	275
Subordinated debt	2,000	2,000	-	100	250	250
Equity	19,127	16,744	15,800	15,693	14,500	14,701
Total liabilities and equity	165,787	194,926	195,016	192,957	236,900	252,025
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	19,627	17,152	13,689	21,156	12,028	10,706
Other commitments	6,291	5,375	6,022	4,671	6,536	6,990

NOTES

Nykredit Bank Group	H1/ 2017	FY 2016	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
33. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)						
Financial ratios						
Total capital ratio, %	20.8	16.6	20.0	18.9	16.0	21.9
Tier 1 capital ratio, %	18.7	14.8	19.6	18.5	15.6	21.9
Return on equity before tax, %	17.0	4.8	(2.7)	10.3	1.3	4.0
Return on equity after tax, %	13.3	3.8	(2.0)	7.9	1.1	3.0
Income:cost ratio	5.09	1.41	0.52	2.65	1.18	1.49
Interest rate exposure, %	0.5	0.5	0.5	0.2	0.0	1.0
Foreign exchange position, %	0.4	1.0	0.1	0.1	0.3	1.0
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.2	1.3	1.2	1.2	1.6	1.6
Loans and advances:equity	4.1	5.1	5.1	5.0	6.4	6.7
Growth in loans and advances excl repo transactions for the period, %	4.6	17.7	6.0	5.1	(0.2)	1.2
Excess coverage:statutory liquidity requirements, %	263.5	263.5	247.7	306.5	219.3	201.6
Total large exposures, %	0.0	0.0	0.0	24.2	14.0	12.5
Impairment losses for the period, %	(0.2)	(0.1)	(0.1)	(0.1)	0.0	0.1
Return on capital employed, %	1.4	0.3	(0.2)	0.6	0.1	0.2
Average number of staff, full-time equivalent	827	800	791	761	852	858

NOTES

DKK million

Nykredit Bank A/S	H1/ 2017	FY 2016	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
34. FIVE-YEAR FINANCIAL HIGHLIGHTS						
SUMMARY INCOME STATEMENT AND COMPREHENSIVE INCOME						
Net interest and fee income	1,308	2,163	1,015	2,452	1,594	1,404
Value adjustments	2,241	85	(779)	951	(481)	158
Other operating income	2	1	1	1	0	0
Staff and administrative expenses	829	1,785	841	1,629	921	881
Other operating expenses, depreciation and amortisation	18	57	19	87	37	38
Impairment losses on loans, advances and receivables	(209)	(158)	(91)	(136)	29	153
Profit from investments in associates and Group enterprises	111	177	86	151	52	75
Profit (loss) before tax	3,024	742	(446)	1,975	178	565
Tax	641	115	(129)	433	26	134
Profit (loss) for the year	2,383	627	(317)	1,542	152	431
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	2,383	627	(317)	1,542	152	431
BALANCE SHEETS, END OF PERIOD						
Assets						
Cash balances and receivables with central banks and credit institutions	25,485	35,723	37,410	31,953	27,789	27,853
Loans, advances and other receivables at fair value	21,511	30,091	30,350	29,765	45,328	48,797
Loans, advances and other receivables at amortised cost	56,254	53,481	48,121	48,162	45,694	50,236
Bonds at fair value and equities	35,618	42,025	37,633	43,718	79,675	80,112
Profit from investments in associates and Group enterprises	1,293	1,181	-	-	-	-
Remaining assets	24,986	31,476	40,594	38,628	37,449	44,214
Total assets	165,147	193,977	194,108	192,226	235,935	251,212
Liabilities and equity						
Payables to credit institutions and central banks	40,982	51,066	39,665	45,153	62,561	61,393
Deposits and other payables	69,809	66,317	69,704	66,183	62,006	63,502
Bonds in issue at amortised cost	6,366	10,158	14,990	25,763	22,565	26,754
Other non-derivative financial liabilities at fair value	10,149	21,348	21,075	8,171	40,857	43,258
Remaining payables	16,598	26,195	32,743	31,014	33,017	41,143
Total payables	143,904	175,084	178,177	176,284	221,006	236,050
Provisions	116	149	131	149	179	211
Subordinated debt	2,000	2,000	0	100	250	250
Equity	19,127	16,744	15,800	15,693	14,500	14,701
Total liabilities and equity	165,147	193,977	194,108	192,226	235,935	251,212
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	19,996	17,790	14,327	21,256	12,128	10,706
Other commitments	6,145	5,225	5,922	4,583	6,341	6,762

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Nykredit Bank A/S	H1/ 2017	FY 2016	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
34. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)						
FINANCIAL RATIOS						
Total capital ratio, %	19.8	16.0	19.3	18.3	16.0	21.9
Tier 1 capital ratio, %	17.9	14.3	18.8	17.9	15.6	21.9
Return on equity before tax, %	16.9	4.5	(2.8)	10.2	1.2	3.9
Return on equity after tax, %	13.3	3.8	(2.0)	7.9	1.1	3.0
Income:cost ratio	5.74	1.44	0.42	2.86	1.18	1.53
Interest rate exposure, %	0.4	0.5	0.5	0.2	0.0	1.0
Foreign exchange position, %	0.4	1.0	0.1	0.1	0.3	0.0
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.1	1.3	1.1	1.2	1.5	1.6
Loans and advances:equity	4.1	5.0	5.0	5.0	6.3	6.7
Growth in loans and advances excl repo transactions for the period, %	5.2	17.9	6.1	(1.8)	(0.5)	1.2
Excess coverage:statutory liquidity requirements, %	264.9	264.7	246.5	305.8	220.4	201.8
Total large exposures, %	0.0	0.0	0.0	24.3	14.0	12.5
Impairment losses for the period, %	(0.2)	(0.2)	(0.1)	(0.1)	0.0	0.1
Return on capital employed, %	1.4	0.3	(0.2)	0.6	0.1	0.2
Average number of staff, full-time equivalent	666	641	633	608	712	717

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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.

MANAGEMENT COMMENTARY (CONTINUED)

DKK million

Nykredit Bank Group	Q2/ 2017	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016
FIVE-QUARTER FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	390	353	436	359	275
Dividend on equities and fee and commission income, net	423	377	312	260	301
Net interest and fee income	813	730	748	619	576
Value adjustments	1,359	882	621	241	(118)
Other operating income	9	7	7	9	7
Staff and administrative expenses	474	460	557	490	490
Other operating expenses, depreciation and amortisation	9	10	29	10	11
Impairment losses on loans, advances and receivables	(152)	(55)	(83)	28	(70)
Profit from investments in associates and Group enterprises	-	-	-	-	-
Profit before tax	1,850	1,204	872	341	34
Tax	407	264	194	74	(5)
Profit for the period	1,443	940	678	267	39
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	1,443	940	678	267	39
SUMMARY BALANCE SHEET					
Assets					
Cash balances and receivables from central banks and credit institutions	25,486	36,324	35,723	35,409	37,410
Loans, advances and other receivables at fair value	21,511	23,449	30,091	24,871	30,350
Loans, advances and other receivables at amortised cost	57,544	56,256	55,003	53,115	49,554
Bonds at fair value	35,888	35,011	42,318	40,905	37,867
Equities	317	266	258	263	277
Remaining assets	25,041	26,945	31,533	38,893	39,558
Total assets	165,787	178,251	194,926	193,456	195,016
Liabilities and equity					
Payables to credit institutions and central banks	41,252	48,346	51,606	47,668	40,205
Deposits and other payables	69,716	68,035	66,263	65,031	69,643
Bonds in issue	6,366	9,278	10,158	12,071	14,990
Other non-derivative financial liabilities at fair value	10,149	12,889	21,348	19,598	21,075
Remaining payables	16,958	19,784	26,546	32,806	33,081
Total payables	144,441	158,332	175,921	177,174	178,994
Provisions	219	235	261	217	222
Subordinated debt	2,000	2,000	2,000	-	-
Equity	19,127	17,684	16,744	16,065	15,800
Total liabilities and equity	165,787	178,251	194,926	193,456	195,016
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	19,627	15,164	17,152	15,528	13,689
Other commitments	6,291	4,469	5,375	5,857	6,022

MANAGEMENT COMMENTARY (CONTINUED)

DKK million					
Nykredit Bank Group	Q2/ 2017	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016
FIVE-QUARTER FINANCIAL HIGHLIGHTS					
Summary core earnings and investment portfolio income					
Core income from business operations	1,154	1,246	953	790	944
Core income from securities	2	2	2	2	1
Income from core business	1,156	1,248	955	792	945
Operating costs and depreciation of equipment	483	470	586	500	501
Profit from core business before impairment losses	673	778	369	292	445
Impairment losses on loans and advances	(152)	(55)	(82)	27	(70)
Profit from core business	825	833	451	265	515
Legacy derivatives	1,029	337	422	66	(510)
Investment portfolio income	(4)	34	(1)	10	30
Profit before tax	1,850	1,204	872	341	35
Tax	407	264	194	74	(5)
Profit for the period	1,443	940	678	267	40

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.