



To the Copenhagen Stock Exchange
and the press

9 November 2006

Q1-Q3 Interim Report
Nykredit Bank and the Nykredit Bank Group
1 January 2006 – 30 September 2006

Q1-Q3 - IN BRIEF

- Profit before tax of DKK 591m
- Profit before tax generated a return on equity of 20.6%
- Core income in the business areas increased by DKK 146m to just over DKK 1bn
- Provisions affected results positively by DKK 20m
- Subordinate loan capital increased by DKK 500m to DKK 1.3bn
- Earnings expectations for 2006 adjusted upwards to around DKK 700-750m equal to a DKK 125m increase relative to the forecast made in the H1 Interim Report.

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From today the Q1-Q3 Interim Report of the Nykredit Bank Group can be downloaded as a pdf file from www.nykredit.com.

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DKK million	Q1-Q3/2006	Q1-Q3/2005	FY2005
INCOME STATEMENT			
Net interest income	581	632	794
Dividends, fees and commissions, net	190	159	213
Total net interest and fee income	771	791	1,007
Value adjustments	294	131	177
Other operating income	17	15	20
Staff, administrative and other operating expenses	509	420	593
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2	2	3
Provisions for loan and receivable impairment	(20)	(3)	7
Profit before tax	591	518	601
Tax	171	146	162
Profit for the period	420	372	439
BALANCE SHEET, END OF PERIOD			
Assets			
Cash balance and receivables from central banks and credit institutions	21,609	16,495	15,031
Loans, advances and other receivables at fair value	4,477	8,652	6,688
Loans, advances and other receivables at amortised cost	25,852	18,028	19,731
Bonds at fair value	45,794	36,591	35,885
Equities	278	241	267
Investment and owner-occupied properties	72	249	248
Other assets and prepayments	8,301	6,982	6,612
Total assets	106,383	87,238	84,462
Liabilities and equity			
Payables to credit institutions and central banks	59,869	43,339	44,654
Deposits and other payables	21,041	25,288	22,103
Issued bonds at amortised cost	1,702	629	654
Other non-derivative financial liabilities at fair value	11,025	6,724	6,484
Other liabilities and deferred income	7,356	6,879	6,094
Total payables	100,993	82,859	79,989
Provisions	56	32	59
Subordinate loan capital	1,300	800	800
Equity	4,034	3,547	3,614
Total liabilities and equity	106,383	87,238	84,462
Off-balance sheet items			
Guarantees	7,492	11,048	10,399
Other contingent liabilities	5,086	2,995	3,058
Total off-balance sheet items	12,578	14,043	13,457
FINANCIAL RATIOS			
Capital adequacy ratio, %	10.9	9.8	10.3
Core capital ratio, %	8.0	8.3	8.8
Return on equity before tax (pa), %	20.6	20.5	17.8
Return on equity after tax (pa), %	14.7	14.8	13.0
Income/cost ratio, DKK	2.21	2.24	2.00
Interest rate exposure, %	1.1	2.9	3.3
Impairment provisions for the period, %	(0.1)	-	0.0
Average number of full-time staff	484	422	426

Q1-Q3/2006

For the first three quarters of the year, the Nykredit Bank Group achieved a profit before tax of DKK 591m compared with DKK 518m for the same period of 2005. Profit before tax generated a return on equity of 20.6% pa against 20.5% in Q1-Q3/2005.

Profit after tax rose from DKK 372m to DKK 420m, which is considered satisfactory.

Net interest and fee income and value adjustments came to DKK 1.1bn in the first three quarters of the year, equal to an increase of DKK 143m (+16%) compared with Q1-Q3/2005. Of this amount, Markets & Asset Management and Corporate Banking recorded increased core income of DKK 107m and DKK 36m, respectively, while income from Retail Banking and Group items was largely unchanged compared with Q1-Q3/2005.

Net interest income decreased by DKK 51m to DKK 581m. The business areas Corporate Banking and Retail Banking contributed increased net interest income of DKK 21m and DKK 7m, respectively, while Markets & Asset Management saw a decrease of around DKK 80m. The latter development should be seen in combination with income from the value adjustments of securities and currencies made within this business area, which rose by DKK 137m to DKK 259m compared with Q1-Q3/2005.

Dividends and fees netted DKK 190m against DKK 159m in Q1-Q3/2005. The rise derived mainly from income from asset management activities.

Value adjustments went up from DKK 131m in Q1-Q3/2005 to DKK 294m. Besides the higher activity level in Markets & Asset Management, the development was mainly influenced by increased mortgage trading by Retail Banking and value adjustment of credit bonds by Corporate Banking.

Staff and administrative expenses rose by DKK 89m (+21%) to DKK 511m as a result of the higher activity level. The average number of staff rose from 422 in Q1-Q3/2005 to 484 which, together with increased provisions for bonuses, was behind the rise in staff expenses of DKK 64m to a total of DKK 299m. Furthermore, the activities during the period led to higher IT-related costs.

Provisions equalled an income of DKK 20m against an income of DKK 3m in Q1-Q3/2005. The Bank's provisioning need continues to reflect the stability of the Danish economy. Furthermore, the level was affected by an adjustment of the principles applied so far as the basis of individual provisioning for loan impairment within Retail Banking.

Q3/2006

Like the first three quarters as a whole, Q3 was characterised by a positive development. Profit before tax of DKK 230m was thus DKK 39m higher than profit for Q3/2005, and DKK 31m and DKK 68m higher than results for Q2 and Q1/2006, respectively.

Net interest and fee income and value adjustments totalled DKK 387m, which was largely unchanged compared with Q2/2006 (DKK 375m).

Compared with Q2/2006, Corporate Banking saw considerable growth, generated by both increased income and reduced provisions.

Relative to Q3/2005 (DKK 326m), this equals a rise of DKK 61m, which was attributable to increased core income in Markets & Asset Management by DKK 28m owing to the development in trading, debt capital market and asset management activities.

Income from own trading also showed substantial growth at the end of the period. Corporate Banking income went up by DKK 24m, particularly as a result of high lending activity and income from the sale of a leased out property.

Core income within Retail Banking was on a level with the figures for Q3/2005 and Q2/2006.

Finally, income from securities not allocated to business areas rose by DKK 13m to DKK 37m in Q3/2006, while investment portfolio income was DKK 4m below the level of Q3/2005.

Operating costs rose by DKK 29m from DKK 140m in Q3/2005 to DKK 169m in Q3/2006. Like in Q1 and Q2/2006, this development is a consequence of the general development in activity levels, leading to higher costs, particularly of staff and IT operations.

Provisions showed an income of DKK 8m in Q3/2006 against DKK 0m in Q3/2005. The income derives from the adjustment of the principles for loan impairment within Retail Banking and the continued stability of the Danish economy. Provisions in Q3/2006 matched the levels of the previous quarters of 2006.

Results by business area

DKKm	Retail Banking		Corporate Banking		Markets & Asset Management		Group items ¹		Total	
	Q1-Q3/ 2006	Q1-Q3/ 2005	Q1-Q3/ 2006	Q1-Q3/ 2005	Q1-Q3/ 2006	Q1-Q3/ 2005	Q1-Q3/ 2006	Q1-Q3/ 2005	Q1-Q3/ 2006	Q1-Q3/ 2005
	Core income	216	213	210	174	577	470	77	52	1,080
Operating costs	117	98	84	79	308	245	2	-	511	422
Core earnings before losses	99	115	126	95	269	225	75	52	569	487
Provisions for loan impairment	34	(6)	(14)	9	0	0	-	-	20	3
Core earnings after losses	133	109	112	104	269	225	75	52	589	490
Investment portfolio income ²	-	-	-	-	-	-	2	28	2	28
Profit before tax	133	109	112	104	269	225	77	80	591	518
Income/costs	2.60	2.05	2.14	2.49	1.87	1.92	-	-	2.21	2.24
Average allocated business capital ³	786	854	1,709	1,531	783	626	23	22	3,301	3,033
Core earnings after losses as a % of allocated business capital	22.6	17.0	8.7	9.1	45.8	47.9	-	-	23.8	21.5

1) Includes income from securities not allocated to the individual business areas but included in the Bank's own portfolios as well as non-allocated expenses.
2) Investment portfolio income equals return on own portfolio in addition to risk-free interest.
3) 8% of risk-weighted average assets allocated to the business areas.

Balance sheet, equity and capital adequacy

The balance sheet totalled DKK 106bn, up DKK 22bn on end-2005. Receivables from credit institutions increased by DKK 6bn, loans and advances rose by DKK 4bn as a result of increased lending to retail and corporate customers by DKK 1bn and DKK 7bn, respectively, while reverse transactions under Markets decreased by DKK 4bn. Bonds went up by DKK 10bn to DKK 46bn compared with end-2005.

Deposits came to DKK 21bn, equal to the level at end-2005.

Equity was DKK 4,034m at 30 September 2006. Compared with equity at the beginning of the year, the increase equalled profit after tax for the period of DKK 420m.

The supplementary capital of the Nykredit Bank Group rose in Q3/2006 by DKK 500m to DKK 1,300m. All of the supplementary capital has been contributed by the parent company Nykredit Realkredit A/S. The subsequent capital adequacy ratio was 10.9% against 10.3% at end-2005. Correspondingly, the core capital ratio was 8.0% against 8.8% previously.

The capital adequacy and core capital ratios of the Parent Company Nykredit Bank A/S were 10.9% and 8.0%, respectively, at 30 September 2006.

Business areas

The Nykredit Group is organised in three intercompany business areas: Retail Customers, Commercial Customers and Markets & Asset Management.

Total core earnings after losses amounted to DKK 589m for Q1-Q3/2006 against DKK 490m in Q1-Q3/2005.

Retail Banking recorded a profit for the period of DKK 133m against DKK 109m in Q1-Q3/2005. Income was largely unchanged, while costs rose as a result of a staff increase.

Provisions equalled an income of DKK 34m against an expense of DKK 6m in 2005. The considerable reversals in 2006 were primarily an effect of the adjustment of the Bank's methods of determining individual provisions for loan impairment within Retail Customers.

Retail lending came to DKK 6bn against DKK 5bn at end-2005. Deposits amounted to DKK 9.3bn, which was largely unchanged compared with end-2005.

Corporate Banking recorded a profit for the period of DKK 112m, up DKK 8m on Q1-Q3/2005. Income rose by DKK 36m (+20.7%) owing in particular to growing lending activity, positive value adjustments of credit bonds and a profit from the sale of an investment property.

Costs rose by DKK 5m to DKK 84m, mainly as a consequence of higher expenses for salaries and pensions, etc.

Provisions equalled an expense of DKK 14m against an income of DKK 9m in Q1-Q3/2005.

Compared with 31 December 2005, loans and advances rose by DKK 5.2bn to DKK 19.9bn at 30 September 2006. Deposits came to DKK 11.7bn against DKK 11.2bn at end-2005.

Markets & Asset Management recorded a profit of DKK 269m against DKK 225m in Q1-Q3/2005. Income increased by DKK 107m to DKK 577m, and the period generally showed satisfactory growth in the trading, debt capital markets and asset management activities of this business area. Income from own trading was lower than in Q1-Q3/2005, but developed favourably towards the end of the period.

Costs totalled DKK 308m against DKK 245m in Q1-Q3/2005. The DKK 63m increase is an effect of the high activity level and mainly reflects increased staff expenses, including provisions for bonuses.

Other

Nykredit Realkredit A/S provided subordinate loan capital in the amount of DKK 500m in Q3/2006. The Bank's subordinate loan capital subsequently totals

DKK 1.3bn. The objective of the capital contribution is to support the Bank's positive development and improve the Bank's opportunities for serving more and larger corporate customers.

Outlook for 2006

The positive development within all business areas as described in the H1 Interim Report 2006 continued in Q3/2006. The Bank expects this trend to continue in Q4, albeit at a somewhat lower level than in the preceding quarters of 2006.

Profit for FY2006 is therefore expected to land around DKK 700-750m, which constitutes an upward adjustment of DKK 125m compared with earnings expectations announced in the H1 Interim Report 2006. Relative to the forecast made in the Annual Report for 2005, this represents an upward adjustment of DKK 225m.

Events occurred after 30 September 2006

In the period up to the presentation of the Q1-Q3 Interim Report 2006, no significant events have occurred.

Accounting policies

The Consolidated Financial Statements for Q1-Q3/2006 of the Nykredit Bank Group have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and further Danish disclosure requirements for interim reports. Compliance with IAS 34 implies compliance with the principles of recognition and measurement of the international financial reporting standards (IFRS) and a more limited presentation relative to a complete annual report.

The accounting policies are unchanged relative to the Annual Report for 2005. A description of the Group's and the Parent Company's accounting policies applied in the Annual Report for 2005 is available at www.nykredit.com.

The Q1-Q3 Interim Report 2006 has not been audited.

The Nykredit Bank Group Changes in equity

DKKm	30 Sep 2006	30 Sep 2005	31 Dec 2005
Equity, 1 January	3,614	3,148	3,148
Effects of changed accounting policies	-	27	27
Adjusted equity, 1 January	3,614	3,175	3,175
Profit for the period	420	372	439
Equity, end of period	4,034	3,547	3,614

The Nykredit Bank Group Capital adequacy and core capital

DKKm	30 Sep 2006	30 Sep 2005	31 Dec 2005
Core capital	3,614	3,175	3,614
Supplementary capital	1,300	800	800
Statutory deductions from core capital and supplementary capital	0	192	194
Total, end of period	4,914	3,783	4,220
Weighted items not included in the trading portfolio	35,308	30,070	30,932
Weighted items incurring market risk	9,715	8,155	9,829
Total weighted items	45,023	38,225	40,761
Core capital ratio, %	8.0	8.3	8.8
Capital adequacy ratio, %	10.9	9.8	10.3

The Nykredit Bank Group - financial highlights - seven quarters

DKK MILLION

	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	Q2/2005	Q1/2005
INCOME STATEMENT							
Net interest income	235	229	117	162	184	212	236
Dividends, fees and commissions, net	59	65	66	54	63	49	47
Net interest and fee income	294	294	183	216	247	261	283
Value adjustments	93	81	120	46	79	47	5
Other operating income	4	5	8	5	5	5	5
Staff, administrative and other operating expenses	168	187	154	172	138	148	132
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	1	0	1	2	2	2	0
Provisions for loan and receivable impairment	(8)	(6)	(6)	10	0	(6)	3
Profit before tax	230	199	162	83	191	169	158
Tax	64	62	45	16	55	44	47
Profit for the period	166	137	117	67	136	125	111
BALANCE SHEET, END OF PERIOD							
Assets							
Cash balance and receivables from central banks and credit institutions	21,609	16,700	15,365	15,031	16,495	15,493	15,106
Loans, advances and other receivables at fair value	4,477	9,698	5,014	6,688	8,652	7,807	6,709
Loans, advances and other receivables at amortised cost	25,852	25,020	21,950	19,731	18,028	18,353	18,495
Bonds at fair value	45,794	43,340	45,946	35,885	36,591	36,364	34,412
Equities	278	330	280	267	241	232	246
Investment and domicile properties	72	247	247	248	249	250	250
Other assets and prepayments	8,301	8,086	7,384	6,612	6,982	7,292	5,924
Total assets	106,383	103,421	96,186	84,462	87,238	85,791	81,142
Liabilities and equity							
Payables to credit institutions and central banks	59,869	59,271	49,402	44,654	43,339	43,977	46,647
Deposits and other payables	21,041	22,181	24,329	22,103	25,288	22,326	20,240
Issued bonds at amortised cost	1,702	1,750	1,741	654	629	669	576
Other non-derivative financial liabilities at fair value	11,025	8,410	9,954	6,484	6,724	7,386	3,580
Other liabilities and deferred income	7,356	7,085	6,173	6,094	6,879	7,183	5,981
Total payables	100,993	98,697	91,599	79,989	82,859	81,541	77,024
Provisions	56	56	56	59	32	39	32
Subordinate loan capital	1,300	800	800	800	800	800	800
Equity	4,034	3,868	3,731	3,614	3,547	3,411	3,286
Total liabilities and equity	106,383	103,421	96,186	84,462	87,238	85,791	81,142
Off-balance sheet items							
Guarantees	7,492	7,963	8,493	10,399	11,048	11,917	11,320
Other contingent liabilities	5,086	4,131	3,600	3,058	2,995	2,377	2,307
Total off-balance sheet items	12,578	12,094	12,093	13,457	14,043	14,294	13,627
FINANCIAL RATIOS							
Capital adequacy ratio, %	10.9	9.4	9.8	10.3	9.8	9.7	9.4
Core capital ratio, %	8.0	7.9	8.4	8.8	8.3	8.1	7.9
Return on equity before tax (pa), %	23.3	21.0	17.7	9.3	22.0	20.2	19.6
Return on equity after tax (pa), %	16.8	14.4	12.7	7.5	15.7	15.0	13.7
Income/cost ratio, DKK	2.43	2.09	2.09	1.45	2.36	2.18	2.17
Interest rate exposure, %	1.1	3.7	3.0	3.3	2.9	3.4	2.6
Impairment provisions for the period, %	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0

Cash flow statement Q1–Q3/2006

DKK MILLION

THE NYKREDIT BANK
GROUP

	2006 Q1-Q3	2005 Q1-Q3
Profit after tax for the period	420	372
Adjustment for non-cash operating items, depreciation, amortisation and provisions		
Depreciation and impairment losses for property, plant and equipment	2	2
Provisions for loan and receivable impairment	(15)	(1)
Tax calculated on profit for the period	171	146
Total	158	147
Profit for the period adjusted for non-cash operating items	578	519
Change in working capital		
Loans, advances and other receivables	(3,925)	(4,008)
Deposits and other payables	(1,040)	6,185
Payables to credit institutions and central banks	15,138	3,606
Bonds at fair value	(9,765)	(5,002)
Equities	(11)	(167)
Other working capital	3,961	2,108
Total	4,358	2,722
Corporation tax paid, net	(21)	(108)
Cash flows from operating activities	4,915	3,133
Cash flows from investing activities		
Subordinate loan capital	500	0
Property, plant and equipment	174	6
Total	674	6
Cash flows from financing activities		
Issued bonds	1,048	314
Total	1,048	314
Total cash flows	6,637	3,453
Cash and cash equivalents, beginning of period	15,031	13,093
Foreign currency translation adjustment of cash	(59)	(51)
Cash and cash equivalents, end of period	21,609	16,495
Cash and cash equivalents, end of period, specified as:		
Cash balance and demand deposits with central banks	27	40
Receivables from credit institutions and central banks	21,582	16,455
Cash and cash equivalents, end of period	21,609	16,495