

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 September 2016

- Profit from core business was DKK 1,154m compared with DKK 1,174m in Q1-Q3/2015, equivalent to a return on equity of 9.6%.
- Compared with end-2015, lending increased by DKK 6.4bn, or 13.7%, despite low macroeconomic growth. Deposits rose by DKK 2.3bn.
- Core income from business operations totalled DKK 2,564m, which represented a 1% rise from DKK 2,548m in Q1-Q3/2015.
- Operating costs and depreciation of equipment came to DKK 1,457m against DKK 1,411m in Q1-Q3/2015, up 3%. Operating costs as a percentage of core income from business operations climbed to 56.9% from 55.4% in Q1-Q3/2015. The rise was partly an effect of the Bank's expansion of its Wealth Management area. Reference is made to "Operating costs, depreciation and amortisation".
- Impairment losses on loans and advances were a gain of DKK 58m. Impairment losses were negative 0.1% of loans and advances – the same as in Q1-Q3/2015.
- Value adjustment of interest rate swaps was a loss of DKK 1,273m against a gain of DKK 212m in Q1-Q3/2015. The loss in Q1-Q3/2016 was primarily related to a fall in swap rates.
- Investment portfolio income amounted to DKK 35m against DKK 24m in Q1-Q3/2015.

Profit before tax, excluding value adjustment of interest rate swaps, accordingly decreased by DKK 10m from DKK 1,198m in Q1-Q3/2015 to DKK 1,188m. The period saw a loss before tax of DKK 52m against a profit before tax of DKK 1,079m in Q1-Q3/2015.

- Profit before tax generated a return on equity of negative 0.7% against 13.3% in Q1-Q3/2015.

LIQUIDITY

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 148% against 143% at end-Q1-Q3/2015. Deposits exceeded lending by DKK 11.9bn compared with DKK 14.2bn at end-Q1-Q3/2015.

CAPITAL

- Equity stood at DKK 16.1bn, which was unchanged from end-2015.
- The Common Equity Tier 1 (CET1) capital ratio was 13.9% against 20.6% at end-2015. The decline resulted from the implementation of a new credit risk model. Reference is made to "Capital and capital adequacy" below. The total capital ratio was 13.9% against 21.1% at end-2015, and the internal capital adequacy requirement came to 10.7% compared with 12.0% at end-2015.

ABOUT NYKREDIT BANK GROUP

- The Q1-Q3 Interim Reports 2016 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	Q1-Q3/ 2016	Q1-Q3/ 2015	Q3/ 2016	Q3/ 2015	FY 2015
RESULTS FROM CORE BUSINESS AND RESULTS FOR THE PERIOD					
Core income from:					
- business operations	2,564	2,548	817	707	3,360
- securities	6	6	2	2	8
Income from core business	2,570	2,554	819	709	3,368
Operating costs and depreciation of equipment	1,457	1,411	493	471	1,852
Expenses for guarantee and resolution schemes	17	56	7	23	63
Profit from core business before impairment losses	1,096	1,087	319	215	1,453
Impairment losses on loans and advances and provisions for guarantees	(58)	(87)	27	2	(121)
Profit from core business	1,154	1,174	292	213	1,574
- value adjustment of interest rate swaps due to interest rate changes	(1,334)	521	54	(343)	685
- other value adjustment of interest rate swaps	61	(309)	(15)	101	(275)
Goodwill impairment	-	-	-	-	9
Investment portfolio income	35	24	10	(21)	35
Profit (loss) before tax	(85)	1,410	341	(50)	2,010
Tax	(33)	331	74	(11)	468
Profit (loss) for the period	(52)	1,079	267	(39)	1,542
SUMMARY BALANCE SHEET					
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	31.12.2015
Assets					
Cash balances and receivables from central banks and credit institutions	35,409	25,280	35,409	25,280	13,425
Loans, advances and other receivables at fair value	24,871	34,534	24,871	34,534	39,467
Loans, advances and other receivables at amortised cost	53,115	47,506	53,115	47,506	46,747
Bonds at fair value and equities	41,168	42,990	41,168	42,990	40,412
Remaining assets	38,893	37,315	38,893	37,315	34,288
Total assets	193,456	187,625	193,456	187,625	174,339
Liabilities and equity					
Payables to credit institutions and central banks	47,668	41,714	47,668	41,714	34,957
Deposits and other payables	65,031	61,725	65,031	61,725	62,758
Bonds in issue at amortised cost	12,071	24,662	12,071	24,662	20,150
Other non-derivative financial liabilities at fair value	19,598	12,205	19,598	12,205	11,776
Remaining payables	32,806	31,368	32,806	31,368	28,267
Provisions	217	197	217	197	214
Subordinated debt	-	100	-	100	100
Equity	16,065	15,654	16,065	15,654	16,117
Total liabilities and equity	193,456	187,625	193,456	187,625	174,339
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	15,528	15,182	15,528	15,182	15,180
Other commitments	5,857	5,016	5,857	5,016	5,566
FINANCIAL RATIOS					
Profit (loss) for the period as % pa of average equity	(0.4)	10.2	6.7	(1.0)	10.7
Profit (loss) before tax as % pa of average equity	(0.7)	13.3	8.6	(1.3)	14.0
Profit from core business before impairment losses as % pa of average equity	9.1	12.3	8.0	5.5	10.1
Profit from core business as % pa of average equity	9.6	13.1	7.3	5.4	10.9
Operating costs and depreciation of equipment as % of core income from business operations	56.9	55.4	60.3	66.6	55.1
Total provisions for loan impairment	2,611	3,118	2,611	3,118	2,852
Impairment losses for the period, %	(0.1)	(0.1)	0.0	0.0	(0.1)
Total capital ratio, %	13.9	21.1	13.9	21.1	21.1
Tier 1 capital ratio, %	13.9	20.7	13.9	20.7	20.7
CET1 capital ratio, %	13.9	20.5	13.9	20.5	20.6
Average number of staff, full-time equivalents	796	759	806	755	761

Q1-Q3/2016 – IN BRIEF

RESULTS FOR Q1-Q3/2016

The Group recorded a profit from core business of DKK 1,154m compared with DKK 1,174m in Q1-Q3/2015 and a loss before tax of DKK 85m against a profit before tax of DKK 1,410m in Q1-Q3/2015.

The underlying performance resulted in a rise in core income, which was 1% above the level in Q1-Q3/2015, totalling DKK 2,564m compared with DKK 2,548m in the same period last year. Conversely, operating costs rose by DKK 47m, while impairment losses on loans and advances were a DKK 29m lower gain. Together, these items caused a reduction in earnings of DKK 60m compared with Q1-Q3/2015.

Value adjustment of interest rate swaps was a loss of DKK 1,273m in Q1-Q3/2016 compared with a gain of DKK 212m in Q1-Q3/2015.

Results from core business

Core income from business operations

Core income totalled DKK 2,564m compared with DKK 2,548m in Q1-Q3/2015, equal to a rise of 1% or DKK 16m.

The rise was driven by Wealth Management and Group Items, which in total rose by DKK 172m, while Wholesale Clients saw a decline from DKK 1,013m to DKK 879m, of which Nykredit Markets's activities accounted for a reduction of DKK 69m to DKK 328m. The reduction should be seen in the context of the high earnings level in 2015. Core income in Corporate & Institutional Banking dropped by DKK 65m. The lower earnings were caused by lower market activity and general customer caution.

Income from Retail reduced by DKK 21m to DKK 1,138m.

Core income from Wealth Management was DKK 492m, a DKK 99m rise on Q1-Q3/2015, of which DKK 42m was attributable to Nykredit Asset Management.

Group Items, which mainly comprises Treasury, grew by DKK 73m to DKK 55m.

Lending at amortised cost went up by DKK 6.4bn on end-2015 to DKK 53.1bn as at 30 September 2016.

Deposits (incl deposits of DKK 1.7bn acquired from FIH) grew by DKK 2.3bn from DKK 62.7bn at end-2015 to DKK 65.0bn. This resulted from a decline of DKK 2.0bn in Wholesale Clients and of DKK 0.2bn in Wealth Management and a rise of DKK 2.2bn in Retail and of DKK 2.3bn in Group Items.

Core income from securities

Income was unchanged at around DKK 6.0m in Q1-Q3/2016, and the short-term risk-free interest rate dropped from an average of 0.06% in Q1-Q3/2015 to 0.05% in Q1-Q3/2016. The risk-free interest rate is based on the Danish central bank's lending rate.

Operating costs, depreciation and amortisation

Staff and administrative expenses generally developed as expected and increased by DKK 37m, or 2.6%, compared with Q1-Q3/2015 to DKK 1,443m.

Payroll costs accounted for a rise of DKK 48m, or 8.7%. The rise in payroll costs and staff expenses was an effect of the Bank's expansion of its Wealth Management area, a reorganisation of certain entities between Nykredit Realkredit and Nykredit Bank and higher payroll tax.

The average number of full-time equivalent staff totalled 796 compared with 759 in Q1-Q3/2015.

Other administrative expenses dropped by 1.3% from DKK 853m in Q1-Q3/2015 to DKK 842m in Q1-Q3/2016.

Other operating expenses fell from DKK 48m to DKK 19m. The item includes the Bank's mandatory contribution of DKK 17m to Danish guarantee and resolution schemes.

Impairment losses on loans and advances and provisions for guarantees

Impairment losses and provisions were a gain of DKK 58m against a gain of DKK 87m in Q1-Q3/2015, which reflected an increase in impairment losses of DKK 52m in Wholesale Clients and of DKK 21m in Wealth Management. Retail impairment losses reduced by DKK 38m, and Group Items contributed a gain of DKK 6m in Q1-Q3/2016.

Individual impairment provisions dropped by DKK 173m to a gain of DKK 24m, particularly due to a downturn in new impairment provisions combined with an increase in reversals compared with Q1-Q3/2015. Collective impairment provisions were DKK 15m against a gain of DKK 240m in Q1-Q3/2015.

Provisions for guarantees came to a gain of DKK 50m against an expense of DKK 3m in Q1-Q3/2015.

Impairment losses were unchanged at negative 0.1% of loans and advances in Q1-Q3/2016 compared with the same period last year.

Value adjustment of interest rate swaps

In Q1-Q3/2016, value adjustment of interest rate swaps produced a loss of DKK 1,273m against a gain of DKK 212m in Q1-Q3/2015, primarily reflecting a fall in swap rates, which resulted in a loss of DKK 1,334m, and a reduction of DKK 61m in other provisions.

Losses incurred on terminated contracts totalled DKK 392m in Q1-Q3/2016 against DKK 97m in Q1-Q3/2015.

Provisions for these interest rate swaps totalled DKK 6.0bn compared with DKK 5.0bn at end-2015.

Nykredit Bank has no direct interest rate exposure from its portfolios of interest rate swaps due to interest rate hedging

arrangements with major domestic and foreign banks. Therefore, the provisions should in part be seen in the context of the uncertainty about the legal set-up of cooperative housing and customers' financial outlooks.

Long-term swap rates were 1.0% at end-Q3/2016. If the interest rate level changes by 1 percentage point, the loss or gain from value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Investment portfolio income

Investment portfolio income amounted to DKK 35m against DKK 24m in Q1-Q3/2015.

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

Tax

Tax calculated was an income of DKK 33m, corresponding to 38.8% of the loss before tax compared with 23.5% in Q1-Q3/2015.

Results

The Group recorded a loss before tax of DKK 85m compared with a profit before tax of DKK 1,410m in Q1-Q3/2015 and a loss after tax of DKK 52m, equivalent to a return on equity of negative 0.3% compared with a profit after tax of DKK 1,079m and a return on equity of 7.6% in the same period last year.

RESULTS FOR Q3/2016

Results relative to Q2/2016

Q3/2016 saw a profit from core business of DKK 292m and a profit before tax of DKK 341m, corresponding to a downturn in core business of DKK 222m, while profit before tax improved by DKK 307m on Q2/2016. This upturn in profit before tax primarily reflected that negative value adjustment of interest rate swaps improved by DKK 549m on the Q2 level, whereas core income from business operations went down by DKK 127m on Q2 to DKK 817m.

The quarter-on-quarter decline in core income from business operations consisted of a loss of DKK 39m in Retail, a loss of DKK 58m in Wholesale Clients, a loss of DKK 14m in Wealth Management and a loss of DKK 16m in Group Items.

Total costs were unchanged on the previous quarter, while impairment losses increased by DKK 96m.

Investment portfolio income dropped from DKK 30m to DKK 10m in Q3, partly attributable to continued flat interest rate levels throughout Q3 as in the preceding quarter.

Results relative to Q3/2015

Compared with a loss before tax of DKK 50m in Q3/2015, results were up by DKK 391m in Q3/2016, which was mainly attributable to an increase in value adjustment of interest rate swaps of DKK 281m and a rise of DKK 110m in core income from business operations from DKK 707m in Q3/2015 to DKK 817m.

Operating costs grew from DKK 471m in Q3/2015 to DKK 493m, equal to a negative earnings impact of DKK 22m.

Impairment losses increased on the same period last year to DKK 27m in Q3/2016.

OUTLOOK FOR 2016

In the H1 Interim Report 2016, the guidance for profit from core business for 2016 was raised by DKK 0.3bn to DKK 1.2bn-1.4bn.

Based on the performance in Q1-Q3/2016, including expected restructuring provisions in connection with the announced cost reductions, cf below, the full-year profit guidance is maintained.

In connection with the full-year guidance, it should be noted that especially the Danish central bank's short-term interest rates, deposit and lending activity and the level of loan impairment losses may affect results from core business. Loan impairment losses were very low in Q1-Q3/2016.

EVENTS SINCE THE BALANCE SHEET DATE

Capital contribution

To support the capitalisation of Nykredit Bank A/S, the Board of Directors of Nykredit Realkredit A/S decided on 9 November 2016 to contribute DKK 2bn to Nykredit Bank in the form of Tier 2 capital.

The capital contribution should be viewed in the context of a number of model changes, which have prompted a DKK 30bn rise in the Bank's risk exposure amount. At present, the company has sufficient capital to meet Nykredit's target of total capital corresponding to the regulatory requirement with the addition of 1.5% of the risk exposure amount. However, in early 2017 the regulatory requirement will increase by about 1.1% of the risk exposure amount as a result of the phase-in of the regulatory buffers (SIFI and permanent buffers). The capital contribution thus underpins the Bank's capital structure – with respect to both the regulatory requirement and the target of maintaining a capital buffer.

Cost reduction

In recent years, the Nykredit Group has made targeted efforts to streamline its business. We will now intensify these efforts to prepare Nykredit in the best possible way for the many changes facing us as a business – and the sector as a whole.

Against this backdrop, Nykredit has announced that up to 240 staff positions will be discontinued. To limit the number

of staff reductions as much as possible, however, a number of vacant positions will not be refilled. As a result, Nykredit's staff will be reduced by up to 190 people. The staff reductions will be carried out on 15 November 2016 and will affect managers as well as staff members.

Moreover, non-staff cost savings will be implemented in relation to, for example, the marketing budget and the use of external consultants, and some staff benefits, totalling roughly DKK 40m annually. Overall, these cost savings including the staff reductions will reduce costs by over DKK 200m annually.

Other events

No other events have occurred in the period up to the presentation of the Q1-Q3 Interim Report 2016 which affect the Nykredit Bank Group's financial position.

OTHER

Nykredit Holding A/S's stock exchange listing

Nykredit's Board of Directors and Committee of Representatives have decided to prepare for a stock exchange listing of Nykredit Holding A/S.

One reason for listing Nykredit on the stock exchange is for Nykredit as a SIFI to gain access to the capital markets, including to be able to raise additional share capital in coming years, as capital requirements must be expected to increase significantly due to new international regulation. Add to this the already significant variations in capital requirements under the current legislation due in part to property price and economic trends, but also to the fact that the authorities may amend the capital requirements in some areas.

Business areas

The Nykredit Group's business area structure was changed in H1/2016. The most significant change was the launch of Wealth Management, a new business area, which comprises the units Nykredit Asset Management, Nykredit Portefølje Administration A/S and Private Banking Elite for the wealthiest clients. At the same time, the intercompany settlements between Retail and Wealth Management were adjusted.

Nykredit Asset Management and Private Banking Elite were previously included in Wholesale Clients, which now comprises Corporate & Institutional Banking and Nykredit Markets.

New centre organisation strengthens customer focus

In mid-2016 Retail changed its organisation, focusing on customer proximity and creating a specialist environment, to attract more full-service customers. To accommodate the different needs of our customers, Nykredit has set up a team of advisers for SME owners, and Nykredit's advisory propositions for agricultural and other business customers are now concentrated at fewer locations with specialist skills across the country.

Deposit customers from FIH

Nykredit Bank and FIH have entered into an agreement regarding the takeover of more than 5,000 personal customers

and about 400 business customers, all having deposit accounts with FIH Direct Bank. Thanks to these customers, Nykredit Bank's deposits grew by about DKK 1.7bn.

Supreme Court ruling in case involving A/B Duegård in liquidation

On 11 May 2016, the Danish Supreme Court found for A/B Duegård in liquidation, ruling that the cooperative in the specific circumstances may be adjudicated bankrupt. The decision has not affected Nykredit's provisions relating to interest rate swaps or other exposures in the housing cooperative area.

Change in Nykredit Bank's Board of Directors

Bente Overgaard resigned from the Executive Board of the Nykredit Group and the Board of Directors of Nykredit Bank as at 30 June 2016.

Reorganisation of the Nykredit Group

Effective from 1 September, Nykredit reorganised its Group Executive Board. In connection with the reorganisation, David Hellemann joined the Group Executive Board as Group Managing Director, responsible for the CFO/COO areas of the Nykredit Group, which now also include the Totalkredit partnership. At the same time, David Hellemann also joined the Boards of Directors of Nykredit Bank A/S and Totalkredit A/S.

CREDIT RATINGS

Nykredit Realkredit A/S and Nykredit Bank A/S have retained the services of the international credit rating agencies S&P Global Ratings 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 unsecured rating of A and a short-term unsecured rating of A-1 with S&P. The rating outlook is stable.

S&P announced in July 2016 that it had revised its outlook on Nykredit Realkredit and Nykredit Bank's unsecured ratings from negative to stable.

According to S&P, the outlook was changed thanks to Nykredit's progress in the build-up of ALAC (Additional Loss-Absorbing Capacity). ALAC is a buffer of bail-inable debt serving to protect unsecured creditors in case of the company's bankruptcy. Most recently in June and July 2016, as the first financial business, Nykredit Realkredit issued so-called senior resolution notes, which count towards ALAC. Both issues amounted to EUR 500m.

Fitch Ratings

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

Moody's Investors Service

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

Nykredit Bank Group		
Summary balance sheet		
DKK million	30.09.2016	31.12.2015
Assets		
Receivables from credit institutions	35,409	13,425
Loans and advances at fair value (reverse repurchase lending)	24,871	39,467
Loans and advances at amortised cost	53,115	46,747
Retail	28,740	27,054
- Personal Banking	11,279	12,077
- Business Banking	17,461	14,977
Wholesale Clients	20,582	17,762
Wealth Management	2,341	1,922
Other loans and advances	1,452	8
Bonds and equities	41,168	40,412
Remaining assets	38,893	34,288
Liabilities and equity		
Payables to credit institutions and central banks	47,668	34,957
Deposits and other payables	65,031	62,758
Retail	42,983	40,799
- Personal Banking	25,451	23,781
- Business Banking	17,532	17,018
Wholesale Clients	11,678	13,700
Wealth Management	7,646	7,827
Other deposits	2,724	432
Bonds in issue	12,071	20,150
Other non-derivative financial liabilities at fair value	19,598	11,776
- of which deposits at fair value (repo deposits)	13,201	7,438
Remaining payables and provisions	33,023	28,481
Subordinated debt	-	100
Equity	16,065	16,117
Balance sheet total	193,456	174,339

Nykredit Bank Group		
Equity		
DKK million	30.09.2016	31.12.2015
Equity, beginning of period	16,117	12,575
Paid-up capital	-	2,000
Profit (loss) after tax	(52)	1,542
Total equity	16,065	16,117

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 193.5bn compared with DKK 174.3bn at end-2015.

The balance sheet rise should be seen in light of, for instance, increasing balances with credit institutions and higher market values of derivatives.

Balances with credit institutions and cash balances increased by DKK 22.0bn to DKK 35.4bn, while loans and advances at fair value (reverse repurchase lending) decreased by DKK 14.6bn to DKK 24.9bn.

Loans and advances at amortised cost were DKK 53.1bn, a rise of DKK 6.4bn on end-2015, of which Wholesale Clients accounted for DKK 2.9bn, Retail for DKK 1.7bn, Group Items for DKK 1.4bn and Wealth Management for DKK 0.4bn.

The bond portfolio expanded from DKK 40.1bn at end-2015 to DKK 40.9bn. The portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management. The portfolio mainly consists of high-rated government and covered bonds.

Other assets totalled DKK 38.7bn against DKK 34.2bn at end-2015. As at 30 September 2016, DKK 34.5bn was attributable to positive market values of derivatives compared with DKK 29.3bn at end-2015. 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 29.7bn.

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

Payables to credit institutions and central banks were up by DKK 12.7bn to DKK 47.7bn.

Deposits and other payables totalled DKK 65.0bn, which represented an increase on end-2015. Retail deposits (incl deposits of DKK 1.7bn acquired from FIH) grew by DKK 2.2bn, while Wholesale Clients and Wealth Management decreased by DKK 2.0bn and DKK 0.3bn, respectively. Group Items and other deposits rose by DKK 2.3bn.

As at 30 September 2016, the Bank's deposits exceeded lending at amortised cost by DKK 11.9bn. At end-2015, deposits exceeded lending by DKK 16.0bn.

This reflected increasing lending from the business areas.

Nykredit Bank Group		
Capital and capital adequacy		
DKK million	30.09.2016	31.12.2015
Credit risk	97,741	63,004
Market risk	7,750	8,666
Operational risk	5,898	4,641
Total risk exposure amount	111,389	76,311
Share capital	8,045	8,045
Retained earnings	8,020	8,072
Equity, end of period	16,065	16,117
Prudent valuation adjustment	(527)	(300)
Intangible assets and deferred tax assets	(25)	(34)
Deduction for difference between IRB losses and impairments	0	(40)
Common Equity Tier 1 capital	15,513	15,743
Hybrid capital	0	100
Other deductions	0	(13)
Tier 1 capital	15,513	15,830
Add-on for difference between IRB losses and impairments	0	327
Transitional adjustment of Tier 2 capital	0	(13)
Tier 2 capital additions	63	-
Own funds	15,576	16,144
Total capital ratio, %	13.9	21.1
Tier 1 capital ratio, %	13.9	20.7
CET1 capital ratio, %	13.9	20.6

Capital and capital adequacy are specified further in note 2.

Nykredit Bank Group		
Required own funds and capital adequacy requirement		
DKK million	30.09.2016	31.12.2015
Credit risk	7,819	5,040
Market risk	620	693
Operational risk	472	371
Total Pillar I	8,911	6,105
Slightly weaker economic climate (stress tests, etc)	1,218	820
Other risks	1,254	1,800
Model and calculation uncertainties	569	436
Total Pillar II	3,041	3,056
Total required own funds	11,952	9,161
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.7	12.0

Bonds in issue totalled DKK 12.1bn against DKK 20.2bn at end-2015. 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 19.6bn against DKK 11.8bn at end-2015.

Other payables and deferred income totalled DKK 32.8bn against DKK 28.3bn at end-2015. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The rise of DKK 4.5bn on end-2015 partly reflected an increase in negative market values of derivative financial instruments from DKK 24.7bn at end-2015 to DKK 29.7bn.

The Bank has called in its hybrid capital of DKK 100m. Therefore, it is no longer included in the Bank's own funds.

Capital and capital adequacy

Equity stood at DKK 16.1bn at 30 September 2016. In 2016, equity decreased by the loss for the period of DKK 52m. Equity is identical in Nykredit Bank A/S and the Nykredit Bank Group, as the same recognition and measurement principles are applied.

At 30 September 2016, Nykredit Bank's own funds totalled DKK 15.6bn. 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 was DKK 15.5bn at 30 September 2016 against DKK 15.7bn at end-2015.

The risk exposure amount (REA) totalled DKK 111.4bn at 30 September 2016 compared with DKK 76.3bn at end-2015.

Nykredit has just been granted approval by the Danish Financial Supervisory Authority to implement a number of new credit risk models. Viewed separately, the changes have increased the Bank's REA by about DKK 30bn.

At 30 September 2016, the total capital ratio and the CET1 capital ratio were both 13.9%. Nykredit Bank aims to have a CET1 capital ratio of at least 13%. The decline in the capital ratios stemmed from a rise in REA following the changed credit risk models.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required own funds totalled DKK 12.0bn at 30 September 2016. 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% at 30 September 2016 against 12.0% at end-2015.

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

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

Adjustment of business areas in 2016

Compared with the presentation in Q1-Q3/2015, the business unit Wholesale has been divided into two new business areas: Wholesale Clients and Wealth Management. Also, a number of expenses, including IT-related costs, have been allocated to the business areas Retail and Wholesale Clients in 2016. These expenses were stated under Group Items in previous financial years.

Further, the activities of the company Nykredit Leasing A/S were transferred from Wholesale Clients to Retail in 2015, while Nykredit Portefølje Administration A/S's activities, Nykredit Asset Management and the client segment Private Banking Elite have been transferred from Wholesale Clients to the new business area Wealth Management.

Comparative figures have been restated accordingly.

Earnings

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

Nykredit Bank Group Results by business area

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2016	Q1-Q3/ 2015
Core income from										
- customer activities, gross	713	739	1,047	1,191	749	635	55	(18)	2,564	2,548
- payment for distribution	425	420	(168)	(178)	(257)	(242)	0	0	0	0
Total business operations	1,138	1,159	879	1,013	492	393	55	(18)	2,564	2,548
Core income from securities							6	6	6	6
Income from core business	1,138	1,159	879	1,013	492	393	61	(12)	2,570	2,554
Operating costs and depreciation of equipment	765	800	383	407	282	195	27	8	1,457	1,411
Expenses for guarantee and resolution schemes	16	53	1	2	0	1	0	0	17	56
Profit (loss) from core business before impairment losses	357	306	495	604	210	197	34	(20)	1,096	1,087
Impairment losses on loans and advances	69	107	(142)	(194)	21	0	(6)	0	(58)	(87)
Profit (loss) from core business	287	199	637	798	189	197	40	(20)	1,154	1,174
Value adjustment of interest rate swaps	(552)	140	(721)	73	0	0	0	0	(1,273)	212
Investment portfolio income							35	24	35	24
Profit (loss) before tax	(265)	338	(84)	871	189	197	75	4	(85)	1,410
Operating costs and depreciation of equipment as % of core income from business operations	67.2	69.0	43.6	40.2	57.3	49.8			56.9	55.4

RETAIL

The business area 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. Further, the subsidiary Nykredit Leasing A/S has formed part of Retail since end-November 2015.

Nykredit serves its customers through local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. Nykredit offers insurance in partnership with Gjen-sidige 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 strong regions 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 to achieve higher satisfaction among our full-service homeowner customers and SMEs as well as to grow the number and proportion of full-service customers.

Q1-Q3/2016 in brief

Retail Personal Banking

In Q1-Q3/2016, Retail Personal Banking continued to improve Nykredit's homeowner banking programme, BoligBank, and Private Banking Retail. This has resulted in the introduction of a number of new services and price adjustments targeted at homeowners with the aim of making the banking programme even more competitive and attractive. The number of BoligBank customers grew satisfactorily in Q1-Q3/2016.

Retail Business Banking

In June Retail Business Banking adjusted its staffing in local customer centres, and Nykredit now serves business customers in 18 large Danish cities. Further, focus has been intensified on small owner-managers, which are characterised by having both personal and business-purpose financial needs. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

The area has moreover focused on raising profitability and reducing risk exposures in line with Nykredit's capital targets.

Results from core business

Retail posted a profit from core business of DKK 287m compared with DKK 199m in Q1-Q3/2015 but saw a loss before tax of DKK 265m against a profit before tax of DKK 338m in Q1-Q3/2015.

Gross income

The area's gross income totalled DKK 713m against DKK 739m in Q1-Q3/2015. Moreover, Retail received DKK 425m as total payment for distribution from the other business areas.

Results for the period

Core income from business operations decreased from DKK 1,159m in Q1-Q3/2015 to DKK 1,138m in 2016.

Operating costs and depreciation of equipment dropped by DKK 35m to DKK 765m.

Costs as a percentage of core income from business operations totalled 67.2% against 69.0% in Q1-Q3/2015.

Impairment losses were DKK 69m against DKK 107m in Q1-Q3/2015. SME impairments were a gain of DKK 34m against a loss of DKK 95m in Q1-Q3/2015, while impairment losses relating to personal customers rose by DKK 90m to DKK 103m.

Impairment losses were 0.2% of loans and advances compared with 0.3% in Q1-Q3/2015.

Value adjustment of interest rate swaps was a loss of DKK 552m against a gain of DKK 140m in Q1-Q3/2015, which represented an adverse movement of DKK 692m. In both years, the value adjustment resulted from SMEs, including housing cooperatives.

Lending and deposits

Retail's lending activities increased to DKK 28.7bn from DKK 27.1bn at end-2015, whereas deposits rose to DKK 43.0bn from DKK 40.8bn at end-2015.

Subsidiaries

Nykredit Leasing A/S

The company handles the leasing activities of the Nykredit Group.

Nykredit Leasing recorded a profit before tax of DKK 70m compared with DKK 57.6m in Q1-Q3/2015.

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 platform and one of the leading Danish market participants within bond issuance and bond trading, we strive to ensure a better and more unified experience whenever we are in contact with our clients.

Q1-Q3/2016 in brief

Corporate & Institutional Banking

Corporate & Institutional Banking saw a lower activity level in Q1-Q3/2016 than in the same period last year, but also participated in a number of large transactions despite continued fierce price competition.

Moreover, the recent initiatives regarding strategic financial advisory services have attracted new clients.

Nykredit Markets

Despite volatile market conditions, income in Nykredit Markets was satisfactory in the first three quarters of the year. Further, the number of new and, particularly, wealthy clients has grown in the period.

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to step up their joint efforts to improve services to wealthy clients. Nykredit Markets provides comprehensive advisory services and offers wealthy 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 637m compared with DKK 798m in Q1-Q3/2015. This decline mainly resulted from a downturn of DKK 134m in core income from business operations, which should be seen in the context of the high earnings level of Nykredit Markets in Q1-Q3/2015 and the one-off income of DKK 35m in Corporate and Institutional Banking.

Gross income

The business area's gross income totalled DKK 1,047m against DKK 1,191m in Q1-Q3/2015. Of this amount, gross income from Nykredit Markets was DKK 554m, down DKK 82m on Q1-Q3/2015, and gross income from Corporate & Institutional Banking accounted for a decline of DKK 62m from DKK 555m to DKK 493m. Total payment for distribution

to Retail was negative at DKK 168m, equal to 16.0% of gross income, which will be reallocated to the other business areas.

Results for the period

The business area's core income from business operations totalled DKK 879m, equal to a drop of DKK 134m on Q1-Q3/2015. This was mainly a result of an earnings decline of DKK 69m in Nykredit Markets and DKK 65m in Corporate & Institutional Banking compared with Q1-Q3/2015.

Operating costs and depreciation of equipment were down by DKK 24m to DKK 383m compared with Q1-Q3/2015.

Operating costs and depreciation of equipment as a percentage of core income from business operations totalled 43.6% compared with 40.2% in Q1-Q3/2015. The rise in the cost:income ratio was prompted by declining income.

Impairment losses on loans and advances equalled a gain of DKK 142m against a gain of DKK 194m in Q1-Q3/2015. The gain in Q1-Q3/2016 comprised DKK 64m relating to Corporate & Institutional Banking and a gain of DKK 78m relating to non-continuing exposures in the unit Other Activities.

Impairment losses were negative 0.3% of loans and advances – the same as in Q1-Q3/2015.

Value adjustment of interest rate swaps was a loss of DKK 721m in Q1-Q3/2016, which represented an adverse movement of DKK 794m compared with Q1-Q3/2015, when value adjustment was a gain of DKK 73m.

Lending and deposits

Lending amounted to DKK 20.6bn compared with DKK 17.8bn at end-2015.

Deposits came to DKK 11.7bn against DKK 13.7bn at end-2015.

WEALTH MANAGEMENT

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

Q1-Q3/2016 in brief

Assets under management grew by DKK 10.6bn to DKK 154.4bn at end-Q3/2016 as a result of positive net sales and positive value adjustments.

Total assets under administration went up by DKK 48.3bn to DKK 748.7bn at end-Q3/2016. The increase comprised net growth of DKK 24.7bn and price gains of DKK 23.6bn.

Nykredit Asset Management

In Q1-Q3/2016, Nykredit Asset Management was affected by adjustments to the pricing structure of Nykredit's investment funds. In connection with the adaptation to MiFID II, almost all the funds ceased charging subscription fees at the beginning of the year.

79% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in 2016, and 93% have generated above-benchmark returns over the past three years. This is considered satisfactory. In 2016 especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, have performed extraordinarily well.

Private Banking Elite

Private Banking Elite achieved satisfactory client growth in Q1-Q3/2016, both in terms of new clients and sophistication of existing client relationships. Assets under administration also recorded satisfactory net growth in the period.

Generally in Q1-Q3/2016, Private Banking has focused specifically on sophisticating existing client relationships with Private Banking Elite potential.

Results from core business

Profit from core business was DKK 189m compared with DKK 197m in Q1-Q3/2015, while profit before tax was also DKK 189m against DKK 197m in Q1-Q3/2015, corresponding to a DKK 8m decline that was primarily attributable to a rise in impairment losses.

Gross income

The area's gross income totalled DKK 749m against DKK 635m in Q1-Q3/2015. Total payment for distribution to Retail was negative at DKK 257m, equal to 34.3% of gross income, which will be reallocated to the other business areas.

Results for the period

The business area's core income from business operations totalled DKK 492m, up DKK 98m on Q1-Q3/2015, which was mainly a result of an earnings increase in Private Banking Elite and Nykredit Asset Management.

Operating costs amounted to DKK 282m, equal to an increase of DKK 87m on Q1-Q3/2015.

Operating costs and depreciation of equipment as a percentage of core income from business operations totalled 57.3% compared with 49.8% in Q1-Q3/2015. The cost:income ratio increased as an effect of the Bank's expansion of its Wealth Management area.

Impairment losses on loans and advances amounted to DKK 21m and were attributable to Private Banking Elite.

Impairment losses were 0.6% of loans and advances compared with 0.2% in Q1-Q3/2015.

Lending and deposits

Lending amounted to DKK 2.3bn compared with DKK 1.9bn at end-2015.

Deposits came to DKK 7.6bn against DKK 7.8bn at end-2015.

Subsidiaries

Nykredit Portefølje Administration A/S

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

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

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

Income statement

The company recorded a profit before tax of DKK 106m compared with DKK 81.3m in Q1-Q3/2015.

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.

The unit previously comprised a number of IT costs, but the allocation of these costs was changed in 2015, which means that they are now allocated to Retail, Wholesale Clients and Wealth Management. Accordingly, the comparative figures for Q1-Q3/2015 have been restated, and results improved by DKK 191m from a loss before tax of DKK 187m to a profit before tax of DKK 4m thanks to the reduced operating costs.

Profit from core business was DKK 40m compared with a loss of DKK 20m in Q1-Q3/2015, and profit before tax was DKK 75m against DKK 4m in Q1-Q3/2015. Treasury activities contributed a profit of DKK 40m compared with a loss of DKK 30m in Q1-Q3/2015.

Core income was DKK 55m in Q1-Q3/2016, while operating costs and depreciation of equipment amounted to DKK 27m compared with DKK 8m in Q1-Q3/2015.

Core income from securities and investment portfolio income totalled a profit of DKK 41m against DKK 30m in Q1-Q3/2015.

IMPAIRMENT AND LENDING

Earnings impact

Impairments were a gain of DKK 58m in Q1-Q3/2016 compared with a gain of DKK 87m in Q1-Q3/2015.

Of the total gain of DKK 58m, individual impairment provisions came to a gain of DKK 24m, while collective impairment provisions were a charge of DKK 15m. Recoveries on loans and advances previously written off totalled DKK 33m, while write-offs of loans, advances and guarantees not previously impaired came to DKK 34m.

Provisions for guarantees were a gain of DKK 50m in Q1-Q3/2016 against a charge of DKK 3m in Q1-Q3/2015.

Retail impairment losses reduced by DKK 38m to DKK 69m. The improvement was attributable to impairment losses on lending to SMEs, which changed by DKK 129m from DKK 95m in Q1-Q3/2015 to a gain of DKK 34m, and impairment losses on lending to personal customers, which rose by DKK 90m to DKK 103m.

Impairments in Wholesale Clients were a gain of DKK 142m against a gain of DKK 194m in Q1-Q3/2015. The impairment charge for Corporate & Institutional Banking increased by DKK 28m to a gain of DKK 64m.

Impairments in Wealth Management were DKK 21m in Q1-Q3/2016.

Provisions for loan impairment and guarantees at 30 September 2016

Total provisions decreased by 16% from DKK 3,141m at 30 September 2015 to DKK 2,634m at 30 September 2016.

Individual impairment provisions reduced by DKK 394m and collective impairment provisions by DKK 113m.

Compared with end-2015, impairment provisions fell from DKK 2,875m to DKK 2,634m. Of the DKK 256m decline in individual impairment provisions, DKK 232m was write-offs.

Provisions for loan impairment and guarantees – Nykredit Bank Group

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1 -Q3/ 2016	Q1 -Q3/ 2015	Q1 -Q3/ 2016	Q1 -Q3/ 2015	Q1 -Q3/ 2016	Q1 -Q3/ 2015	Q1 -Q3/ 2016	Q1 -Q3/ 2015	Q1 -Q3/ 2016	Q1 -Q3/ 2015
Impairment provisions, beginning of year	1,784	1,978	1,011	1,522	4	4	76	77	2,875	3,581
Impairment provisions and reversals	(49)	(103)	(159)	(336)	20	0	(53)	(1)	(241)	(440)
Impairment provisions, end of period	1,735	1,875	852	1,186	24	4	23	76	2,634	3,141
Of which individual	1,632	1,668	800	1,125	23	3	0	53	2,455	2,849
Of which individual, banks	0	0	0	0	0	0	23	23	23	23
Of which collective	103	207	52	61	1	1	0	0	156	269
Provisions for guarantees										
Provisions, beginning of period	44	51	55	55	0	0	0	0	99	106
Provisions, end of period	43	53	7	56	0	0	0	0	50	109
Total provisions for loan impairment and guarantees	1,778	1,928	859	1,242	24	4	23	76	2,684	3,250
Earnings impact										
New impairment provisions and losses for the period, net	90	126	(81)	(166)	21	0	(6)	0	24	(41)
Recoveries on loans and advances previously written off	16	21	17	29	0	0	0	0	33	51
Total	74	105	(98)	(195)	21	0	(6)	0	(9)	(90)
Provisions for guarantees	(5)	2	(44)	1	0	0	0	0	(50)	3
Total earnings impact	69	107	(142)	(194)	21	0	(6)	0	(58)	(87)

Impairment provisions in Retail fell from DKK 1,784m at end-2015 to DKK 1,735m due to an increase of DKK 66m in impairment provisions for personal customers and a decline of DKK 115m in impairment provisions for SMEs.

Impairment provisions for Wholesale Clients and Wealth Management reduced by DKK 139m from DKK 1,015m at end-2015 to DKK 876m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 90m from DKK 334m to DKK 244m. Other business units remained unchanged compared with end-2015.

Total non-continuing exposures were fairly unchanged at DKK 0.3bn at 30 September 2016 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 50m against DKK 99m at end-2015.

Relative to total loans, advances and guarantees, provisions were stable at 2.8% compared with end-2015. Excluding guarantees, the percentage was unchanged at 3.2% compared with at end-2015.

Loans, advances and guarantees by sector

The carrying amount of loans, advances and guarantees of the Group totalled DKK 93.5bn against DKK 101.4bn at end-2015, down DKK 7.9bn.

This figure comprised a decline in reverse repurchase lending of DKK 14.6bn, a rise in other loans and advances of DKK 6.4bn and a rise in guarantees of DKK 0.3bn. Reverse repurchase lending totalled DKK 24.9bn at 30 September 2016 compared with DKK 39.5bn at end-2015.

Finance and insurance still accounted for the largest single sector exposure at DKK 29.4bn against DKK 45.4bn at end-2015. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 16.0bn fall was thus notably an effect of the decrease in reverse repurchase lending of DKK 15.0bn.

Finance and insurance accounted for 31.4% against 44.8% at end-2015, the real estate sector 12.0% against 10.3% at end-2015 and personal customers 21.4% against 19.8% at end-2015.

Inclusive of reverse repurchase lending, the Bank's lending dropped by 9.7% on end-2015.

Lending to the real estate and construction sectors totalled DKK 14.1bn at end-September 2016 compared with DKK 12.7bn at end-2015. Of total loans, advances and guarantees, DKK 8.8bn derived from the category "Renting of real estate", which was unchanged on end-2015.

At 30 September 2016, loan impairment provisions for the real estate sector totalled DKK 1.2bn compared with DKK 1.4bn at end-2015, or 8.0% of total loans and advances to the sector compared with 9.8% at end-2015.

Loans, advances and guarantees by sector

DKK million	Loans, advances and guarantees		Provisions	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Public sector	379	296	0	0
Agriculture, hunting, forestry and fishing	2,791	2,384	121	102
Manufacturing, mining and quarrying	5,748	4,733	201	225
Energy supply	2,535	936	3	3
Construction	2,931	2,234	222	232
Trade	4,674	2,946	58	88
Transport, accommodation and food service activities	3,435	3,444	109	104
Information and communication	1,580	999	23	17
Finance and insurance	29,362	45,416	114	224
Real estate	11,214	10,431	1,000	1,140
Other	8,862	7,481	184	231
Total business customers	73,132	81,004	2,035	2,366
Personal customers	20,003	20,094	626	586
Total	93,514	101,394	2,661	2,952
Total, incl impairment provisions for banks	-	-	2,684	2,975

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

FSA Supervisory Diamond

%	Q1-Q3/2016	Q1-Q3/2015
Lending growth (limit value <20%)	14.0	(5.8)
Large exposures (limit value <125%)	0.0	27.6
Property exposure (limit value <25%)	13.4	12.7
Funding ratio (limit value <1.0%)	0.6	0.5
Excess liquidity coverage (limit value 50%)	241.4	307.7

FSA Supervisory Diamond for banks

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

Nykredit Bank's key ratios were below the maximum limit values of the Danish FSA throughout 2015 and at 30 September 2016.

Nykredit Bank recorded lending growth of 14.0%, 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 13.4% against 11.4% at end-2015.

MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for 1 January – 30 September 2016 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 Company, 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.

Copenhagen, 10 November 2016

Executive Board

Henrik Rasmussen

Dan Sørensen

We are of the opinion that the Interim Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 30 September 2016 and of the results of the Group's and the Parent Company's operations as well as the Group's cash flows for the financial period 1 January – 30 September 2016.

We are furthermore of the opinion that the Management's Review gives a fair review of the development in the operations and financial circumstances of the Group and the Parent Company as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent Company.

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

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 for 1 January – 30 September

DKK million

Nykredit Bank Group	Note	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q3/2015
INCOME STATEMENT					
Interest income	5	1,288	1,873	434	718
Negative interest, net	5a.	23	8	2	-
Interest expenses	6	249	411	77	113
Net interest income		1,062	1,470	359	605
Dividend on equities		12	5	-	1
Fee and commission income		1,230	1,083	423	331
Fee and commission expenses		457	369	163	123
Net interest and fee income		1,847	2,189	619	814
Value adjustments	7	(537)	580	241	(374)
Other operating income		21	21	7	6
Staff and administrative expenses	8	1,443	1,406	490	474
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		12	13	4	5
Other operating expenses		19	48	6	15
Impairment losses on loans, advances and receivables	9	(58)	(87)	28	2
Profit from investments in associates and group enterprises	10	-	-	-	-
Profit (loss) before tax		(85)	1,410	339	(50)
Tax	11	(33)	331	74	(11)
Profit (loss) for the period		(52)	1,079	265	(39)
Comprehensive income					
Profit (loss) for the period		(52)	1,079	265	(39)
Other comprehensive income		0	0	0	0
Comprehensive income for the period		(52)	1,079	265	(39)

Statements of income and comprehensive income for 1 January – 30 September

DKK million

Nykredit Bank A/S	Note	Q1-Q3/2016	Q1-Q3/2015	Q3/2016	Q3/2015
INCOME STATEMENT					
Interest income	5	1,188	1,780	401	685
Negative interest, net	5a.	23	8	2	-
Interest expenses	6	248	410	76	112
Net interest income		963	1,378	327	573
Dividend on equities		12	5	-	1
Fee and commission income		939	871	322	259
Fee and commission expenses		393	352	143	118
Net interest and fee income		1,521	1,902	506	715
Value adjustments	7	(537)	584	242	(372)
Other operating income		1	-	-	-
Staff and administrative expenses	8	1,284	1,254	443	423
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		12	12	4	4
Other operating expenses		16	45	5	14
Impairment losses on loans, advances and receivables	9	(66)	(96)	25	(2)
Profit from investments in associates and group enterprises	10	140	110	54	37
Profit (loss) before tax		(121)	1,381	325	(59)
Tax	11	(69)	302	60	(20)
Profit (loss) for the period		(52)	1,079	265	(39)
Comprehensive income					
Profit (loss) for the period		(52)	1,079	265	(39)
Other comprehensive income		0	0	0	0
Comprehensive income for the period		(52)	1,079	265	(39)

Balance sheets, end of period

Nykredit Bank A/S		DKK million		
31.12.2015	30.09.2016		Nykredit Bank Group	
		Note	30.09.2016	31.12.2015
ASSETS				
2,744	1,990		1,990	2,744
10,681	33,419	12	33,419	10,681
39,467	24,871	13	24,871	39,467
45,345	51,676	14	53,115	46,747
39,624	40,357	15	40,905	40,051
360	262	16	263	361
1,004	1,144		-	-
34	25		25	34
7	4		4	7
-	43		43	-
70	99		100	-
31	27	17	27	31
34,159	38,631	18	38,670	34,198
6	17		24	18
173,532	192,565		193,456	174,339

Balance sheets, end of period

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
31.12.2015	30.09.2016		Note	30.09.2016	31.12.2015
LIABILITIES AND EQUITY					
34,417	47,128	Payables to credit institutions and central banks	19	47,668	34,957
62,834	65,101	Deposits and other payables	20	65,031	62,758
20,150	12,071	Bonds in issue at amortised cost	21	12,071	20,150
11,776	19,598	Other non-derivative financial liabilities at fair value	22	19,598	11,776
98	-	- Current tax liabilities		37	98
29	29	Liabilities temporarily assumed		29	29
27,825	32,449	Other liabilities	23	32,730	28,133
4	5	Deferred income		10	7
157,133	176,381	Total payables		177,174	157,908
Provisions					
-	-	- Provisions for deferred tax		98	32
100	50	Provisions for losses under guarantees	24	50	100
82	69	Other provisions	24	69	82
182	119	Total provisions		217	214
100		Subordinated debt	25		100
Equity					
8,045	8,045	Share capital		8,045	8,045
Other reserves					
536	536	Statutory reserves			-
7,536	7,484	Retained earnings		8,020	8,072
16,117	16,065	Total equity		16,065	16,117
173,532	192,565	Total liabilities and equity		193,456	174,339
OFF-BALANCE SHEET ITEMS					
15,279	16,167	Contingent liabilities	26	15,528	15,180
5,481	5,673	Other commitments	27	5,857	5,566

Statement of changes in equity for 1 January – 30 September

DKK million

Nykredit Bank A/S

	Share capital	Statutory reserves	Retained earnings	Total
EQUITY, 30 SEPTEMBER 2016				
End of previous financial year	8,045	536	7,536	16,117
Total	8,045	536	7,536	16,117
Comprehensive income				
Loss for the period			(52)	(52)
Total comprehensive income	0	0	(52)	(52)
Total changes in equity	0	0	(52)	(52)
Equity, 30 September 2016	8,045	536	7,484	16,065
EQUITY, 30 SEPTEMBER 2015				
End of previous financial year	6,045	385	6,145	12,575
Total	6,045	385	6,145	12,575
Comprehensive income				
Profit for the period			1,079	1,079
Total comprehensive income	0	0	1,079	1,079
Capital increase	2,000			2,000
Total changes in equity	2,000	0	1,079	3,079
Equity, 30 September 2015	8,045	385	7,224	15,654

Statement of changes in equity for 1 January – 30 September

DKK million

Nykredit Bank Group

	Share capital ¹	Retained earnings	Total
EQUITY, 30 SEPTEMBER 2016			
End of previous financial year	8,045	8,072	16,117
Total	8,045	8,072	16,117
Comprehensive income			
Loss for the period		(52)	(52)
Total comprehensive income	0	(52)	(52)
Total changes in equity	0	(52)	(52)
Equity, 30 September 2016	8,045	8,020	16,065
EQUITY, 30 SEPTEMBER 2015			
End of previous financial year	6,045	6,530	12,575
Total	6,045	6,530	12,575
Comprehensive income			
Profit for the period		1,079	1,079
Total comprehensive income	0	1,079	1,079
Capital increase	2,000		2,000
Total changes in equity	2,000	1,079	3,079
Equity, 30 September 2015	8,045	7,609	15,654

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 Foreningen Nykredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from Foreningen Nykredit.

Cash flow statement for 1 January – 30 September

DKK million

Nykredit Bank Group	Q1-Q3/2016	Q1-Q3/2015
Profit (loss) for the period	(52)	1,079
Non-cash operating items		
Depreciation and impairment losses for property, plant and equipment	12	13
Other non-cash changes	24	(12)
Impairment losses on loans, advances and receivables	(25)	(36)
Tax calculated on profit (loss) for the period	(33)	331
Total	(22)	296
Profit (loss) for the period adjusted for non-cash operating items	(74)	1,375
Change in working capital		
Loans, advances and other receivables	8,179	3,893
Deposits and other payables	5,812	(4,127)
Payables to credit institutions and central banks	12,745	(22,061)
Bonds at fair value	(1,783)	23,121
Equities	98	25
Other working capital	5,002	(11,024)
Total	30,053	(10,173)
Corporation tax paid, net	(105)	(10)
Cash flows from operating activities	29,874	(8,808)
Cash flows from investing activities		
Property, plant and equipment	-	2
Total	0	2
Cash flows from financing activities		
Capital increase		2,000
Subordinated debt	(100)	-
Bonds in issue	(7,800)	(1,995)
Total	(7,900)	5
Total cash flows for the period	21,974	(8,801)
Cash and cash equivalents, beginning of period	13,425	33,885
Foreign currency translation adjustment of cash	10	196
Cash and cash equivalents, end of period	35,409	25,280
Cash and cash equivalents, end of period		
Specification of cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	1,990	14,094
Receivables from credit institutions and central banks	33,419	11,186
Total	35,409	25,280

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11. Tax	34
12. Receivables from credit institutions and central banks	35
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14. Loans, advances and other receivables at amortised cost	35
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18. Other assets	36
19. Payables to credit institutions and central banks	36
20. Deposits and other payables	36
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Notes

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1-Q3/2016 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 Interim Financial Statements for Q1-Q3/2016 of the Parent Company 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 Statements) issued by the Danish Financial Supervisory Authority (FSA).

Change in the presentation of business areas

Effective from Q1/2016, the Group has set up a new business area, Wealth Management, comprising Private Banking Elite and Nykredit Asset Management, including Nykredit Portefølje Administration A/S, previously included in Wholesale Clients. In this connection, the distribution of income between Private Banking Elite and Retail has been adjusted.

Effective from Q4/2015, Nykredit Leasing A/S's activities have been transferred from Wholesale Clients to Retail, and a number of expenses, including IT expenses and management-related costs, previously allocated to Group Items have been reallocated to the business areas.

Comparative figures for the business areas have been restated accordingly. Please refer to note 4.

The changes did not affect Nykredit Bank's or the Nykredit Bank Group's results, comprehensive income, balance sheet or equity.

IFRS 9

IFRS 9 is expected to be implemented for financial years beginning on 1 January 2018 or later (the standard has not yet been approved for use in the EU). Where the Nykredit Bank Group is concerned, especially the new loan impairment rules will have a material impact on the Financial Statements. Nykredit expects the impact on equity of the future impairment provisions to be an estimated DKK 0.3bn as at 1 January 2018, equal to the increased loan impairment provisions after deduction of the tax effect.

New and amended standards, interpretations and reporting provisions

Reporting standards and interpretations in force as at 1 January 2016 have been implemented with no effect on results, comprehensive income, balance sheet or equity for the period.

Compared with the information disclosed in the accounting policies of the Annual Report 2015 (note 1), no new reporting standards or interpretations have been issued or approved and no changes have been made to the Danish Executive Order on the Presentation of Financial Statements issued by the Danish FSA, which influence the Q1-Q3 Interim Report 2016 of Nykredit Bank A/S and the Nykredit Bank Group.

Significant accounting estimates and assessments

The 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 other provisions, cf the Annual Report 2015.

Other information

The accounting policies are otherwise unchanged compared with the Annual Report 2015. For a full description of the Group's and the Parent Company's accounting policies, please refer to note 1 of the Annual Report 2015, which is available at nykredit.com/reports.

All figures in the Interim Financial Statements are rounded to the nearest million 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	30.09.2016	31.12.2015	30.09.2015
2. CAPITAL AND CAPITAL ADEQUACY			
Equity	16,065	16,117	15,654
Prudent valuation adjustment	(527)	(300)	(310)
Intangible assets	(25)	(34)	(41)
Deduction for difference between IRB losses and impairments		(86)	
Transitional adjustment of deductions		52	
Common Equity Tier 1 capital deductions	(552)	(368)	(351)
Common Equity Tier 1 capital	15,513	15,749	15,303
Hybrid capital	-	100	100
Transitional hybrid capital adjustment	-	(26)	
Hybrid capital	-	74	100
Tier 1 capital	15,513	15,823	15,403
Tier 2 capital additions	63	349	351
Transitional adjustment of deductions	-	(26)	
Own funds	15,576	16,146	15,754
Credit risk	101,945	67,409	65,946
Market risk	7,750	8,666	7,210
Operational risk	5,202	4,046	4,046
Total risk exposure amount	114,897	80,121	77,202
Financial ratios			
Common Equity Tier 1 capital ratio, %	13.5	19.6	19.8
Tier 1 capital ratio, %	13.5	19.7	19.9
Total capital ratio, %	13.5	20.1	20.4

Notes

DKK million

Nykredit Bank Group	30.09.2016	31.12.2015	30.09.2015
2. CAPITAL AND CAPITAL ADEQUACY (CONTINUED)			
Equity	16,065	16,117	15,654
Prudent valuation adjustment	(527)	(300)	(310)
Intangible assets	(25)	(34)	(41)
Deduction for difference between IRB losses and impairments	-	(40)	
Other deductions			
Transitional adjustment of deductions			
Common Equity Tier 1 capital deductions	(552)	(374)	(351)
Common Equity Tier 1 capital	15,513	15,743	15,303
Hybrid capital	-	100	100
Transitional hybrid capital adjustment	-	(13)	
Hybrid capital	-	87	100
Tier 1 capital	15,513	15,830	15,403
Tier 2 capital additions	63	327	330
Transitional adjustment of deductions	-	(13)	
Own funds	15,576	16,144	15,733
Credit risk	97,741	63,004	62,486
Market risk	7,750	8,666	7,210
Operational risk	5,898	4,641	4,641
Total risk exposure amount	111,389	76,311	74,337
Financial ratios			
Common Equity Tier 1 capital ratio, %	13.9	20.6	20.5
Tier 1 capital ratio, %	13.9	20.7	20.7
Total capital ratio, %	13.9	21.1	21.1

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 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 0.8%. To this should be added the phase-in of the permanent buffer requirement, currently 0.625%, applicable to all financial institutions.

Notes

DKK million

Nykredit Bank Group

Q1-Q3/2016

Q1-Q3/2015

3. RESULTS FROM CORE BUSINESS AND OTHER ACTIVITIES

	Q1-Q3/2016			Q1-Q3/2015		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
Net interest income	1,042	20	1,062	1,373	97	1,470
Dividend on equities	12	-	12	5	-	5
Fee and commission income, net	773	-	773	714	-	714
Net interest and fee income	1,827	20	1,847	2,092	97	2,189
Value adjustments	721	(1,258)	(537)	441	139	580
Other operating income	21	-	21	21	-	21
Staff and administrative expenses	1,443	-	1,443	1,406	-	1,406
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	12	-	12	13	-	13
Other operating expenses	19	-	19	48	-	48
Impairment losses on loans and advances	(58)	-	(58)	(87)	-	(87)
Profit (loss) before tax	1,154	(1,238)	(85)	1,174	236	1,410

¹ Other Activities comprises negative value adjustment of interest rate swaps of DKK 1,273m (2015: positive value adjustment of DKK 212m) and investment portfolio income of DKK 35m (2015: DKK 24m).

Notes

DKK
million

Nykredit Bank Group

4. BUSINESS AREAS

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS									
Q1-Q3/2016									
Core income from									
- customer activities, gross	401	313	713	493	554	1,047	749	55	2,564
- payment for distribution	246	179	425	58	(226)	(168)	(257)		-
Total business operations	647	492	1,138	551	328	879	492	55	2,564
- core income from securities								6	6
Income from core business*	647	492	1,138	551	328	879	492	61	2,570
Operating costs and depreciation of equipment ¹			765	181	202	383	282	27	1,457
Expenses for guarantee and resolution schemes			16	1		1			17
Profit from core business before impairment losses			357	369	126	495	210	34	1,096
Impairment losses on loans and advances	103	(34)	69	(142)		(142)	21	(6)	(58)
Profit from core business	72	214	287	511	126	637	189	40	1,154
Value adjustment of interest rate swaps		(552)	(552)	(722)	1	(721)			(1,273)
Investment portfolio income ²								35	35
Profit (loss) before tax for the period			(265)	(211)	127	(84)	189	75	(85)
* Of which transactions between business areas	229	90	319	(29)	(201)	(230)	(261)	172	-
Operating costs and depreciation of equipment as % of core income from business operations			67.2	32.8	61.6	43.6	57.3	-	56.9
Average allocated business capital	2,451	4,476	6,927	4,452	1,299	5,751	482	1,202	14,362
Profit from core business as % pa of allocated capital			4.1	11.5	9.7	11.1	39.2	3.3	8.0
BALANCE SHEET									
Assets									
Loans and advances at fair value								24,871	24,871
Loans and advances at amortised cost	11,279	17,461	28,741	20,582		20,582	2,341	1,452	53,115
Assets by business area	11,279	17,461	28,741	20,582	0	20,582	2,341	26,323	77,986
Unallocated assets									115,470
Total assets	11,279	17,461	28,741	20,582	0	20,582	2,341	26,323	193,456
Liabilities and equity									
Deposits and other payables	25,451	17,532	42,983	11,676	2	11,678	7,646	2,724	65,031
Liabilities by business area	25,451	17,532	42,983	11,676	2	11,678	7,646	2,724	65,031
Unallocated liabilities									112,359
Equity									16,065
Total liabilities and equity			42,983	11,676	2	11,678	7,646	2,724	193,456
Off-balance sheet items (guarantees)	10,221	3,575	13,796	6,396		6,396	882	311	21,385

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

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

In Q1-Q3/2016, profit/loss before tax of the business units was impacted by organisational changes as follows: Retail reduced by DKK 115m and Wholesale Clients (previously Wholesale) by DKK 74m, whereas Wealth Management increased by DKK 189m.

Notes

DKK
million

Nykredit Bank Group

4. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS									
Q1-Q3/2015									
Core income from									
- customer activities, gross	422	318	739	555	636	1,191	635	(18)	2,548
- payment for distribution	248	172	420	61	(238)	(178)	(242)		-
Total business operations	670	490	1,159	616	397	1,013	393	(18)	2,548
- core income from securities								6	6
Income from core business*	670	490	1,159	616	397	1,013	393	(12)	2,554
Operating costs and depreciation of equipment ¹			800	170	237	407	195	8	1,411
Expenses for guarantee and resolution schemes			53	2	1	2	1		56
Profit (loss) from core business before impairment losses			306	444	160	604	197	(20)	1,087
Impairment losses on loans and advances	12	95	107	(194)	(0)	(194)	-		(87)
Profit (loss) from core business			199	638	160	798	197	(20)	1,174
Value adjustment of interest rate swaps	1	139	140	73	-	73	0		212
Investment portfolio income ²								24	24
Profit before tax for the period			338	711	160	871	197	4	1,410
* Of which transactions between business areas	230	50	280	(49)	(92)	(141)	(243)	105	0
Operating costs and depreciation of equipment as % of core income from business operations			69.0	27.6	59.6	40.2	49.8	-	55.4
Average allocated business capital	2,360	4,611	6,971	4,735	2,099	6,834	385	925	15,115
Profit (loss) from core business as % pa of allocated capital			2.8	13.5	7.6	11.7	51.2	2.1	7.8
BALANCE SHEET, 31 DECEMBER 2015									
Assets									
Loans and advances at fair value	-	-	-	-	39,467	39,467	-	-	39,467
Loans and advances at amortised cost	12,077	14,977	27,054	17,296	467	17,763	1,922	8	46,747
Assets by business area	12,077	14,977	27,054	17,296	39,934	57,230	1,922	8	86,214
Unallocated assets									88,125
Total assets	12,077	14,977	27,054	17,296	39,934	57,230	1,922	8	174,339
Liabilities and equity									
Deposits and other payables	23,781	17,018	40,799	12,220	1,481	13,700	7,827	432	62,758
Liabilities by business area	23,781	17,018	40,799	12,220	1,481	13,700	7,827	432	62,758
Unallocated liabilities									95,464
Equity									16,117
Total liabilities and equity			40,799	12,220	1,481	13,700	7,827	432	174,339
Off-balance sheet items (guarantees)	9,909	3,088	12,997	6,293	-	6,293	650	805	20,746

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

As a result of the organisational changes, comparative figures have been restated, thus affecting profit before tax. Retail and Wholesale Clients reduced by DKK 122m and DKK 266m, respectively, whereas Wealth Management and Group Items increased by DKK 197m and DKK 191m, respectively.

IT costs, previously allocated to Group Items, were allocated to the individual entities. As a result, operating costs and profit before tax were negatively affected by DKK 86m in Retail and by DKK 53m in Wholesale Clients.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1-Q3/2015	Q1-Q3/2016	Q1-Q3/2016	Q1-Q3/2015
5. INTEREST INCOME			
5	9	9	5
1,532	1,338	1,437	1,619
440	179	180	444
(197)	(340)	(340)	(197)
Of which			
139	131	131	139
(306)	(459)	(459)	(306)
(32)	(18)	(18)	(32)
2	6	6	2
-	2	2	2
1,780	1,188	1,288	1,873
Of which interest income from genuine purchase and resale transactions entered as			
-	-	-	-
9	2	2	9
5A. NEGATIVE INTEREST			
Interest income			
(26)	(46)	(46)	(26)
(77)	(75)	(75)	(77)
(103)	(121)	(121)	(103)
Of which interest income from genuine purchase and resale transactions entered as			
(14)	(39)	(39)	(14)
(77)	(79)	(79)	(77)
Interest expenses			
(80)	(63)	(63)	(80)
(31)	(81)	(81)	(31)
(111)	(144)	(144)	(111)
Of which interest expenses for genuine purchase and resale transactions entered as			
(40)	(18)	(18)	(40)
(11)	(59)	(59)	(11)
8	23	23	8
6. INTEREST EXPENSES			
45	44	44	46
121	51	51	121
233	112	112	233
1	1	1	1
10	40	41	10
410	248	249	411
Of which interest expenses for genuine sale and repurchase transactions entered as			
10	6	6	10
2	2	2	2
7. VALUE ADJUSTMENTS			
(3)	2	2	(3)
(35)	182	182	(39)
84	13	13	84
367	18	18	367
171	(752)	(752)	171
584	(537)	(537)	580

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

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
Q1-Q3/2015	Q1-Q3/2016		Q1-Q3/2016	Q1-Q3/2015
8. STAFF AND ADMINISTRATIVE EXPENSES				
12	4	Remuneration of Board of Directors and Executive Board	4	12
456	508	Staff expenses	597	541
786	772	Administrative expenses	842	853
1,254	1,284	Total	1,443	1,406
Remuneration of Board of Directors and Executive Board				
Board of Directors				
-	-	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				
6	4	Salaries	4	6
6	-	Termination benefits, Georg Andersen	-	6
12	4	Total	4	12
The terms and conditions governing the salaries and pensions of the Executive Board have not changed since the Annual Report 2015, to which reference is made.				
Staff expenses				
366	406	Salaries	479	437
37	37	Pensions (defined contribution plans)	45	44
53	65	Social security expenses	73	60
456	508	Total	597	541
604	637	Average number of staff, full-time equivalents	796	759
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES				
Specification of impairment provisions				
2,800	2,406	Individual impairment provisions for loans, advances and receivables	2,455	2,849
23	23	Individual impairment provisions for receivables from credit institutions	23	23
266	151	Collective impairment provisions	156	269
3,089	2,580	Total	2,634	3,141
Individual impairment provisions for loans, advances and receivables				
3,006	2,660	Impairment provisions, beginning of period	2,711	3,051
494	363	Impairment provisions for the period	383	514
369	385	Impairment provisions reversed	407	385
331	232	Impairment provisions written off	232	331
2,800	2,406	Total	2,455	2,849
Individual impairment provisions for receivables from credit institutions				
23	23	Impairment provisions, beginning of period	23	23
-	-	Impairment provisions for the period	-	-
23	23	Total	23	23
Collective impairment provisions				
507	136	Impairment provisions, beginning of period	141	509
(241)	15	Impairment provisions for the period, net	15	(240)
266	151	Total	156	269

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1-Q3/2015	Q1-Q3/2016	Q1-Q3/2016	Q1-Q3/2015
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)			
Earnings impact			
(116)	(7)	(9)	(111)
67	24	34	71
50	33	33	50
(99)	(16)	(8)	(90)
3	(50)	(50)	3
(96)	(66)	(58)	(87)
145	(81)	(73)	153
(241)	15	15	(240)
-	-	-	-
Receivables from credit institutions with objective evidence of impairment			
25	25	25	25
23	23	23	23
2	2	2	2
Loans and advances with objective evidence of impairment			
4,123	3,328	3,462	4,261
2,800	2,406	2,455	2,849
1,323	922	1,007	1,412
45,113	50,905	52,264	46,363
266	151	156	269
44,847	50,754	52,108	46,094
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
110	140	-	-
-	-	-	-
110	140	0	0
11. TAX			
302	(69)	(33)	331
302	(69)	(33)	331
21.9	57.0	38.8	23.5

Tax is calculated on the basis of a tax rate of 22% for 2016. The realised tax rate was significantly affected by adjustment of previous years' tax.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2015	30.09.2016		30.09.2016	31.12.2015
12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
-	8,504	Receivables at call from central banks	8,504	-
10,681	24,915	Receivables from credit institutions	24,915	10,681
10,681	33,419	Total	33,419	10,681
669	15,251	Of which genuine purchase and resale transactions	15,251	669
13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
39,467	24,871	Genuine purchase and resale transactions	24,871	39,467
39,467	24,871	Total	24,871	39,467
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
45,345	51,676	Loans and advances at amortised cost	53,115	46,747
45,345	51,676	Total	53,115	46,747
15. BONDS AT FAIR VALUE				
35,571	36,667	Covered bonds	37,215	35,998
572	2,353	Government bonds	2,353	572
5,509	2,511	Other bonds	2,511	5,509
41,652	41,531	Total	42,079	42,079
2,028	1,174	Self-issued bonds offset against bonds in issue	1,174	2,028
39,624	40,357	Total	40,905	40,051
The effect of fair value adjustment is recognised in the income statement.				
430	361	Of which redeemed bonds	361	430
13,855	19,418	Assets sold as part of genuine sale and repurchase transactions	19,418	13,855
4,871	5,356	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	5,356	4,871
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 period of very few value dates.				

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2015	30.09.2016		30.09.2016	31.12.2015
16. EQUITIES				
177	109	Listed on Nasdaq Copenhagen A/S	110	178
6	-	Listed on other stock exchanges	-	6
177	153	Unlisted equities carried at fair value	153	177
360	262	Total	263	361
17. ASSETS IN TEMPORARY POSSESSION				
47	31	Assets, beginning of year	31	47
2	-	Additions	-	2
18	4	Disposals	4	18
31	27	Total	27	31
Assets in temporary possession comprise properties acquired by foreclosure.				
Nykredit Bank accepts mortgages over real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc.				
The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.				
18. OTHER ASSETS				
2,339	1,857	Interest and commission receivable	1,923	2,369
29,250	34,450	Positive market value of derivative financial instruments	34,450	29,250
2,570	2,324	Other	2,297	2,579
34,159	38,631	Total	38,670	34,198
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
1,762	5,252	Payables to central banks	5,252	1,762
32,655	41,876	Payables to credit institutions	42,416	33,195
34,417	47,128	Total	47,668	34,957
5,294	3,797	Of which genuine sale and repurchase transactions	3,797	5,294
20. DEPOSITS AND OTHER PAYABLES				
50,197	52,611	On demand	52,541	50,121
2,334	2,306	At notice	2,306	2,334
7,536	7,375	Time deposits	7,375	7,536
2,767	2,809	Special deposits	2,809	2,767
62,834	65,101	Total	65,031	62,758
Deposits, loans and advances				
62,834	65,101	Deposits and other payables at amortised cost	65,031	62,758
45,345	51,676	Loans, advances and other receivables at amortised cost	53,115	46,747
17,489	13,425	Total	11,916	16,011
7,438	13,201	Deposits attributable to genuine sale and repurchase transactions in "Other non-derivative financial liabilities at fair value"	13,201	7,438

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2015	30.09.2016		30.09.2016	31.12.2015
21. BONDS IN ISSUE AT AMORTISED COST				
Issues				
13,708	8,473	EMTN issues*	8,473	13,708
8,227	4,604	ECP issues*	4,604	8,227
243	168	Other issues	168	243
22,178	13,245	Total	13,245	22,178
(2,028)	1,174	Own portfolio	1,174	(2,028)
20,150	12,071	Total	12,071	20,150
No value 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				
7,438	13,201	Deposits at fair value	13,201	7,438
4,338	6,397	Negative securities portfolios	6,397	4,338
11,776	19,598	Total	19,598	11,776
7,438	13,201	Of "Deposits at fair value", genuine sale and repurchase transactions total	13,201	7,438
23. OTHER LIABILITIES				
2,483	2,068	Interest and commission payable	2,070	2,483
24,732	29,676	Negative market value of derivative financial instruments	29,676	24,732
610	705	Other payables	984	918
27,825	32,449	Total	32,730	28,133

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
24. PROVISIONS			
Provisions for losses under guarantees			
106	100	100	106
17	12	12	17
23	62	62	23
-	-	-	-
100	50	50	100
Other provisions			
83	82	82	83
88	14	14	88
43	-	-	43
46	27	27	46
82	69	69	82
Total provisions for losses under guarantees and other provisions			
189	182	182	189
105	26	26	105
66	62	62	66
46	27	27	46
182	119	119	182
<p>As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.</p> <p>The balance sheet items in the Financial Statements represent the Bank's best estimates of the expected costs relating to provisions.</p> <p>The provisions typically concern contractual obligations relating to loans and advances and other banking activities.</p> <p>It is estimated that the majority of provisions will be settled within 1-2 years.</p>			
25. SUBORDINATED DEBT			
<p>Subordinated debt consists of financial liabilities in the form of hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.</p>			
Hybrid capital			
100	-	-	100
100	-	-	100
Included in the determination of own funds			
100			100
-	-	-	-
<p>The loan was prepaid in May 2016.</p>			

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
26. CONTINGENT LIABILITIES			
8,804	9,367	8,828	8,804
1,423	1,334	1,334	1,424
5,052	5,466	5,366	4,952
15,279	16,167	15,528	15,180

Other contingent liabilities

Legal proceedings

The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. 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 for other reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Guarantee and resolution schemes

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

The Resolution Fund, which is a finance scheme, was also established on 1 June 2015. The Resolution Fund is financed by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions pay an annual amount 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 Foreningen Nykredit 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 as of the financial year 2014 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012.

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
27. OTHER COMMITMENTS			
5,298	5,578	5,578	5,298
182	95	279	268
5,480	5,673	5,857	5,566
28. RELATED PARTY TRANSACTIONS AND BALANCES			
<p>The Parent Company Nykredit Realkredit, its parent company as well as Group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's Group enterprises and associates are included as stated in the Group structure as well as the Bank's Board of Directors, its Executive Board and related parties thereof.</p> <p>No unusual related party transactions occurred in 2015 or in Q1-Q3/2016.</p> <p>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.</p> <p>Intercompany trading in goods and services took place on an arm's length, cost reimbursement or profit split basis.</p> <p>Significant related party transactions prevailing/entered into in 2015 or Q1-Q3/2016 include:</p> <p>Nykredit Bank received additional equity of DKK 2bn from Nykredit Realkredit A/S in February 2015.</p> <p>Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S</p> <p>Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.</p>			

Notes

DKK million

Nykredit Bank Group

29. LOANS, ADVANCES, GUARANTEES AND PROVISIONS

Loans, advances, guarantees and provisions by sector

	Carrying amount			Provisions			
	Loans and advances	Guarantees	Total	Proportion, %	Individual impairment and other provisions	Collective impairment provisions	Total
30 September 2016							
Public sector	379	-	379	0.4	-	-	-
Business customers							
Agriculture, hunting, forestry and fishing	2,016	775	2,791	3.0	84	37	121
Manufacturing, mining and quarrying	5,430	318	5,748	6.1	186	15	201
Energy supply	2,453	82	2,535	2.7	3	-	3
Construction	2,108	823	2,931	3.1	221	1	222
Trade	4,248	426	4,674	5.0	55	3	58
Transport, accommodation and food service activities	2,897	538	3,435	3.7	108	1	109
Information and communication	1,427	153	1,580	1.7	22	1	23
Finance and insurance	28,233	1,129	29,362	31.4	113	1	114
Real estate	9,832	1,382	11,214	12.0	943	57	1,000
Other	7,733	1,129	8,862	9.5	182	2	184
Total business customers	66,377	6,755	73,132	78.2	1,917	118	2,035
Personal customers	11,230	8,773	20,003	21.4	588	38	626
Total	77,986	15,528	93,514	100	2,505	156	2,661
Of which reverse lending (loans and advances at fair value)	24,871	-	24,871	26.6	-	-	-
	Loans and advances	Guarantees	Total	Proportion, %	Individual impairment and other provisions	Collective impairment provisions	Total
31 December 2015							
Public sector	240	56	296	0.3	-	-	-
Business customers							
Agriculture, hunting, forestry and fishing	1,785	599	2,384	2.4	89	13	102
Manufacturing, mining and quarrying	4,459	274	4,733	4.7	222	3	225
Energy supply	919	17	936	0.9	3	-	3
Construction	1,631	603	2,234	2.2	230	2	232
Trade	2,561	385	2,946	2.9	85	3	88
Transport, accommodation and food service activities	2,920	524	3,444	3.4	102	2	104
Information and communication	885	114	999	1.0	16	1	17
Finance and insurance	43,734	1,682	45,416	44.8	223	1	224
Real estate	9,077	1,354	10,431	10.3	1,083	57	1,140
Other	6,379	1,102	7,481	7.4	225	6	231
Total business customers	74,350	6,654	81,004	79.9	2,278	88	2,366
Personal customers	11,624	8,470	20,094	19.8	533	53	586
Total	86,214	15,180	101,394	100	2,811	141	2,952
Of which reverse lending (loans and advances at fair value)	39,467	-	39,467	38.9	-	-	-
	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015
Provisioning rate, %							
Group							
Total loans and advances	77,986	79,904	83,935	86,214	82,040	79,206	78,973
Total guarantees	15,528	13,689	13,615	15,180	15,182	21,156	20,320
Impairment provisions for loans and advances at amortised cost	2,611	2,584	2,753	2,852	3,118	3,297	3,482
Provisions for guarantees	50	65	97	99	110	106	106
Total loans, advances, guarantees and provisions	96,175	96,242	100,400	104,345	100,450	103,765	102,881
Provisioning rate, %	2.8	2.8	2.8	2.8	3.2	3.3	3.5
Provisioning rate excluding guarantees, %	3.2	3.1	3.2	3.2	3.7	4.0	4.2

Notes

DKK million

Nykredit Bank Group

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
30 September 2016				
Assets:				
Recognised in the trading book:				
- reverse repurchase lending to credit institutions and central banks		15,251		15,251
- other reverse repurchase lending		24,871		24,871
- bonds at fair value	38,982	1,923		40,905
- equities measured at fair value through profit or loss	134		129	263
- positive fair value of derivative financial instruments	62	33,619	769	34,450
Fair value, 30 September 2016, assets	39,178	75,664	898	115,740
Percentage	33.9	65.4	0.8	100.0
Liabilities:				
Recognised in the trading book:				
- repo transactions with credit institutions and central banks		3,797		3,797
- other non-derivative financial liabilities at fair value	6,397	13,201		19,598
- negative fair value of derivative financial instruments	56	29,620		29,676
Fair value, 30 September 2016, liabilities	6,453	46,618	0	53,071
Percentage	12.2	87.8	0.0	100.0
	Bonds	Equities	Derivatives	Total
Assets and liabilities measured on the basis of unobservable inputs				
Fair value, beginning of period, assets		138	621	759
Transferred from Listed prices and Observable inputs		-	126	126
Transferred to Listed prices and Observable inputs		-	(225)	(225)
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement		(4)	247	243
Realised capital gains and losses recognised in "Value adjustments" in the income statement		(2)	-	(2)
Purchases for the period		7	-	7
Sales for the period		(10)	-	(10)
Redemptions for the period		-	-	-
Reclassified to "Other assets"		-	-	-
Fair value, 30 September 2016, assets	0	129	769	898
Fair value, beginning of period, liabilities		-	-	-
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement		-	-	-
Capital gains and losses on (unrealised) securities in the portfolio recognised in the income statement		-	-	-
Realised capital gains and losses recognised in "Value adjustments" in the income statement		-	-	-
Redemptions for the period		-	-	-
Fair value, 30 September 2016, liabilities	0	0	0	0

For Q1-Q3/2016 unrealised negative value adjustments of DKK 111m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 30 September 2016.

Notes

DKK million

Nykredit Bank Group

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY) (CONTINUED)

31 December 2015

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Assets:				
Recognised in the trading book:				
- reverse repurchase lending to credit institutions and central banks		669		669
- other reverse repurchase lending		39,467		39,467
- bonds at fair value	37,135	2,916		40,051
- equities measured at fair value through profit or loss	223		138	361
- positive fair value of derivative financial instruments	41	28,588	621	29,250
Fair value, 31 December 2015, assets	37,399	71,640	759	109,798
Percentage	34.1	65.2	0.7	100.0
Liabilities:				
Recognised in the trading book:				
- repo transactions with credit institutions and central banks		5,294		5,294
- other non-derivative financial liabilities at fair value	4,338	7,438		11,776
- negative fair value of derivative financial instruments	69	24,663		24,732
Fair value, 31 December 2015, liabilities	4,407	37,395	0	41,802
Percentage	10.5	89.5	0.0	100.0
	Bonds	Equities	Derivatives	Total
Assets and liabilities measured on the basis of unobservable inputs				
Fair value, beginning of period, assets		169	1,312	1,481
Transferred from Listed prices and Observable inputs		-	183	183
Transferred to Listed prices and Observable inputs		-	(465)	(465)
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement		7	(409)	(402)
Realised capital gains and losses recognised in "Value adjustments" in the income statement		7	-	7
Purchases for the period		-	-	-
Sales for the period		(45)	-	(45)
Fair value, 31 December 2015, assets	0	138	621	759
Fair value, beginning of period, liabilities			297	297
Transferred to Listed prices and Observable inputs			(297)	(297)
Fair value, 31 December 2015, liabilities	0	0	0	0

For 2015 unrealised negative value adjustments of DKK 515m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 December 2015.

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY) (CONTINUED)

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.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

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

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

The valuation of derivatives further includes so-called Debt Value Adjustment (DVA) of transactions with negative market values. The determination of DVA resembles that of CVA, but DVA is based on a curve of A ratings, which corresponds to Nykredit's rating. Net value adjustment due to DVA and CVA comprised DKK 288m at 30 September 2016.

Upon entering into financial 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 September 2016, the non-amortised minimum margin amounted to DKK 407m compared with DKK 430m at end-2015. 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.

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. These counterparties are all rated 0, and OEI has thus been identified for these customers. Following value adjustment, the fair value came to DKK 769m at 30 September 2016. Credit value adjustments came to DKK 5,643m at 30 September 2016 (2015: DKK 4,845m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by around +/- DKK 189m.

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 September 2016, the proportion was 0.8% against 0.7% at end-2015. The proportion of financial liabilities was 0.0% against 0.0% at end-2015.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.9bn (end-2015: DKK 0.8bn) was attributable to this category. Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 90m at 30 September 2016 (0.6% of equity at 30 September 2016). The earnings impact for 2015 was DKK 76m (0.5% of equity at 31 December 2015).

Transfers between categories

Reclassifications 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 2016 and 2015, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and in all material respects concerned interest rate swaps, as regards financial instruments with positive market values.

Transfers between the categories Listed prices and Observable inputs mainly resulted from redeemed bonds that were reclassified on redemption. 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 September 2016, the amount was DKK 0.4bn against DKK 0.5bn at end-2015.

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

Notes

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
30.09.2015	30.09.2016	30.09.2016	30.09.2015
31. FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES			
Foreign exchange risk			
27	22	22	27
0.2	0.1	0.1	0.2
1.0	0.0	0.0	1.0
0.0	0.0	0.0	0.0
Interest rate risk by the currency involving the highest interest rate exposure			
41	25	30	44
(44)	1	1	(44)
(3)	(2)	(2)	(3)
2	1	1	2
(13)	(2)	(2)	(13)
6	2	2	6
-	(5)	(5)	-
(3)	(1)	(1)	(3)
(14)	19	24	(11)
Total interest rate exposure of debt instruments			

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 increase of 1 percentage point in respect of bonds and other financial instruments. The interest rate exposure ranged between a gain of DKK 69m and a loss of 144m in Q1-Q3/2016 compared with a gain of DKK 62m and a loss of DKK 161m in Q1-Q3/2015. At end-Q3/2016, the interest rate exposure totalled a loss of DKK 19m against a gain of DKK 14m at end-Q3/2015.

Furthermore, Nykredit Bank incurs interest rate risk on interest rate swaps with customers with the lowest ratings, typically customers showing objective evidence of impairment (OEI). If the interest rate level changes by 1 percentage point, the value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Value-at-Risk

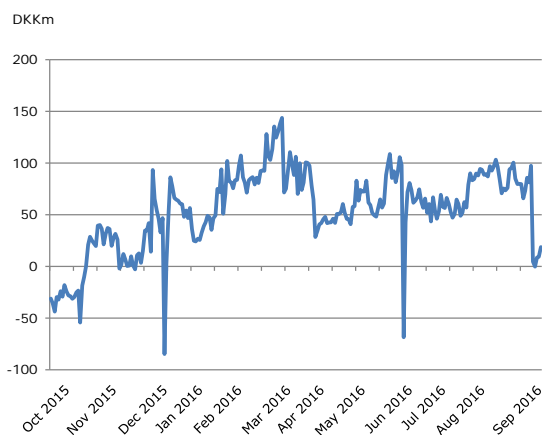
Value-at-Risk (VaR) models are applied to calculate the maximum value decrease of a portfolio over a given period and at a given probability. VaR models measure the effect and probability of several risks occurring at the same time.

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 9m at end-Q3/2016 against DKK 15m at end-Q3/2015. This means that according to the internal VaR model, Nykredit Bank would, at a 99% probability, lose a maximum of DKK 9m in one day in consequence of market fluctuations.

Net interest rate risk



Value-at-risk



Notes

DKK million

Nykredit Bank Group

32. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 September 2016	Profit for Q1-Q3/2016	Equity, 30 September 2016	Profit for 2015	Equity, 31 December 2016	Number of staff
Nykredit Bank A/S (Parent Company), Copenhagen, a)		265	16,065	1,542	16,117	637
Consolidated subsidiaries						
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	83	565	85	482	108
Nykredit Leasing A/S, Gladsaxe, c)	100	57	579	66	522	51
Geographical distribution of activities						
Denmark: Companies and activities appear from the Group structure	796	2,539	(85)	(33)	-	-
Sweden: Nykredit Bank A/S, branch*	-	-	-	-	-	-

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

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, including asset management and investment advisory services
- c) Leasing

Subsidiaries in temporary possession

The property group Kalvebod III is included in the balance sheet items "Assets in temporary possession" and "Other liabilities". At 30 September 2016, the property group comprised a number of subsidiaries without activities.

Notes

DKK million

Nykredit Bank Group	Q1-Q3/ 2016	FY 2015	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013	Q1-Q3/ 2012
33. FIVE-YEAR FINANCIAL HIGHLIGHTS						
Summary income statement						
Net interest and fee income	1,847	2,842	2,189	2,590	2,411	2,154
Value adjustments	(537)	945	580	(2,041)	(568)	(34)
Other operating income	21	25	21	23	23	24
Staff and administrative expenses	1,443	1,832	1,406	1,490	1,470	1,363
Other operating expenses, depreciation and amortisation	31	91	61	60	60	29
Impairment losses on loans, advances and receivables	(58)	(121)	(87)	119	329	415
Profit from investments in associates and group enterprises	-	-	-	-	78	-
Profit (loss) before tax	(85)	2,010	1,410	(1,097)	85	337
Tax	(33)	468	331	(271)	3	82
Profit (loss) for the period	(52)	1,542	1,079	(826)	82	255
Comprehensive income	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(52)	1,542	1,079	(826)	82	255
BALANCE SHEET, END OF PERIOD						
Assets						
Cash balances and receivables from central banks and credit institutions	35,409	13,425	25,280	22,292	21,471	33,000
Loans, advances and other receivables at fair value	24,871	39,467	34,534	40,137	50,149	34,470
Loans, advances and other receivables at amortised cost	53,115	46,747	47,506	48,301	49,196	54,094
Bonds at fair value and equities	41,168	40,412	42,989	78,616	86,243	77,702
Remaining assets	38,893	34,288	37,316	41,151	41,347	56,593
Total assets	193,456	174,339	187,625	230,497	248,406	255,859
Liabilities and equity						
Payables to credit institutions and central banks	47,668	34,957	41,714	60,370	72,378	65,018
Deposits and other payables	65,031	62,758	61,725	60,478	59,356	53,684
Bonds in issue at amortised cost	12,071	20,150	24,662	24,423	26,188	31,278
Other non-derivative financial liabilities at fair value	19,598	11,776	12,205	33,451	37,466	33,112
Remaining payables	32,806	28,267	31,368	37,913	38,103	57,850
Total payables	177,174	157,908	171,674	216,635	233,491	240,942
Provisions	217	214	197	240	313	210
Subordinated debt	-	100	100	100	250	250
Equity	16,065	16,117	15,654	13,522	14,352	14,457
Total liabilities and equity	193,456	174,339	187,625	230,497	248,406	255,859
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	15,528	15,180	15,182	13,801	10,709	11,552
Other commitments	5,857	5,566	5,016	5,472	6,655	7,740

Notes

DKK million

	Q1-Q3/ 2016	FY 2015	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013	Q1-Q3/ 2012
33. NYKREDIT BANK GROUP – FINANCIAL HIGHLIGHTS (CONTINUED)						
Financial ratios						
Total capital ratio, %	13.5	21.1	21.1	14.7	21.9	19.8
Tier 1 capital ratio, %	13.5	20.7	20.7	14.3	21.9	19.8
Return on equity before tax, %	(0.5)	14.0	10.0	(7.9)	4.0	2.1
Return on equity after tax, %	(0.3)	10.7	7.6	(5.9)	3.0	1.6
Income:cost ratio	0.94	2.12	2.02	0.34	1.49	1.26
Interest rate exposure, %	0.2	0.5	(0.1)	(0.1)	1.0	0.6
Foreign exchange position, %	0.1	1.1	0.2	2.1	1.0	2.3
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.2	1.4	1.4	1.5	1.6	1.6
Loans and advances:equity	4.9	5.3	5.2	6.5	6.7	6.1
Growth in loans and advances excluding repo transactions for the period, %	13.6	(7.4)	1.0	2.7	(1.2)	(1.0)
Excess liquidity coverage: statutory liquidity requirements, %	243.7	347.2	307.7	238.0	201.6	152.9
Total large exposures, %	0.0	11.1	27.6	45.5	12.5	0.0
Impairment losses for the period, %	(0.1)	(0.1)	(0.1)	0.1	0.1	0.2
Return on capital employed, %	0.0	0.9	0.6	(0.4)	0.0	0.1
Average number of staff, full-time equivalents	796	761	759	829	858	850

Notes

Nykredit Bank Group

Total capital ratio, %	Own funds divided by the total risk exposure amount
Tier 1 capital ratio, %	Tier 1 capital divided by the total risk exposure amount
Common Equity Tier 1 capital ratio, %	Common Equity Tier 1 capital divided by the 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 year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excluding repo transactions for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at amortised cost
Growth in loans and advances including repo transactions for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of s 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 year/period, %	Impairment losses for the year/period divided by loans and advances + guarantees + impairment provisions
Return on capital employed, %	Profit (loss) for the year/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 for the period, %", have been calculated in accordance with the Danish FSA's guidelines for reporting purposes. The three financial ratios are thus not included in the reporting.

Seven-quarter financial highlights

DKK million

Nykredit Bank Group	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015
SUMMARY INCOME STATEMENT							
Net interest income	359	275	428	418	605	413	452
Dividend on equities and fee and commission income, net	260	301	224	235	209	254	256
Net interest and fee income	619	576	652	653	814	667	708
Value adjustments	241	(118)	(660)	365	(374)	1,674	(720)
Other operating income	8	7	6	4	6	8	7
Staff and administrative expenses	490	490	463	426	474	453	479
Other operating expenses, depreciation and amortisation	10	11	10	30	20	18	23
Impairment losses on loans, advances and receivables	28	(70)	(16)	(34)	2	(70)	(19)
Profit from investments in associates and Group enterprises	-	-	-	-	-	-	-
Profit (loss) before tax	341	34	(459)	600	(50)	1,948	(488)
Tax	74	(5)	(102)	137	(11)	455	(113)
Profit (loss) for the period	267	39	(357)	463	(39)	1,493	(375)
Comprehensive income							
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	267	40	(357)	463	(39)	1,493	(375)
SUMMARY BALANCE SHEET							
Assets							
Cash balances and receivables from central banks and credit institutions	35,409	37,410	20,305	13,425	25,280	31,954	42,699
Loans, advances and other receivables at fair value	24,871	30,350	34,963	39,467	34,534	29,765	29,569
Loans, advances and other receivables at amortised cost	53,115	49,554	48,972	46,747	47,506	49,441	49,404
Bonds at fair value	40,905	37,867	42,353	40,051	42,672	43,721	43,603
Equities	263	277	335	361	317	388	411
Remaining assets	38,893	39,558	37,849	34,288	37,316	37,688	53,365
Total assets	193,456	195,016	184,777	174,339	187,625	192,957	219,051
Liabilities and equity							
Payables to credit institutions and central banks	47,668	40,205	41,552	34,957	41,714	45,693	61,649
Deposits and other payables	65,031	69,643	59,747	62,758	61,725	66,056	67,832
Bonds in issue	12,071	14,990	18,031	20,160	24,662	25,763	24,427
Other non-derivative financial liabilities at fair value	19,598	21,075	17,537	11,776	12,205	8,171	4,930
Remaining payables	32,806	33,081	31,869	28,267	31,368	31,286	45,687
Total payables	177,174	178,994	168,736	157,918	171,674	176,969	204,525
Provisions	217	222	181	214	197	195	226
Subordinated debt	-	-	100	100	100	100	100
Equity	16,065	15,800	15,760	16,117	15,654	15,693	14,200
Total liabilities and equity	193,456	195,016	184,777	174,349	187,625	192,957	219,051
OFF-BALANCE SHEET ITEMS							
Contingent liabilities	15,528	13,689	13,615	15,180	15,182	21,156	20,320
Other commitments	5,857	6,022	5,721	5,566	5,016	4,671	4,632
FINANCIAL RATIOS							
Total capital ratio, %	13.9	20.0	19.6	21.1	21.1	18.9	15.6
Tier 1 capital ratio, %	13.9	19.6	19.2	20.7	20.7	18.5	15.1
Return on equity before tax pa, %	8.6	0.9	(11.5)	14.0	(0.4)	52.1	(14.6)
Return on equity after tax pa, %	6.7	1.0	(9.0)	10.7	(0.3)	40.0	(11.2)

Seven-quarter financial highlights (continued)

DKK million

Nykredit Bank Group	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015
Summary core earnings and investment portfolio income							
Core income from business operations	817	944	803	812	707	837	1,004
Core income from securities	2	1	3	2	2	1	3
Income from core business	819	945	806	814	709	838	1,007
Operating costs and depreciation of equipment	493	496	468	442	471	454	485
Expenses for guarantee and resolution schemes	7	4	6	6	23	17	17
Profit from core business before impairment losses	319	445	332	366	215	367	505
Impairment losses on loans and advances	27	(69)	(16)	(34)	2	(70)	(19)
Profit from core business	292	514	348	400	213	437	524
Value adjustment of derivatives	39	(510)	(802)	198	(242)	1,515	(1,061)
Goodwill impairment	-	-	-	9	-	-	-
Investment portfolio income	10	30	(5)	11	(21)	(4)	49
Profit (loss) before tax	341	34	(459)	600	(50)	1,948	(488)
Tax	74	(5)	(102)	137	(11)	455	(113)
Profit (loss) for the period	267	39	(357)	463	(39)	1,493	(375)
Profit (loss) before tax, year-to-date	(85)	(425)	(459)	2,010	1,410	1,460	(488)

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.