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## **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 2017**

In the Q1-Q3 Interim Report 2017, Nykredit Bank has changed its earnings presentation. The former item "Profit from core business" has been replaced by "Business profit". The changes are described in detail on page 6.

- Business profit developed positively and rose to DKK 2,235m from DKK 1,099m in Q1-Q3/2016, equivalent to a return on equity of 16.3% pa against 9.1% in Q1-Q3/2016. The improvement was broad-based, as income, costs and impairment charges for loans and advances developed favourably.
- Compared with end-2016, lending increased by DKK 2.3bn, or 4%, while deposits grew by DKK 3.0bn, or 5%.
- Income totalled DKK 3,405m, up 35% on Q1-Q3/2016.
- Costs dropped by 3% compared with Q1-Q3/2016 to DKK 1,437m.
- Impairment charges for loans and advances equalled a gain of DKK 267m against a gain of DKK 58m in Q1-Q3/2016. Impairment charges were negative 0.3% of loans and advances compared with negative 0.1% in Q1-Q3/2016.
- Legacy derivatives produced a gain of DKK 1,488m against a charge of DKK 1,185m in Q1-Q3/2016. The rise was driven by recoveries of losses previously written off on swap transactions with two housing cooperatives as well as a positive trend in interest rates and credit spreads etc.
- Profit before tax for the period came to DKK 3,723m against a loss of DKK 85m in Q1-Q3/2016, equivalent to a return on equity of 27.1% pa compared with a negative return on equity of 0.7% in Q1-Q3/2016.

### **LIQUIDITY**

- The Bank's liquidity coverage ratio (LCR), determined according to the LCR rules, came to 148% against 153% at end-2016. Deposits exceeded lending by DKK 12.0bn compared with DKK 11.3bn at end-2016.

### **CAPITAL**

- Equity stood at DKK 19.6bn compared with DKK 16.7bn at end-2016.
- The Common Equity Tier 1 (CET1) capital ratio was 19.5% against 14.8% at end-2016. The total capital ratio was 21.7% against 16.6% at end-2016, and the internal capital adequacy requirement came to 10.7%, unchanged relative to end-2016.

### **ABOUT NYKREDIT BANK GROUP**

- The Q1-Q3 Interim Reports 2017 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at [nykredit.com](http://nykredit.com).

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# FINANCIAL HIGHLIGHTS

DKK million

Nykredit Bank Group	Q1-Q3/ 2017	Q1-Q3/ 2016	Q3/ 2017	Q3/ 2016	FY/ 2016
<b>Business profit and profit for the period<sup>1</sup></b>					
Net interest income	1,125	1,089	381	352	1,467
Net fee income	387	295	145	116	385
Wealth management income	1,047	856	356	283	1,184
Net interest from capitalisation	(25)	6	(8)	2	5
Trading, investment portfolio and other income	872	270	96	50	428
<b>Income</b>	<b>3,405</b>	<b>2,516</b>	<b>972</b>	<b>803</b>	<b>3,470</b>
Costs	1,437	1,475	484	500	2,060
<b>Business profit before impairment charges</b>	<b>1,968</b>	<b>1,041</b>	<b>487</b>	<b>303</b>	<b>1,410</b>
Impairment charges for loans and advances	(267)	(58)	(60)	28	(141)
<b>Business profit</b>	<b>2,235</b>	<b>1,099</b>	<b>548</b>	<b>275</b>	<b>1,551</b>
Legacy derivatives	1,488	(1,185)	122	66	(763)
<b>Profit (loss) before tax</b>	<b>3,723</b>	<b>(85)</b>	<b>670</b>	<b>341</b>	<b>788</b>
Tax	829	(33)	158	74	161
<b>Profit (loss) for the period</b>	<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>267</b>	<b>627</b>
<b>SUMMARY BALANCE SHEET</b>	<b>30.09,2017</b>	<b>30.09,2016</b>	<b>30.09,2017</b>	<b>30.09,2016</b>	<b>31.12,2016</b>
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	23,737	35,409	23,737	35,409	35,723
Loans, advances and other receivables at fair value	20,168	24,871	20,168	24,871	30,091
Loans, advances and other receivables at amortised cost	57,270	53,115	57,270	53,115	55,003
Bonds and equities	42,846	41,168	42,846	41,168	42,576
Remaining assets	24,076	38,893	24,076	38,893	31,533
<b>Total assets</b>	<b>168,097</b>	<b>193,456</b>	<b>168,097</b>	<b>193,456</b>	<b>194,926</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	43,922	47,668	43,922	47,668	51,606
Deposits and other payables	69,298	65,031	69,298	65,031	66,263
Bonds in issue at amortised cost	7,218	12,071	7,218	12,071	10,158
Other non-derivative financial liabilities at fair value	10,901	19,598	10,901	19,598	21,348
Remaining payables	14,899	32,806	14,899	32,806	26,546
Provisions	221	217	221	217	261
Subordinated debt	2,000	-	2,000	-	2,000
Equity	19,638	16,065	19,638	16,065	16,744
<b>Total liabilities and equity</b>	<b>168,097</b>	<b>193,456</b>	<b>168,097</b>	<b>193,456</b>	<b>194,926</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	20,572	15,528	20,572	15,528	17,152
Other commitments	6,922	5,857	6,922	5,857	5,375
<b>FINANCIAL RATIOS</b>					
Profit (loss) for the period as % pa of average equity	21.1	(0.4)	10.6	6.7	3.9
Profit (loss) for the period before tax as % pa of average equity	27.1	(0.7)	13.8	8.6	4.9
Business profit before impairment charges as % pa of average equity	14.3	8.7	10.0	7.6	8.8
Business profit as % pa of average equity	16.3	9.2	11.3	6.9	9.6
Costs as % of income	42.2	58.6	49.8	62.3	59.3
Total provisions for loan impairment	2,177	2,611	2,177	2,611	2,537
Impairment charges for the period, %	(0.3)	(0.1)	(0.3)	(0.1)	(0.1)
Total capital ratio, %	21.7	19.6	21.7	19.6	16.6
Tier 1 capital ratio, %	19.5	19.2	19.5	19.2	14.8
Common Equity Tier 1 capital ratio, %	19.5	19.2	19.5	19.2	14.8
Average number of staff, full-time equivalent	823	796	819	800	800

<sup>1</sup> This presentation has been changed in some areas. The former income statement item "Income from core business" has been replaced by a new principal item, "Income", which will also include the former item "Investment portfolio income" going forward. The income statement item "Profit from core business" has moreover been replaced by a new principal item, "Business profit". "Legacy derivatives" is still presented as a separate item. Reference is made to page 6 and note 1, accounting policies. The changes have not impacted profit, comprehensive income, balance sheet or equity.

<sup>2</sup> Average equity is determined as average equity at the beginning of the year and at end-Q1-Q3/2017. For Q3 separately, the determination of equity is based on an average of equity at the beginning of Q3 and equity at end-Q3.

## Q1-Q3/2017 – SUMMARY

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

### Business profit and profit before tax

In several areas, Q1-Q3/2017 saw positive trends. Many business activities delivered good growth in terms of customer numbers as well as business volumes, and deposits and lending developed satisfactorily. The result was a return on equity of 21.1% against negative 0.4% in Q1-Q3/2016.

The period under review was significantly affected by positive value adjustments on certain interest rate swaps of DKK 1,830m in Q1-Q3/2017, of which DKK 1,488m was attributable to legacy derivatives compared with a loss of DKK 1,185m in Q1-Q3/2016. This should be seen in the context of the one-off gain from the recovery of losses previously written off on swap transactions with the above-mentioned two large housing cooperatives as well as the positive effect of both interest rates and credit spreads.

Business profit strengthened further thanks to a positive trend in other income and a down-trend in loan impairments and costs.

Business profit was DKK 2,235m against DKK 1,099m in Q1-Q3/2016, whereas profit before tax was DKK 3,723m against a loss before tax of DKK 85m in Q1-Q3/2016.

The rise in profit before tax of DKK 3,808m was notably driven by a positive change in value adjustments of DKK 3,009m, attributable to general market rate and credit spread trends, as well as a one-off gain of DKK 739m from losses previously written off on the portfolio of legacy derivatives. To this should be added an increase in net interest and fee income of DKK 549m, where both interest and fee income rose.

Finally, results were positively affected by a reduction in costs of DKK 38m on Q1-Q3/2016, whereas impairment of loans, advances and receivables generated a gain of DKK 209m, driven by for example loan impairment reversals.

### Income

Income went up by DKK 889m, or 35%, compared with Q1-Q3/2016 to DKK 3,405m.

Net interest income, which relates to deposits and lending activity in the Management Commentary presentation, rose by DKK 36m and DKK 92m to a total of DKK 1,512m compared with Q1-Q3. The upturn was especially driven by Retail and Wholesale Clients.

Wealth management income went up by DKK 191m to DKK 1,047m relative to Q1-Q3/2016, deriving from activities carried out by the Group entities Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S. Income is subsequently allocated to the business divisions serving the customers.

Net interest expenses from capitalisation, which includes interest on subordinated debt, totalled DKK 25m, equal to a drop of DKK 31m compared with Q1-Q3/2016.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, was up by DKK 602m to DKK 872m.

Lending at amortised cost went up by DKK 2.3bn on end-2016 to DKK 57.3bn as at 30 September 2017. In 2017, Nykredit Bank has transferred secured homeowner loans to Totalkredit totalling DKK 2.7bn. Determined including this intercompany transaction, lending increased by DKK 5.0bn for the period.

Deposits rose by DKK 3.0bn from DKK 66.3bn at end-2016 to DKK 69.3bn.

### Costs

Cost fell by DKK 38m from DKK 1,475m to DKK 1,437m. Payroll costs increased by DKK 30m, or 5%, to DKK 631m while other capacity costs declined by DKK 67m. The rise in payroll costs was mainly due to investment in Private Banking Elite, which upped their staff.

The average number of full-time equivalent staff totalled 823 compared with 796 in Q1-Q3/2016, equal to a rise of 3.4%.

### Impairment charges for loans and advances and provisions for guarantees

Impairment charges and provisions were a gain of DKK 267m, including a one-off gain of DKK 183m relating to two large housing cooperatives, against a gain of DKK 58m in Q1-Q3/2016, equivalent to a positive change of DKK 209m.

Retail and Wholesale Clients accounted for income of DKK 73m and DKK 104m, respectively, while Wealth Management and Group Items contributed a gain of DKK 32m in total.

Individual impairment provisions saw a positive change from a gain of DKK 23m in Q1-Q3/2016 to a gain of DKK 319m, particularly driven by a reversal of impairment provisions and recoveries from loans previously impaired. Collective impairment provisions were DKK 48m against DKK 15m in Q1-Q3/2016.

Provisions for guarantees came to a loss of DKK 4m against an expense of DKK 50m in Q1-Q3/2016.

Impairment charges were negative 0.3% of loans and advances compared with negative 0.1% in Q1-Q3/2016.

### **Legacy derivatives**

The presentation of derivatives has been changed compared with the Q1-Q3 Interim Report 2016.

In Q1-Q3/2016, the presentation included credit value adjustment of swaps involving an increased risk of loss. These value adjustments have not been part of our core business. In the Financial Statements for 2016, the presentation was changed, and certain interest rate swaps in the financial highlights and the presentation of business areas were presented as a separate item: Legacy derivatives, comprising all net income from a number of derivatives which we no longer offer our customers. Reference is made to note 1, accounting policies.

Value adjustments were a gain of DKK 1,488m against a loss of DKK 1,185m in Q1-Q3/2016. This has been driven by several factors in 2017, such as changes in interest rates and credit spreads as well as a positive effect from maturity reduction. To this should be added a one-off gain of DKK 739m resulting from the trustee's winding up of two large housing cooperatives.

The portfolio of legacy derivatives had a total market value of DKK 5.9bn against DKK 6.7bn at end-2016. The portfolio was written down to DKK 3.3bn at end-Q3/2017 against DKK 3.4bn at end-2016.

### **Tax**

The calculated tax charge was DKK 829m, corresponding to 22.3% of profit before tax, compared with 38.8% in Q1-Q3/2016.

### **Profit**

Profit after tax came to DKK 2,894m in Q1-Q3/2017 against a loss of DKK 52m in Q1-Q3/2016.

## **RESULTS FOR Q3/2017**

Profit before tax declined by DKK 1,180m from DKK 1,850m in Q2/2017 to DKK 670m in Q3/2017. This decline was mainly driven by high one-off income in Q2 of DKK 922m relating to two large housing cooperatives as referred to above, of which DKK 183m resulted from loan impairment charges and DKK 739m from swaps (legacy derivatives).

Business profit was DKK 547m in Q3/2017 against DKK 820m in Q2/2017. This decrease comprised a fall in income of DKK 179m due to a reduction in trading, investment portfolio and other income, as Q2 was impacted by relatively higher value adjustments. To this should be added a change in impairment charges for loans and advances of DKK 92m, as gains from reversals fell from a high level in Q2, corresponding to DKK 152m, to a gain of DKK 60m.

Gains from legacy derivatives declined by DKK 907m to DKK 122m in Q3/2017. This trend should be seen in the context of significant gains in Q2/2017 due to the winding up of two housing cooperatives.

## **OUTLOOK FOR 2017**

In the Annual Report 2016, Nykredit Bank's outlook for profit from core business in 2017 was on a level with 2016 when profit was DKK 1.5bn.

Because of the new earnings presentation, the outlook is now based on business profit, which was just below DKK 1.6bn in 2016.

The positive trends in H1 continued into Q3 and are forecast to generate higher-than-expected income for the full year. Impairment charges for loans and advances, including the positive settlement of two large housing cooperative exposures, improved significantly in H1/2017. Even though the current loan impairment level is not expected to continue in Q4, total loan impairments for the full year are expected to be low. Management therefore forecasts business profit for 2017 to increase considerably compared with 2016.

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

## **EVENTS SINCE THE BALANCE SHEET DATE**

### **Other events**

Forenet Kredit has received an offer to purchase a minority share of Forenet Kredit's shareholding in Nykredit A/S. For further information, please refer to Forenet Kredit's and Nykredit A/S's stock exchange announcements published on 3 November 2017 and 7 November 2017.

No other events have occurred in the period up to the presentation of the Q1-Q3 Interim Report 2017 which materially affect the Group's financial position.

## **SPECIAL ACCOUNTING CIRCUMSTANCES**

### **New earnings presentation in Management Commentary**

The Management Commentary is based on the Group's internal financial reporting.

In the opinion of Management, the Management Commentary should be based on the internal management and business reporting, which forms part of Nykredit's financial governance. Readers of financial reports are thus provided with information that is relevant to their assessment of the financial performance.

This information is also provided in the Management Commentary as well as in note 3 of the Financial Statements for the business areas included in the internal reporting.

As part of the Group's ongoing adjustment of its internal and external reporting, various changes have been made as from Q1-Q3/2017.

The most important change is that income is now broken down into several items, differentiating more clearly between stable types of income and relatively more volatile income, such as trading and investment portfolio income. Furthermore, investment portfolio income is recognised in "Income" as opposed to previously, when investment portfolio income was recognised as a separate item.

A key reporting concept going forward is the new item "Business profit", replacing the former "Profit from core business". The main difference between the two items is that "Business profit" comprises the former item "Investment portfolio income".

The change has been further described in the accounting policies and notes 3 and 4 of the Financial Statements. The change has no earnings impact. The organisational structure of the business areas also remains unchanged, but contrary to previously, costs of capital are charged against the individual business areas. These costs were previously included in Group Items.

Reference is furthermore made to the Group's stock exchange announcement of 27 October 2017 and the accounting policies.

#### **Change to valuation of derivatives**

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

The implementation entails a value adjustment impacting profit before tax by DKK 242m in Q1-Q3/2017, of which DKK 121m was attributable to legacy derivatives, while DKK 121m was included in "Income".

## **OTHER**

#### **Nykredit's efforts to secure funding**

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for an initial public offering of Nykredit A/S (formerly Nykredit Holding A/S) in order to ensure greater funding flexibility in the Group. This should be seen against the backdrop that Nykredit currently has more restricted access to capital markets than listed companies, as Nykredit's majority shareholder, Forenet Kredit, is unable to contribute capital today if required due to general economic conditions, new regulation or other circumstances.

This has led to talks with several investors in spring 2017 that subsequently developed into negotiations with a group of Danish investors. These negotiations have now resulted in a specific purchase offer.

For further information, please refer to the stock exchange announcements published on 3 November 2017 and 7 November 2017.

#### **Recoveries on claims on housing cooperatives previously written off**

The trustees of the estates in bankruptcy AB Hostrups Have and AB Duegård sold the properties of the housing cooperatives in Q2/2017. In continuation thereof, being principal creditor of the estates in bankruptcy, Nykredit was able to recognise DKK 0.9bn as income in the Bank's H1 Financial Statements. This income relates to losses on loans, advances and swaps previously recognised.

#### **Effect of new IFRS 9 accounting standard**

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

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

## **CREDIT RATINGS**

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

#### **S&P Global Ratings**

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

#### **Fitch Ratings**

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

#### **Moody's Investors Service**

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

#### **Listing of ratings**

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at [nykredit.com/ir](http://nykredit.com/ir).

**Nykredit Bank Group**  
**Summary balance sheet**

DKK million	30.09.2017	31.12.2016
<b>Assets</b>		
Receivables from credit institutions	23,737	35,723
Loans and advances at fair value (reverse repurchase lending)	20,168	30,091
Loans and advances at amortised cost	57,269	55,003
Retail	31,774	30,079
- Personal Banking	11,856	11,952
- Business Banking	19,918	18,127
Wholesale Clients	22,047	21,554
Wealth Management	2,983	2,603
Other loans and advances	465	767
Bonds and equities	42,846	42,576
Remaining assets	24,076	31,533
<b>Liabilities and equity</b>		
Payables to credit institutions and central banks	43,922	51,606
Deposits and other payables	69,299	66,263
Retail	44,962	43,037
- Personal Banking	26,843	25,760
- Business Banking	18,119	17,277
Wholesale Clients	10,797	12,207
Wealth Management	11,482	9,522
Other deposits	2,058	1,497
Bonds in issue	7,218	10,158
Other non-derivative financial liabilities at fair value	10,901	21,348
- of which deposits at fair value (repo deposits)	3,718	14,562
Remaining payables and provisions	15,120	26,807
Subordinated debt	2,000	2,000
Equity	19,638	16,744
<b>Balance sheet total</b>	<b>168,098</b>	<b>194,926</b>

**Nykredit Bank Group**  
**Equity**

DKK million	30.09.2017	31.12.2016
Equity, beginning of period	16,744	16,117
Profit after tax	2,894	627
<b>Total equity</b>	<b>19,638</b>	<b>16,744</b>

## BALANCE SHEET, EQUITY AND CAPITAL AD-EQUACY

### Balance sheet

The balance sheet stood at DKK 168.1bn compared with DKK 194.9bn at end-2016.

The balance sheet reduction should primarily be seen in the context of declining repo transactions/reverse repurchase lending, balances with credit institutions and reduced market values of derivatives (remaining assets and remaining liabilities). Conversely, lending and deposits went up.

Balances with credit institutions and cash balances were reduced by DKK 12.0bn to DKK 23.7bn, while loans and advances at fair value (reverse repurchase lending) decreased by DKK 9.9bn to DKK 20.2bn.

Bank lending at amortised cost was DKK 57.2bn, up DKK 2.3bn on end-2016. This trend should be seen against the backdrop of the Bank's transfer of secured homeowner loans worth a total of DKK 2.7bn to Totalkredit in Q1-Q3/2017. This effect aside, loans and advances generally increased by DKK 5.0m.

Retail accounted for DKK 1.7bn of the increase in loans and advances due in particular to the rise in business lending. Lending to personal customers was on a par with end-2016. However, including secured homeowner loans transferred to Totalkredit, personal lending grew by DKK 4.0bn. The Wholesale Clients and Wealth Management divisions recorded lending growth of DKK 0.5bn and DKK 0.4bn, respectively, whereas Group Items dropped by DKK 0.3bn.

The bond and equity portfolio stood at DKK 42.8bn, which essentially corresponds to the beginning-of-the-year portfolio. The bond portfolio may fluctuate significantly from one reporting period to another, which should be seen in the context of the Bank's repo activities, trading positions and general liquidity management.

Remaining assets were DKK 24.1bn compared with DKK 31.5bn at end-2016. As at 30 September 2017, DKK 19.0bn was attributable to positive market values of derivatives compared with DKK 26.9bn at end-2016. The positive market values related to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. The interest rate risk is widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in relation to "Other liabilities", which included negative market values of DKK 11.9bn.

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

Payables to credit institutions and central banks were down by DKK 7.7bn to DKK 43.9bn.



<b>Nykredit Bank Group</b>		
<b>Capital and capital adequacy<sup>1</sup></b>		
DKK million	30.09.2017	31.12.2016
Share capital	8,045	8,045
Retained earnings <sup>1</sup>	11,593	8,699
<b>Equity, end of period</b>	<b>19,638</b>	<b>16,744</b>
Profit (loss) for the period not included	(511)	-
Prudent valuation adjustment	(29)	(46)
Intangible assets and deferred tax assets	(10)	(22)
Deduction for difference between IRB losses and impairments	(237)	(315)
Other deductions	(24)	(63)
Transitional adjustment of deductions	47	126
<b>Common Equity Tier 1 capital</b>	<b>18,875</b>	<b>16,424</b>
Additional Tier 1 capital	-	-
Other deductions	-	-
<b>Tier 1 capital</b>	<b>18,875</b>	<b>16,424</b>
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	157	-
Transitional adjustment of Tier 2 capital	(24)	(63)
<b>Own funds<sup>1</sup></b>	<b>21,008</b>	<b>18,361</b>
Credit risk	80,190	95,079
Market risk	10,424	9,369
Operational risk	6,112	5,898
<b>Total risk exposure amount</b>	<b>96,727</b>	<b>110,346</b>
Total capital ratio, %	21.7	16.6
Tier 1 capital ratio, %	19.5	14.8
Common Equity Tier 1 capital ratio, %	19.5	14.8

<sup>1</sup> Capital and capital adequacy are specified further in note 2.

<b>Nykredit Bank Group</b>		
<b>Required own funds and internal capital adequacy requirement</b>		
DKK million	30.09.2017	31.12.2016
Credit risk	6,415	7,606
Market risk	834	750
Operational risk	489	472
<b>Total Pillar I</b>	<b>7,738</b>	<b>8,828</b>
Slightly weaker economic climate (stress tests, etc)	1,050	1,198
Other risks	984	1,192
Model and calculation uncertainties	564	561
<b>Total Pillar II</b>	<b>2,598</b>	<b>2,951</b>
<b>Total required own funds</b>	<b>10,336</b>	<b>11,779</b>
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.7	10.7

Deposits and other payables totalled DKK 69.3bn, which represented an increase of DKK 3.0bn on end-2016. Retail deposits grew by DKK 1.9bn, particularly driven by increased deposits from personal customers, while Wealth Management accounted for a rise of DKK 1.9bn. Wholesale Clients dropped by DKK 1.4bn, while Group Items and other deposits rose by DKK 0.6bn.

As at 30 September 2017, the Bank's deposits exceeded lending at amortised cost by DKK 12.0bn. At end-2016, deposits exceeded lending by DKK 11.3bn.

Bonds in issue totalled DKK 7.2bn against DKK 10.2bn at end-2016. The Bank's issues under the ECP and EMTN programmes are continuously adapted to the Bank's liquidity needs.

Other non-derivative financial liabilities at fair value, which include deposits relating to repo transactions, came to DKK 10.9bn against DKK 21.3bn at end-2016.

Remaining payables and provisions amounted to DKK 15.1bn compared with DKK 26.8bn at end-2016. The item mainly consisted of interest and commission payable and negative market values of derivative financial instruments. The decline of DKK 11.7bn on end-2016 mainly reflected a decline in negative market values of derivative financial instruments from DKK 23.0bn at end-2016 to DKK 11.9bn.

### Equity and capital adequacy

Equity carried for accounting purposes stood at DKK 19.6bn at 30 September 2017. In Q1-Q3/2017, equity increased by profit for the period of DKK 2.9m. 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 2017, Nykredit Bank's own funds stood at DKK 21.0bn. Own funds have been determined inclusive of the results for 1 January to 30 June 2017. 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 18.9bn at 30 September 2017 against DKK 16.4bn at end-2016.

The risk exposure amount (REA) totalled DKK 96.7bn at end-Q1-Q3/2017 against DKK 110.3bn at end-2016. At end-Q1-Q3/2017, the total capital ratio was 21.7%. The Tier 1 capital ratio as well as the Common Equity Tier 1 capital ratio stood at 19.5%.

The determination of required own funds takes into account the business objectives by allocating capital for all relevant risks, including any model uncertainties. Nykredit Bank's required own funds totalled DKK 10.3bn at 30 September 2017. Nykredit Bank's internal capital adequacy requirement is calculated as the required own funds as a percentage of REA. The internal capital adequacy requirement was 10.7% against 10.7% at end-2016.



## BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which serves personal customers and SMEs (small and medium-sized enterprises) and also comprises the subsidiary Nykredit Leasing A/S.
- Wholesale Clients, which comprises the business units Corporate & Institutional Banking and Nykredit Markets. Corporate & Institutional Banking also comprises a portfolio of large non-continuing exposures.
- 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 income from securities.

### Adjustment of income statement format

As mentioned above, the income statement format has been adjusted in some areas. Also the presentation of certain types of swaps has been adjusted compared with the Q1-Q3 Interim Report 2016. Reference is made to notes 1, 3 and 4 in the Financial Statements.

The organisational structure of the business areas is unchanged compared with previous practice. However, the presentation has been changed and "Investment portfolio income" is now included in "Income" and interest on capital is now allocated to the business areas. This item was previously included in Group Items.

The presentation of business areas includes "Net interest income from deposits and lending activities". The corresponding item in the income statement (page 18) includes all interest.

Comparative figures for previous periods have been restated.

### Nykredit Bank Group Results by business area

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016
<b>Business profit and profit for the period</b>										
Net interest income	758	774	332	283	35	32	0	(1)	1,125	1,089
Net fee income	211	179	179	124	8	6	(11)	(14)	387	295
Wealth management income	408	377	69	30	554	439	16	10	1,047	856
Net interest from capitalisation	(13)	3	(10)	2	(1)	0	(2)	1	(25)	6
Trading, investment portfolio and other income	342	(263)	525	423	24	15	(20)	95	872	270
<b>Income</b>	<b>1,706</b>	<b>1,070</b>	<b>1,095</b>	<b>863</b>	<b>621</b>	<b>493</b>	<b>(16)</b>	<b>91</b>	<b>3,405</b>	<b>2,516</b>
Costs	755	781	356	383	312	283	14	27	1,437	1,474
<b>Business profit before impairment charges</b>	<b>950</b>	<b>289</b>	<b>738</b>	<b>480</b>	<b>309</b>	<b>210</b>	<b>(30)</b>	<b>64</b>	<b>1,968</b>	<b>1,042</b>
Impairment charges for loans and advances	(4)	69	(246)	(142)	5	20	(22)	(6)	(267)	(58)
<b>Business profit</b>	<b>956</b>	<b>219</b>	<b>984</b>	<b>622</b>	<b>303</b>	<b>189</b>	<b>(8)</b>	<b>69</b>	<b>2,235</b>	<b>1,099</b>
Legacy derivatives	358	(481)	1,130	(703)	-	-	-	-	1,488	(1,185)
<b>Profit (loss) before tax</b>	<b>1,313</b>	<b>(262)</b>	<b>2,114</b>	<b>(81)</b>	<b>303</b>	<b>189</b>	<b>(8)</b>	<b>69</b>	<b>3,722</b>	<b>(85)</b>
Costs as % of income	44.3	73.0	32.5	44.4	50.2	57.5	-	29.9	42.2	58.6

## RETAIL

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

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

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

### Strategy

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

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

### Q1-Q3/2017 – summary

#### **Retail Personal Banking**

Since early 2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBanken. Specialist teams are responsible for all wealth management services to Retail customers in ten customer centres.

We recorded satisfactory growth in Private Banking clients over the year as well as an increase in the number of full-service BoligBank customers, resulting in increased business volumes within especially banking, investment and pension products.

#### **Retail Business Banking**

Retail Business Banking continued to improve the business banking programme, Nykredit ErhvervsBank. The increase in business customers taking their daily banking to Nykredit has been satisfactory with a particular overweight of prioritised full-service customer segments. Business customer activity generally went up, and measures aimed at raising profitability were implemented, ensuring a better match between price, costs and risk.

### Business profit

Retail recorded a business profit of DKK 956m compared with DKK 219m in Q1-Q3/2016 and a profit before tax of DKK 1,313m against a loss before tax of DKK 262m in Q1-Q3/2016.

### Development in profit for the period

Income went up from DKK 1,070m in Q1-Q3/2016 to DKK 1,706m in Q1-Q3/2017. The increase was primarily attributable to growth in Retail Business Banking of DKK 565m, driven by increased value adjustments and growth in the number of business customers.

Net interest income fell slightly as market competition exerts pressure on interest margins. Deposit margins are also being squeezed by the current negative level of deposits.

Costs fell by DKK 26m to DKK 755m. Costs as a percentage of income totalled 44.3% against 73.1% in Q1-Q3/2016.

Impairment charges were a gain of DKK 4m compared with a charge of DKK 69m in Q1-Q3/2016. Impairments for business customers were a gain of DKK 43m against a gain of DKK 34m in 2016, while impairment charges for personal customers improved to DKK 38m against DKK 103m in Q1-Q3/2016.

Impairment charges were 0.0% of loans and advances.

Legacy derivatives saw a positive change of DKK 839m, rising from a charge of DKK 481m in Q1-Q3/2016 to a gain of DKK 358m. In both years, the value adjustment resulted from business customers, including small housing cooperatives.

### Lending and deposits

Lending activity increased to DKK 31.8bn from DKK 30.1bn at end-2016. In this context, it should be noted that secured homeowner loans in the amount of DKK 2.5bn have been transferred to Totalkredit for the period. These loans would have constituted a portfolio increase of about DKK 4.2bn had they remained in the Bank's balance sheet. Deposits came to DKK 45.0bn against DKK 43.0bn at end-2016.

### Subsidiaries

#### **Nykredit Leasing A/S**

The company handles the leasing activities of the Nykredit Group.

Nykredit Leasing recorded a profit before tax of DKK 82m compared with DKK 70m in Q1-Q3/2016.

## WHOLESALE CLIENTS

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

### 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 operation 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-Q3/2017 – summary

#### **Corporate & Institutional Banking**

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

#### **Nykredit Markets**

Income in Nykredit Markets was driven by high customer activity across all customer segments in Q1-Q3/2017, including the addition of new customers and an increased amount of assets under management per client. Customers and market participants focused on risk profiling and positioning, and demand for corporate bonds generally increased.

### Business profit

Business profit totalled DKK 984m against DKK 622m in Q1-Q3/2016. The DKK 362m upturn primarily consisted of an income rise of DKK 232m as well as a decrease in loan impairments of DKK 104m.

### Development in profit for the period

Income totalled DKK 1,095m, up DKK 232m, driven by growth in most types of income. Income in Corporate & Institutional Banking rose by DKK 250m, whereas income in Nykredit Markets was down by almost DKK 18m.

Costs were down by DKK 27m to DKK 356m compared with Q1-Q3/2016.

Costs as a percentage of income totalled 32.5% compared with 44.4% in Q1-Q3/2016.

Impairment charges for loans and advances equalled a gain of DKK 246m against a gain of DKK 142m in Q1-Q3/2016. Of the income of DKK 246m, DKK 71m related to non-continuing exposures, a one-off gain of DKK 183m relating to reversed loan impairments on two large housing cooperative exposures.

Impairment charges were negative 0.5% of loans and advances against negative 0.3% in Q1-Q3/2016.

Legacy derivatives produced a gain of DKK 1,130m in Q1-Q3/2017, equal to a positive change of DKK 1,833m against a charge of DKK 703m in Q1-Q3/2016. Value adjustment concerns swaps entered into with housing cooperatives, including a one-off gain of DKK 739m attributable to two large housing cooperatives.

Profit before tax subsequently totalled DKK 2,144m compared with a loss of DKK 81m in Q1-Q3/2016.

### Lending and deposits

Lending amounted to DKK 22.0bn compared with DKK 21.6bn at end-2016.

Deposits came to DKK 10.8bn against DKK 12.2bn at end-2016.

## WEALTH MANAGEMENT

The business division Wealth Management handles Nykredit's asset and wealth management activities. Wealth Management comprises the business units Nykredit Asset Management, Nykredit Portefølje Administration A/S and Private Banking Elite. The latter is targeted at clients with investable assets in excess of DKK 7m.

Nykredit's asset management and portfolio administration services are undertaken by Nykredit Asset Management and Nykredit Portefølje Administration A/S, and their products and solutions include Nykredit Invest, Private Portfolio, Savings Invest, Pension Invest and discretionary asset management and administration agreements with institutional clients, foundations, businesses, public institutions and personal wealth clients.

### Private Banking Awards

Nykredit was awarded Best Private Banking in Denmark 2017 at the Global Private Banking Awards ceremony. The award is given in recognition of Nykredit's targeted and tenacious efforts within Private Banking. Nykredit's focus on holistic advisory services as well as personal and individualised services has landed Nykredit in the absolute top rank.

### Q1-Q3/2017 – summary

Total assets under management went up by DKK 20.9bn to DKK 157.4bn at end-Q1-Q3/2017. The increase comprised net growth of DKK 18.0bn and capital gains of DKK 2.9bn.

Total assets under administration rose by DKK 23.3bn to DKK 809.8bn at end-Q1-Q3/2017. The increase comprised net outflows of DKK 10.9bn and capital gains of DKK 34.1bn.

### Nykredit Asset Management

Nykredit Asset Management delivered good investment results in Q1-Q3/2017.

86% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1-Q3/2017, and 94% generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1-Q3/2017, especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed extraordinarily well.

### Private Banking Elite

Private Banking Elite achieved satisfactory client growth in Q1-Q3/2017, both in terms of new clients and advancement of existing client relationships. Net growth of assets under administration in the period was very satisfactory.

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

Private Banking Elite, which is behind part of total assets under administration, recorded satisfactory net growth in total assets in Q1-Q3/2017.

Total assets under management and administration and investment funds		
DKK million	30.09.2017	31.12.2016
Managed by Nykredit	151,779	121,166
Insourced mandates	5,612	15,349
<b>Total assets under management</b>	<b>157,391</b>	<b>136,515</b>
Of which		
Of which Nykredit Group investment funds	59,878	55,172
Assets under administration		
Nykredit Portefølje Administration A/S	809,811	786,549

### Business profit

Business profit totalled DKK 303m compared with DKK 189m in Q1-Q3/2016, corresponding to a DKK 114m increase, which was primarily attributable to a rise in income owing to increased customer activity.

### Development in profit for the period

Wholesale Clients income totalled DKK 621m, a DKK 127m upturn on Q1-Q3/2016. This was mainly a result of earnings growth in Private Banking Elite as well as Nykredit Asset Management. The rise in Private Banking Elite should be seen against the backdrop of Nykredit's intensified focus on this area.

Costs amounted to DKK 312m, equal to an increase of DKK 29m on Q1-Q3/2016. This should be seen in the light of the intensified focus on the business area, including an increase in the number of staff.

Costs as a percentage of income totalled 50.3% compared with 57.4% in Q1-Q3/2016.

Impairment charges amounted to DKK 5m against DKK 20m in Q1-Q3/2016.

Profit before tax subsequently totalled DKK 303m compared with DKK 189m in Q1-Q3/2016.

### Lending and deposits

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

Deposits came to DKK 11.5bn against DKK 9.5bn at end-2016.

### Subsidiaries

#### Nykredit Portefølje Administration A/S

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

Business areas comprise administration of Danish UCITS funds and management of alternative investment funds. Moreover, the company may perform discretionary portfolio management or related tasks in Denmark and offer services as a management company in Luxembourg.

Nykredit Portefølje Administration A/S recorded a profit before tax of DKK 127m against DKK 106m in Q1-Q3/2016.

## GROUP ITEMS

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

Business profit and profit before tax were a loss of DKK 8m against a gain of DKK 69m in Q1-Q3/2016.

In Q1-Q3/2017, income was negative at DKK 16m against a positive DKK 91m. This development should be seen against the backdrop of high earnings in 2016 and an impairment charge for the Bank's equity investment in Bankernes EDB Central (BEC) of DKK 50m in 2017. Costs were DKK 14m against DKK 27m in Q1-Q3/2016.

# IMPAIRMENT AND LENDING

## Earnings impact

Impairments were a gain of DKK 267m in Q1-Q3/2017 compared with a gain of DKK 58m in Q1-Q3/2016. Income for Q1-Q3/2017 included a one-off gain of DKK 183m resulting from the settlement of two large housing cooperative exposures.

Of the total gain of DKK 267m, individual impairment provisions accounted for the largest part at DKK 315m, while collective impairment provisions were a charge of DKK 48m. Recoveries on loans and advances previously written off totalled DKK 72m, while write-offs of loans, advances and guarantees not previously impaired came to DKK 43m.

Provisions for guarantees were a charge of DKK 4m in Q1-Q3/2017 against a gain of DKK 50m in Q1-Q3/2016.

Retail impairment charges were a gain of DKK 4m compared with a charge of DKK 69m in Q1-Q3/2016. Impairment charges for personal customers improved by DKK 65m, falling from a charge of DKK 103m in Q1-Q3/2016 to a charge of DKK 38m. Impairment charges for business customers improved by DKK 8m from a gain of DKK 34m in Q1-Q3/2016 to a gain of DKK 42m.

Impairment charges for Wholesale Clients equalled a gain of DKK 246m against a gain of DKK 142m in Q1-Q3/2016, which partly reflected one-off income from reversed loan impairments on two large housing cooperative exposures in Corporate & Institutional Banking of DKK 183m.

Impairment charges in Wealth Management were low at DKK 5m against DKK 21m in Q1-Q3/2016.

## Total impairment provisions

Total provisions decreased by 15.0% from DKK 2,560m at 31 December 2016 to DKK 2,177m at 30 September 2017. Individual impairment provisions reduced by DKK 407m, while collective impairment provisions rose by DKK 47m, whereas impairment provisions for credit institutions fell by DKK 23m as the provisions were reversed.

Impairment provisions at the beginning of year, which were written off in Q1-Q3/2017, came to DKK 141m compared with DKK 232m in Q1-Q3/2016. Furthermore, write-offs not previously written down for impairment came to DKK 43m compared with DKK 34m in Q1-Q3/2016.

In addition, value adjustment of interest rate swaps of DKK 3.8bn was made, of which credit value adjustments amounted to DKK 3.2bn, comprising DKK 2.5bn relating to legacy derivatives and DKK 0.7bn relating to other items.

Impairment provisions in Retail fell from DKK 1,715m at end-2016 to DKK 1,603m due to a reduction of DKK 112m in impairment provisions for SMEs.

Impairment provisions for Wholesale Clients and Wealth Management reduced by DKK 248m from DKK 822m at end-2016 to DKK 574m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 65m from DKK 213m to DKK 148m. Other business units showed a DKK 182m reduction on end-2016.

## Provisions for loan impairment and guarantees – Nykredit Bank Group

DKK million	Retail		Wholesale Clients		Wealth Management		Group Items		Total	
	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2016
Impairment provisions, beginning of period	1,715	1,784	805	1,011	17	4	23	76	2,560	2,875
Impairment provisions and reversals	(112)	(49)	(253)	(159)	5	20	(23)	(53)	(383)	(241)
<b>Impairment provisions, end of period</b>	<b>1,603</b>	<b>1,735</b>	<b>552</b>	<b>852</b>	<b>22</b>	<b>24</b>	<b>-</b>	<b>23</b>	<b>2,177</b>	<b>2,634</b>
Of which individual	1,486	1,632	496	800	17	23	-	-	1,999	2,455
Of which individual, banks	-	-	-	-	-	-	-	23	-	23
Of which collective	117	103	56	52	5	1	-	-	178	156
Provisions for guarantees										
Provisions, beginning of period	42	44	9	55	-	-	-	-	51	99
Provisions, end of period	52	43	3	7	-	-	-	-	55	50
<b>Total provisions for loan impairment and guarantees</b>	<b>1,655</b>	<b>1,778</b>	<b>555</b>	<b>859</b>	<b>22</b>	<b>24</b>	<b>-</b>	<b>23</b>	<b>2,232</b>	<b>2,684</b>
<b>Earnings impact</b>										
New impairment provisions and charges for the period, net	11	90	(193)	(81)	5	21	(22)	(6)	(199)	24
Recoveries on loans and advances previously written off	25	16	47	17	-	-	-	-	72	33
<b>Total</b>	<b>(14)</b>	<b>74</b>	<b>(240)</b>	<b>(98)</b>	<b>5</b>	<b>21</b>	<b>(22)</b>	<b>(6)</b>	<b>(271)</b>	<b>(9)</b>
Provisions for guarantees	10	(5)	(6)	(44)	-	-	-	-	4	(50)
<b>Total earnings impact</b>	<b>(4)</b>	<b>69</b>	<b>(246)</b>	<b>(142)</b>	<b>5</b>	<b>21</b>	<b>(22)</b>	<b>(6)</b>	<b>(267)</b>	<b>(58)</b>



Total non-continuing exposures were fairly unchanged at DKK 0.2bn at 30 September 2017 (carrying amounts after impairments).

Provisions for guarantees amounted to DKK 55m against DKK 51m at end-2016.

Relative to total loans, advances and guarantees, provisions amounted to 2.2% compared with 2.5% at end-2016. Excluding guarantees, the ratio was 2.7% compared with 2.9% at end-2016. The carrying amount of non-accrual loans was DKK 0.3bn against DKK 0.2bn in 2016.

#### Loans, advances and guarantees by sector

The carrying amount of Group loans, advances and guarantees totalled DKK 98.0bn against DKK 102.2bn at end-2016, down DKK 4.2bn.

This figure comprised a decline in reverse repurchase lending of DKK 9.9bn, a rise in other loans and advances of DKK 2.3bn and a rise in guarantees of DKK 3.4bn. Reverse repurchase lending totalled DKK 20.2bn at 30 September 2017 against DKK 30.1bn at end-2016.

Finance and insurance still accounted for the largest single sector exposure at DKK 27.2bn against DKK 34.7bn at end-2016. The exposure widely comprised reverse repurchase lending with bonds serving as security, and the DKK 7.5bn fall was thus notably an effect of the decrease in reverse repurchase lending.

Finance and insurance accounted for 27.8% against 34.0% at end-2016, and personal customers 26.9% against 21.7% at end-2016.

At 30 September 2017, loan impairment provisions for the real estate sector totalled DKK 0.9bn compared with DKK 1.2bn at end-2016, or 5.7% of total loans and advances to the sector. At end-2016, the percentage was 7.3%.

Loans, advances and guarantees by sector	Loans, advances and guarantees		Provisions	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
DKK million				
<b>Public sector</b>	<b>825</b>	<b>597</b>	<b>-</b>	<b>-</b>
Agriculture, hunting, forestry and fishing	2,954	2,661	96	95
Manufacturing, mining and quarrying	5,063	6,290	182	185
Energy supply	1,950	2,252	3	3
Construction	3,291	3,177	152	206
Trade	3,683	3,843	69	57
Transport, accommodation and food service activities	3,009	3,101	101	114
Information and communication	851	1,551	18	18
Finance and insurance	27,241	34,749	83	119
Real estate	10,764	11,589	699	950
Other	12,049	10,273	228	222
<b>Total business customers</b>	<b>70,855</b>	<b>79,486</b>	<b>1,631</b>	<b>1,969</b>
Personal customers	26,330	22,163	601	621
<b>Total</b>	<b>98,010</b>	<b>102,246</b>	<b>2,232</b>	<b>2,590</b>
<b>Total, incl impairment provisions for banks</b>	<b>-</b>	<b>-</b>	<b>2,232</b>	<b>2,613</b>

**Supervisory Diamond**

	Q1-Q3/2017	Q1-Q3/2016
Lending growth <sup>1</sup> (limit value <20%)	8.3	11.9
Large exposures (limit value <125%)	-	-
Property exposure (limit value <25%)	12.4	13.4
Funding ratio (limit value <1.0)	0.6	0.6
Excess liquidity coverage (limit value 50%)	253.5	241.4

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

**FSA Supervisory Diamond for banks**

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

Nykredit Bank's key ratios were below the maximum limit values of the Danish FSA throughout Q1-Q3/2017 and at 30 September 2017.

Nykredit Bank recorded lending growth of 8.3%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

The Bank's property exposure was 12.4% against 13.4% at end-Q1-Q3/2016.

# MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for 1 January – 30 September 2017 of Nykredit Bank A/S and the Nykredit Bank Group.

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 30 September 2017 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 30 September 2017.

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

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

Copenhagen, 7 November 2017

### Executive Board

Henrik Rasmussen

Dan Sørensen

### Board of Directors

Michael Rasmussen, Chairman

Søren Holm, Deputy Chairman

Kent Ankersen\*

Kim Duus

Flemming Ellegaard\*

David Hellemann

Anders Jensen

Allan Kristiansen\*

\* Staff-elected member

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank Group

	Note	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q3/2016
<b>INCOME STATEMENT</b>					
Interest income	5	1,351	1,288	473	434
Negative interest, income	5a	(145)	(121)	(14)	(52)
Negative interest, expenses	5a	(183)	(144)	(22)	(54)
Interest expenses	6	219	249	54	77
<b>Net interest income</b>		<b>1,170</b>	<b>1,062</b>	<b>427</b>	<b>359</b>
Dividend on equities		11	12	-	-
Fee and commission income		1,513	1,230	529	423
Fee and commission expenses		298	457	103	163
<b>Net interest and fee income</b>		<b>2,396</b>	<b>1,847</b>	<b>853</b>	<b>619</b>
Value adjustments	7	2,472	(537)	231	241
Other operating income		25	21	9	9
Staff and administrative expenses	8	1,409	1,443	475	490
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		11	12	3	4
Other operating expenses		17	19	6	6
Impairment charges for loans, advances and receivables	9	(267)	(58)	(60)	28
Profit from investments in associates and Group enterprises	10	-	-	-	-
<b>Profit (loss) before tax</b>		<b>3,723</b>	<b>(85)</b>	<b>669</b>	<b>341</b>
Tax	11	829	(33)	158	74
<b>Profit (loss) for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>267</b>
<b>Proposal for the distribution of profit</b>					
Statutory reserves		-	-	-	-
Retained earnings		2,894	(52)	511	267
<b>Profit (loss) for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>267</b>
<b>Comprehensive income</b>					
<b>Profit (loss) for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>267</b>
Other additions and disposals		-	-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>267</b>

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Bank A/S

	Note	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q3/2016
<b>INCOME STATEMENT</b>					
Interest income	5	1,242	1,188	436	401
Negative interest, income		(145)	(121)	(14)	(52)
Negative interest, expenses		(183)	(144)	(22)	(54)
Interest expenses	6	220	248	55	76
<b>Net interest income</b>		<b>1,060</b>	<b>963</b>	<b>389</b>	<b>327</b>
Dividend on equities		11	12	-	-
Fee and commission income		1,211	939	425	322
Fee and commission expenses		244	393	84	143
<b>Net interest and fee income</b>		<b>2,038</b>	<b>1,521</b>	<b>730</b>	<b>506</b>
Value adjustments	7	2,472	(537)	231	242
Other operating income		3	1	1	-
Staff and administrative expenses	8	1,250	1,284	421	443
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets		11	12	3	4
Other operating expenses		15	16	5	5
Impairment charges for loans, advances and receivables	9	(278)	(66)	(69)	25
Profit from investments in associates and Group enterprises	10	164	140	53	54
<b>Profit (loss) before tax</b>		<b>3,679</b>	<b>(121)</b>	<b>655</b>	<b>325</b>
Tax	11	785	(69)	144	60
<b>Profit (loss) for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>265</b>
<b>Comprehensive income</b>					
<b>Profit (loss) for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>265</b>
Other additions and disposals		-	-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period</b>		<b>2,894</b>	<b>(52)</b>	<b>511</b>	<b>265</b>

## BALANCE SHEETS

		DKK million			
Nykredit Bank A/S		Nykredit Bank Group			
31.12.2016	30.09.2017		Note	30.09.2017	31.12.2016
<b>ASSETS</b>					
1,980	1,788	Cash balances and demand deposits with central banks		1,788	1,980
33,743	21,949	Receivables from credit institutions and central banks	12	21,949	33,743
30,091	20,168	Loans, advances and other receivables at fair value	13	20,168	30,091
53,481	55,948	Loans, advances and other receivables at amortised cost	14	57,270	55,003
41,768	38,259	Bonds at fair value	15	38,898	42,318
-	3,739	Bonds at amortised cost	15	3,739	-
257	208	Equities	16	209	258
-	2	Investments in associates		2	-
1,181	1,346	Investments in Group enterprises		-	-
22	13	Intangible assets		13	22
3	2	Other property, plant and equipment		2	3
-	-	Current tax assets		-	5
109	115	Deferred tax assets		116	110
27	16	Assets in temporary possession	17	16	27
31,300	23,819	Other assets	18	23,860	31,343
15	64	Prepayments		67	23
<b>193,977</b>	<b>167,436</b>	<b>Total assets</b>		<b>168,097</b>	<b>194,926</b>



# BALANCE SHEETS

DKK million

Nykredit Bank A/S		Nykredit Bank Group			
31.12.2016	30.09.2017		Note	30.09.2017	31.12.2016
<b>LIABILITIES AND EQUITY</b>					
51,066	43,652	Payables to credit institutions and central banks	19	43,922	51,606
66,317	69,373	Deposits and other payables	20	69,298	66,263
10,158	7,218	Bonds in issue at amortised cost	21	7,218	10,158
21,348	10,901	Other non-derivative financial liabilities at fair value	22	10,901	21,348
8	200	Current tax liabilities		240	15
29	29	Liabilities temporarily assumed		29	29
26,153	14,311	Other liabilities	23	14,620	26,493
5	6	Deferred income		10	9
<b>175,084</b>	<b>145,690</b>	<b>Total payables</b>		<b>146,238</b>	<b>175,921</b>
<b>Provisions</b>					
-	-	Provisions for deferred tax		113	112
52	55	Provisions for losses under guarantees	24	55	52
97	53	Other provisions	24	53	97
<b>149</b>	<b>108</b>	<b>Total provisions</b>		<b>221</b>	<b>261</b>
2,000	2,000	Subordinated debt	25	2,000	2,000
<b>Equity</b>					
8,045	8,045	Share capital		8,045	8,045
<b>Accumulated value adjustments</b>					
-	-	- revaluation reserves		-	-
<b>Other reserves</b>					
714	878	Statutory reserves		-	-
7,985	10,715	Retained earnings		11,593	8,699
<b>16,744</b>	<b>19,638</b>	<b>Total equity</b>		<b>19,638</b>	<b>16,744</b>
<b>193,977</b>	<b>167,436</b>	<b>Total liabilities and equity</b>		<b>168,097</b>	<b>194,926</b>
<b>Off-balance sheet items</b>					
17,790	20,941	Contingent liabilities	26	20,572	17,152
5,225	6,837	Other commitments	27	6,922	5,375

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank Group

	Share capital <sup>1</sup>	Retained earnings	Total
<b>2017</b>			
<b>Equity, 1 January</b>	<b>8,045</b>	<b>8,699</b>	<b>16,744</b>
<b>Comprehensive income</b>			
Profit for the period	-	2,894	2,894
<b>Total comprehensive income</b>	<b>-</b>	<b>2,894</b>	<b>2,894</b>
Capital increase	-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>2,894</b>	<b>2,894</b>
<b>Equity, 30 September 2017</b>	<b>8,045</b>	<b>11,593</b>	<b>19,638</b>
<b>2016</b>			
<b>Equity, 1 January</b>	<b>8,045</b>	<b>8,072</b>	<b>16,117</b>
<b>Comprehensive income</b>			
Loss for the period	-	(52)	(52)
<b>Total comprehensive income</b>	<b>-</b>	<b>(52)</b>	<b>(52)</b>
Capital increase	-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>(52)</b>	<b>(52)</b>
<b>Equity, 30 September 2016</b>	<b>8,045</b>	<b>8,020</b>	<b>16,065</b>

<sup>1</sup> The share capital breaks down into 19 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit may be obtained from the association.

# STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Bank A/S

	Share capital <sup>1</sup>	Statutory reserves	Retained earnings	Total
<b>2017</b>				
<b>Equity, 1 January</b>	<b>8,045</b>	<b>714</b>	<b>7,985</b>	<b>16,744</b>
<b>Comprehensive income</b>				
Profit for the period	-	164	2,730	2,894
<b>Total comprehensive income</b>	<b>-</b>	<b>164</b>	<b>2,730</b>	<b>2,894</b>
Capital increase	-	-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>164</b>	<b>2,730</b>	<b>2,894</b>
<b>Equity, 30 September 2017</b>	<b>8,045</b>	<b>878</b>	<b>10,715</b>	<b>19,638</b>
<b>2016</b>				
<b>Equity, 1 January</b>	<b>8,045</b>	<b>536</b>	<b>7,536</b>	<b>16,117</b>
<b>Comprehensive income</b>				
Loss for the period	-	-	(52)	(52)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>(52)</b>
Capital increase	-	-	-	-
<b>Total changes in equity</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>(52)</b>
<b>Equity, 30 September 2016</b>	<b>8,045</b>	<b>536</b>	<b>7,484</b>	<b>16,065</b>

<sup>1</sup> The share capital breaks down into 19 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit may be obtained from the association.

# CASH FLOW STATEMENT

DKK million

Nykredit Bank Group

	Q1-Q3/2017	Q1-Q3/2016
<b>Profit (loss) for the period</b>	<b>2,894</b>	<b>(52)</b>
<b>Adjustments</b>		
Net interest income	(1,170)	(1,062)
Depreciation and impairment charges for property, plant and equipment	11	12
Other non-cash changes	(1)	24
Impairment charges for loans, advances and receivables	(200)	(25)
Tax on profit (loss) for the period	829	(33)
<b>Total</b>	<b>2,363</b>	<b>(1,136)</b>
<b>Change in operating capital</b>		
Loans, advances and other receivables	7,728	8,179
Deposits and other payables	4,619	5,812
Payables to credit institutions and central banks	(8,071)	12,745
Bonds at fair value	(1,504)	(1,783)
Equities	47	98
Other operating capital	(14,993)	4,969
<b>Total</b>	<b>(12,174)</b>	<b>30,020</b>
Interest income received	1,866	1,613
Interest expenses paid	(616)	(518)
Corporation tax paid, net	(605)	(105)
<b>Cash flows from operating activities</b>	<b>(9,166)</b>	<b>29,874</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment	(1)	-
<b>Total</b>	<b>(1)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Capital increase	-	-
Subordinated debt	-	(100)
Bonds in issue	(2,817)	(7,800)
<b>Total</b>	<b>(2,817)</b>	<b>(7,900)</b>
<b>Total cash flows for the period</b>	<b>(11,984)</b>	<b>21,974</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>35,723</b>	<b>13,425</b>
Foreign currency translation adjustment of cash	(2)	10
<b>Cash and cash equivalents, end of period</b>	<b>23,737</b>	<b>35,409</b>
<b>Cash and cash equivalents, end of period</b>		
Specification of cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	1,788	1,990
Receivables from credit institutions and central banks	21,949	33,419
<b>Total</b>	<b>23,737</b>	<b>35,409</b>

# NOTES

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Nykredit Bank Group

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11. Tax	34
12. Receivables from credit institutions and central banks	35
13. Loans, advances and other receivables at fair value	35
14. Loans, advances and other receivables at amortised cost	35
15. Bonds	35
16. Equities	35
17. Assets in temporary possession	36
18. Other assets	36
19. Payables to credit institutions and central banks	36
20. Deposits and other payables	36
21. Bonds in issue at amortised cost	37
22. Other non-derivative financial liabilities at fair value	37
23. Other liabilities	37
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## 1. ACCOUNTING POLICIES

### General

The Consolidated Financial Statements for Q1-Q3/2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Parent Interim Financial Statements for Q1-Q3/2017 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish executive order on the presentation of financial reports) issued by the Danish Financial Supervisory Authority (FSA).

### Changes to presentation and measurement

#### **Earnings presentation in Management Commentary and business areas**

The earnings presentation in the Management Commentary, including financial highlights on page 3, as well as in notes 3 and 4, has been changed compared with previously.

As stated in the Management Commentary and the stock exchange announcement of 27 October 2017, Management has made a number of adjustments to the internal reporting that forms an integral part of the management of the Company. The presentation has been changed primarily to present a more varied picture of the Group's income.

This information is considered important and relevant to readers of the external Financial Statements as a supplement to the income statement. Review of results for the period in the Management Commentary is consequently based on the regularly reporting made to and considered by Management.

The most important change is that income will be broken down into several items going forward, differentiating more clearly between stable types of income and relatively more volatile income from trading and investment portfolio income, for instance. Furthermore, investment portfolio income is recognised in "Income" contrary to previously, when investment portfolio income was recognised as a separate item.

In future reports the former "Profit from core business" will be replaced by the new key item "Business profit". The difference between the two items is primarily that "Business profit" comprises the former item "Investment portfolio income" which is now included in "Income".

This implies a new presentation of income in the income statement grouped in two main items; "Income" and "Legacy derivatives". In addition, income is divided into five sub-items. The principles of recognition and measurement are identical. The change is further described in notes 3 and 4.

### Interest rate swaps

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

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

These are derivatives, including instruments with step-up interest rate structures and swaps, carrying an initial maturity over 15 years and entered into with eg housing cooperatives and agricultural customers. This item covers all net income from the relevant contracts and not merely credit value adjustments. A considerable part of the derivatives concerned relates to the portfolio previously separated out for which credit value adjustments have been made. Compared with previous practice, viewed separately, this change means that a negative DKK 342m is transferred to "Income". Business profit is thus affected positively. Comparative figures for Q1-Q3/2016 have been changed, and an expense of DKK 89m has now been included in business profit.

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

### Bonds

Up to now, Nykredit Bank A/S has measured and classified the bond portfolio as "Bonds at fair value" with value adjustments recognised in the income statement.

In Q3/2017 the Bank has acquired a portfolio of held-to-maturity. The portfolio is thus measured at amortised cost and presented separately in the balance sheet as "Bonds at amortised cost".

### IFRS 9

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

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

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

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

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

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

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



# NOTES

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

This is also stated in a new Danish draft executive order on the presentation of financial reports partly encompassing the new impairment rules, submitted for consultation by the Danish FSA in Q1-Q3/2017.

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

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

Reference is made to the accounting policies (note 1) of the Annual Report 2016.

## **New and amended standards, interpretations and reporting provisions**

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

Compared with the information disclosed in the accounting policies (note 1) of the Annual Report 2016, no new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish executive order on the presentation of financial reports of the Danish FSA which influence the Q1-Q3 Interim Report 2017 of Nykredit Bank A/S and the Nykredit Bank Group.

## **Significant accounting estimates and assessments**

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

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

## **Other information**

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

All figures in the Q1-Q3 Financial Statements 2017 are rounded to the nearest million Danish kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.09.2017		30.09.2017	31.12.2016
<b>2. CAPITAL AND CAPITAL ADEQUACY</b>				
<b>16,744</b>	<b>19,638</b>	Equity	<b>19,638</b>	<b>16,744</b>
-	(511)	Profit for the period not included	(511)	(0)
(46)	(29)	Prudent valuation adjustment	(29)	(46)
(22)	(10)	Intangible assets	(10)	(22)
(315)	(237)	Deduction for difference between IRB losses and impairments	(237)	(315)
(63)	(24)	Other deductions	(24)	(63)
126	47	Transitional adjustment of deductions	47	126
<b>(320)</b>	<b>(763)</b>	<b>Common Equity Tier 1 capital deductions</b>	<b>(763)</b>	<b>(320)</b>
<b>16,424</b>	<b>18,875</b>	<b>Common Equity Tier 1 capital</b>	<b>18,875</b>	<b>16,424</b>
-	-	- Additional Tier 1 capital	-	-
-	-	- Transitional Additional Tier 1 capital adjustment	-	-
<b>-</b>	<b>-</b>	<b>Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>
<b>16,424</b>	<b>18,875</b>	<b>Tier 1 capital</b>	<b>18,875</b>	<b>16,424</b>
2,000	2,000	Tier 2 capital	2,000	2,000
-	157	Tier 2 capital additions/deductions	157	-
(63)	(24)	Transitional adjustment of Tier 2 capital	(24)	(63)
<b>18,361</b>	<b>21,008</b>	<b>Own funds</b>	<b>21,008</b>	<b>18,361</b>
99,622	84,835	Credit risk	80,190	95,079
9,369	10,424	Market risk	10,424	9,369
5,201	5,300	Operational risk	6,112	5,898
<b>114,192</b>	<b>100,558</b>	<b>Total risk exposure amount</b>	<b>96,727</b>	<b>110,346</b>
14.3	18.7	Common Equity Tier 1 capital ratio, %	19.5	14.8
14.3	18.7	Tier 1 capital ratio, %	19.5	14.8
16.0	20.8	Total capital ratio, %	21.7	16.6

<sup>1</sup> Equity for end-Q3/2017 has been determined exclusive of profit for the period.

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

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

# NOTES

DKK million

Nykredit Bank Group

## 3. BUSINESS AREAS

### RESULTS Q1-Q3/2017

#### Business profit and profit for the period

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
Net interest income	343	414	758	332	-	332	35	0	1,125
Net fee income	115	96	211	179	-	179	8	(11)	387
Wealth management income	270	138	408	69	-	69	554	16	1,047
Net interest from capitalisation	(4)	(9)	(13)	(9)	(1)	(10)	(1)	(2)	(25)
Trading, investment portfolio and other income	9	333	342	212	313	525	24	(20)	872
<b>Income</b>	<b>733</b>	<b>973</b>	<b>1,706</b>	<b>782</b>	<b>312</b>	<b>1,095</b>	<b>621</b>	<b>(16)</b>	<b>3,405</b>
Costs	471	284	755	193	163	356	312	14	1,437
<b>Business profit before impairment charges</b>	<b>262</b>	<b>690</b>	<b>950</b>	<b>589</b>	<b>148</b>	<b>738</b>	<b>309</b>	<b>(30)</b>	<b>1,968</b>
Impairment charges for loans and advances	38	(43)	(4)	(246)	-	(246)	5	(22)	(267)
<b>Business profit</b>	<b>223</b>	<b>731</b>	<b>956</b>	<b>835</b>	<b>148</b>	<b>984</b>	<b>303</b>	<b>(8)</b>	<b>2,235</b>
Legacy derivatives	-	358	358	1,097	33	1,130	-	-	1,488
<b>Profit (loss) before tax</b>	<b>223</b>	<b>1,091</b>	<b>1,313</b>	<b>1,933</b>	<b>181</b>	<b>2,114</b>	<b>303</b>	<b>(8)</b>	<b>3,722</b>

#### BALANCE SHEET

##### Assets

Loans and advances at fair value								20,168	20,168
Loans and advances at amortised cost	11,856	19,918	31,775	22,047	-	22,047	2,983	465	57,270
<b>Assets by business area</b>	<b>11,856</b>	<b>19,918</b>	<b>31,775</b>	<b>22,047</b>	<b>-</b>	<b>22,047</b>	<b>2,983</b>	<b>20,632</b>	<b>77,437</b>
Unallocated assets									90,659
<b>Total assets</b>									<b>168,097</b>

##### Liabilities and equity

Deposits and other payables at amortised cost	26,843	18,119	44,962	10,794	3	10,797	11,482	2,058	69,298
<b>Liabilities by business area</b>	<b>26,843</b>	<b>18,119</b>	<b>44,962</b>	<b>10,794</b>	<b>3</b>	<b>10,797</b>	<b>11,482</b>	<b>2,058</b>	<b>69,298</b>
Unallocated liabilities									79,160
Equity									19,638
<b>Total liabilities and equity</b>									<b>168,097</b>

The income statement format has been adjusted in some areas. The previous income statement items "Income from core business" and "Profit from core business" have been replaced by "Income" and "Business profit". Compared with previously, these items now comprise "Investment portfolio income" which was separated out from core business but will be recognised as an integral part of "Income" ("Trading, investment portfolio and other income") going forward.

Another important element is a more detailed presentation reflecting partly the composition of income and origin in the individual business divisions, and partly, the degree of volatility of the individual items. Previously, income from the business divisions was presented as one single item "Core income from business operations". In future income will be divided into and presented as five different items:

"Net interest income" comprising net interest income from bank lending and deposits.

"Net fee income" comprising income from banking lending, service fees, guarantees and leasing business.

"Wealth management income" comprising asset management and administration fees. This item pertains to business with customers performed by the Group's entities Nykredit Asset Management and Nykredit Portefølje Administration A/S but where income is ascribed to the business divisions serving the customers.

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt.

"Trading, investment portfolio and other income" which includes income from swaps currently offered, derivatives transactions, Nykredit Markets activities, repo deposits and lending, debt capital markets activities as well as other income and expenses not allocated to the business divisions.

The organisation of the business areas is unchanged compared with previously. Compared with previous practice, capital costs previously recognised in Group Items have been allocated to the business divisions and the allocation key has been slightly adjusted.

# NOTES

DKK million

Nykredit Bank Group

## 3. BUSINESS AREAS (CONTINUED)

### RESULTS Q1-Q3/2016

#### Business profit and profit for the period

	Personal Banking	Business Banking	Total Retail	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
Net interest income	402	372	774	283	-	283	32	(1)	1,089
Net fee income	89	91	179	124	-	124	6	(14)	295
Wealth management income	247	129	377	30	-	30	439	10	856
Net interest from capitalisation	1	2	3	2	1	2	0	1	6
Trading, investment portfolio and other income	(78)	(185)	(263)	94	329	423	15	95	270
<b>Income</b>	<b>661</b>	<b>409</b>	<b>1,070</b>	<b>533</b>	<b>330</b>	<b>863</b>	<b>493</b>	<b>91</b>	<b>2,516</b>
Costs	471	310	781	181	201	383	283	27	1,474
<b>Business profit before impairment charges</b>	<b>189</b>	<b>99</b>	<b>289</b>	<b>352</b>	<b>129</b>	<b>480</b>	<b>210</b>	<b>64</b>	<b>1,042</b>
Impairment charges for loans and advances	103	(34)	69	(142)	-	(142)	20	(6)	(58)
<b>Business profit</b>	<b>86</b>	<b>133</b>	<b>219</b>	<b>493</b>	<b>129</b>	<b>622</b>	<b>189</b>	<b>69</b>	<b>1,099</b>
Legacy derivatives	-	(481)	(481)	(703)	-	(703)	-	-	(1,185)
<b>Profit (loss) before tax</b>	<b>86</b>	<b>(348)</b>	<b>(262)</b>	<b>(210)</b>	<b>129</b>	<b>(81)</b>	<b>189</b>	<b>69</b>	<b>(85)</b>

#### BALANCE SHEET, 31 DECEMBER 2016

##### Assets

Loans and advances at fair value								30,091	30,091
Loans and advances at amortised cost	11,952	18,127	30,079	21,554	-	21,554	2,603	767	55,003
<b>Assets by business area</b>	<b>11,952</b>	<b>18,127</b>	<b>30,079</b>	<b>21,554</b>	<b>-</b>	<b>21,554</b>	<b>2,603</b>	<b>30,858</b>	<b>85,094</b>
Unallocated assets									109,832
<b>Total assets</b>									<b>194,926</b>

##### Liabilities and equity

Deposits and other payables at amortised cost	25,760	17,277	43,037	12,203	4	12,207	9,522	1,497	66,263
<b>Liabilities by business area</b>	<b>25,760</b>	<b>17,277</b>	<b>43,037</b>	<b>12,203</b>	<b>4</b>	<b>12,207</b>	<b>9,522</b>	<b>1,497</b>	<b>66,263</b>
Unallocated liabilities									109,919
Equity									18,744
<b>Total liabilities and equity</b>									<b>194,926</b>

## 4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT

	Q1-Q3/2017			Q1-Q3/2016		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	1,125	45	1,170	1,089	(27)	1,062
Dividend on equities		11	11		12	12
Fee and commission income, net	387	828	1,215	295	478	773
<b>Net interest and fee income</b>	<b>1,511</b>	<b>885</b>	<b>2,396</b>	<b>1,384</b>	<b>463</b>	<b>1,847</b>
Wealth management income	1,047	(1,047)	-	856	(856)	-
Net interest from capitalisation	(25)	25	-	6	(6)	-
Trading, investment portfolio and other income	872	(872)	-	270	(270)	-
Value adjustments		2,472	2,472		(537)	(537)
Other operating income		25	25		21	21
<b>Total income</b>	<b>3,405</b>			<b>2,516</b>		
Costs	1,437	-	1,437	1,474	-	1,474
<b>Business profit before impairment charges</b>	<b>1,968</b>			<b>1,041</b>		
Impairment charges for loans and advances	(267)	-	(267)	(58)	-	(58)
Profit from investments in associates		-	-		-	-
<b>Business profit</b>	<b>2,235</b>			<b>1,099</b>		
Legacy derivatives	1,488	(1,488)	-	(1,185)	1,185	-
<b>Profit (loss) before tax</b>	<b>3,723</b>	<b>-</b>	<b>3,723</b>	<b>(85)</b>	<b>-</b>	<b>(85)</b>

Note 4 combines the presentation of income in the Management Commentary (internal presentation), including the financial highlights and business areas, and the formal income statement of the Financial Statements.

The most important difference is that all income is recognised in two main items in the internal presentation: "Income" including sub-items and "Legacy derivatives". The sum of these two items thus corresponds to "Net interest and fee income", "Value adjustments" and "Other operating income" in the income statement of the Financial Statements. The column "Reclassification" thus comprises only differences between the internal presentation and the income statement with respect to these items.

Costs in the internal presentation correspond to total costs recognised in the Financial Statements: "Staff and administrative expenses", "Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets" and "Other operating expenses".

Impairment charges for loans and advances correspond to the presentation in the income statement.

The internal presentation is based on the same recognition and measurement principles as the IFRS-based Financial Statements. Thus, profit before tax is unchanged.

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
<b>5. INTEREST INCOME</b>			
9	4	4	9
1,338	1,398	1,506	1,437
179	124	124	180
(340)	(286)	(286)	(340)
Of which			
131	53	53	131
(459)	(330)	(330)	(459)
(18)	(8)	(8)	(18)
6	(1)	(1)	6
2	2	3	2
<b>1,188</b>	<b>1,242</b>	<b>1,351</b>	<b>1,288</b>
<b>Total</b>			
<b>Of which interest income from genuine purchase and resale transactions entered as</b>			
-	-	-	-
2	4	4	2
<b>5A. NEGATIVE INTEREST</b>			
<b>Interest income</b>			
(46)	(73)	(73)	(46)
(75)	(72)	(72)	(75)
<b>(121)</b>	<b>(145)</b>	<b>(145)</b>	<b>(121)</b>
<b>Total</b>			
<b>Of which interest income from genuine purchase and resale transactions entered as</b>			
(39)	(48)	(48)	(39)
(79)	(71)	(71)	(79)
<b>Interest expenses</b>			
(63)	(101)	(101)	(63)
(81)	(82)	(82)	(81)
<b>(144)</b>	<b>(183)</b>	<b>(183)</b>	<b>(144)</b>
<b>Total</b>			
<b>Of which interest expenses for genuine purchase and resale transactions entered as</b>			
(18)	(44)	(44)	(18)
(59)	(38)	(38)	(59)
<b>23</b>	<b>38</b>	<b>38</b>	<b>23</b>
<b>Negative interest, net</b>			
<b>6. INTEREST EXPENSES</b>			
44	24	23	44
51	55	55	51
112	60	60	112
1	31	31	1
40	50	50	41
<b>248</b>	<b>220</b>	<b>219</b>	<b>249</b>
<b>Total</b>			
<b>Of which interest expenses for genuine sale and repurchase transactions entered as</b>			
6	-	-	6
2	-	-	2



# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
<b>7. VALUE ADJUSTMENTS</b>			
2	1	1	2
182	177	177	182
13	(25)	(25)	13
18	53	53	18
(752)	1,527	1,527	(752)
-	739	739	-
<b>(537)</b>	<b>2,472</b>	<b>2,472</b>	<b>(537)</b>
<b>8. STAFF AND ADMINISTRATIVE EXPENSES</b>			
4	4	4	4
508	536	627	597
772	710	778	842
<b>1,284</b>	<b>1,250</b>	<b>1,409</b>	<b>1,443</b>
<b>Remuneration of Board of Directors and Executive Board:</b>			
<b>Board of Directors</b>			
0	0	0	0
Staff-elected board representatives each receive an annual fee of DKK 60,000. No additional fees are paid to the Board of Directors.			
<b>Executive Board</b>			
4	4	4	4
<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
The terms and conditions governing the salaries and pensions of the Executive Board have not changed since the Annual Report 2016, to which reference is made.			
<b>Staff expenses</b>			
406	424	498	479
37	40	48	45
65	73	81	73
<b>508</b>	<b>537</b>	<b>627</b>	<b>597</b>
<b>9. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES</b>			
<b>Specification of impairment provisions</b>			
2,406	1,940	1,998	2,455
23	-	-	23
151	169	179	156
<b>2,580</b>	<b>2,109</b>	<b>2,177</b>	<b>2,634</b>
<b>Individual impairment provisions for loans, advances and receivables</b>			
<b>2,660</b>	<b>2,346</b>	<b>2,406</b>	<b>2,711</b>
363	315	345	383
385	580	612	407
232	141	141	232
<b>2,406</b>	<b>1,940</b>	<b>1,998</b>	<b>2,455</b>
<b>Individual impairment provisions for receivables from credit institutions</b>			
<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
-	(23)	(23)	-
<b>23</b>	<b>-</b>	<b>-</b>	<b>23</b>
<b>Collective impairment provisions</b>			
<b>136</b>	<b>126</b>	<b>131</b>	<b>141</b>
15	43	48	15
<b>151</b>	<b>169</b>	<b>179</b>	<b>156</b>

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
<b>9. IMPAIRMENT CHARGES FOR ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)</b>			
<b>Earnings impact</b>			
(7)	(245)	Change in provisions for loan and receivable impairment	(242) (9)
24	35	Write-offs for the period, net	43 34
33	72	Recoveries on claims previously written off	72 33
<b>(16)</b>	<b>(282)</b>	<b>Total impairment charges</b>	<b>(271) (8)</b>
(50)	4	Provisions for guarantees	4 (50)
<b>(66)</b>	<b>(278)</b>	<b>Total</b>	<b>(267) (58)</b>
(81)	(321)	Of which individual impairment provisions	(315) (73)
15	43	Of which collective impairment provisions	48 15
<b>Receivables from credit institutions with objective evidence of impairment</b>			
25	-	Receivables subject to individual impairment provisioning	- 25
23	-	Impairment provisions	- 23
<b>2</b>	<b>-</b>	<b>Carrying amount</b>	<b>- 2</b>
<b>Loans and advances with objective evidence of impairment</b>			
3,328	2,429	Loans and advances at amortised cost subject to individual impairment provisioning	2,569 3,462
2,406	1,940	Impairment provisions	1,998 2,455
<b>922</b>	<b>489</b>	<b>Total</b>	<b>571 1,007</b>
50,905	55,628	Loans and advances at amortised cost subject to collective impairment provisioning	56,878 52,264
151	169	Impairment provisions	179 156
<b>50,754</b>	<b>55,459</b>	<b>Carrying amount</b>	<b>56,699 52,108</b>
<b>10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>			
140	164	Profit from investments in Group enterprises	- -
<b>140</b>	<b>164</b>	<b>Total</b>	<b>- -</b>
<b>11. TAX</b>			
(69)	785	Tax for the period	829 (33)
<b>(69)</b>	<b>785</b>	<b>Total</b>	<b>829 (33)</b>
57.0	21.3	Effective tax rate, %	22.3 38.8

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.09.2017		30.09.2017	31.12.2016
<b>12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
12,648	7,125	Receivables at call from central banks	7,125	12,648
21,095	14,824	Receivables from credit institutions	14,824	21,095
<b>33,743</b>	<b>21,949</b>	<b>Total</b>	<b>21,949</b>	<b>33,743</b>
14,417	9,501	Of which genuine purchase and resale transactions	9,501	14,417
<b>13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>				
30,091	20,168	Loans and advances at fair value	20,168	30,091
<b>30,091</b>	<b>20,168</b>	<b>Total</b>	<b>20,168</b>	<b>30,091</b>
<b>14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>				
53,481	55,948	Loans and advances at amortised cost	57,270	55,003
<b>53,481</b>	<b>55,948</b>	<b>Total</b>	<b>57,270</b>	<b>55,003</b>
<b>15. BONDS</b>				
<b>Bonds at fair value</b>				
38,474	34,035	Covered bonds	34,674	39,024
1,198	477	Government bonds	477	1,198
3,436	4,783	Other bonds	4,783	3,436
<b>43,108</b>	<b>39,295</b>	<b>Total</b>	<b>39,934</b>	<b>43,658</b>
1,340	1,036	Self-issued bonds offset against bonds in issue	1,036	1,340
<b>41,768</b>	<b>38,259</b>	<b>Total</b>	<b>38,898</b>	<b>42,318</b>
The effect of fair value adjustment is recognised in the income statement.				
<b>Bonds at amortised cost</b>				
-	3,739	Covered bonds	3,739	-
<b>-</b>	<b>3,739</b>	<b>Total</b>	<b>3,739</b>	<b>-</b>
This concerns only bonds issued to Nykredit Realkredit A/S.				
<b>41,768</b>	<b>41,998</b>	<b>Total bonds</b>	<b>42,637</b>	<b>42,318</b>
1,733	860	Of which redeemed bonds	862	1,733
26,296	11,249	Assets sold as part of genuine sale and repurchase transactions	11,249	26,296
3,285	1,005	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	1,005	3,285
The deposits were made on an arm's length basis in connection with clearing and settlement of securities and foreign exchange trades. The deposits are adjusted on a daily basis and generally have a repayment term of very few value days.				
<b>16. EQUITIES</b>				
110	89	Listed on Nasdaq Copenhagen A/S	90	111
3	1	Listed on other stock exchanges	1	3
144	118	Unlisted equities carried at fair value	118	144
<b>257</b>	<b>208</b>	<b>Total</b>	<b>209</b>	<b>258</b>

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
<b>17. ASSETS IN TEMPORARY POSSESSION</b>			
<b>31</b>	<b>27</b>	<b>27</b>	<b>31</b>
4	11	11	4
<b>27</b>	<b>16</b>	<b>16</b>	<b>27</b>
<p>Assets in temporary possession comprise properties acquired by foreclosure.</p> <p>Nykredit Bank accepts mortgages on real estate as security for loans. In a number of instances, the Bank acquires the properties by foreclosure in the event of borrowers' non-performance of loan agreements etc.</p> <p>The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.</p>			
<b>18. OTHER ASSETS</b>			
1,699	1,075	1,105	1,765
26,940	18,994	18,994	26,940
2,661	3,750	3,761	2,638
<b>31,300</b>	<b>23,819</b>	<b>23,860</b>	<b>31,343</b>
<b>19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>			
7,087	2,405	2,405	7,087
43,979	41,247	41,517	44,519
<b>51,066</b>	<b>43,652</b>	<b>43,922</b>	<b>51,606</b>
6,555	10,513	10,513	6,555
<b>20. DEPOSITS AND OTHER PAYABLES</b>			
55,466	60,573	60,498	55,412
2,096	1,324	1,324	2,096
5,923	4,722	4,722	5,923
2,832	2,754	2,754	2,832
<b>66,317</b>	<b>69,373</b>	<b>69,298</b>	<b>66,263</b>
14,562	3,718	3,718	14,562

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.09.2017		30.09.2017	31.12.2016
<b>21. BONDS IN ISSUE AT AMORTISED COST</b>				
<b>Issues</b>				
7,850	6,396	EMTN issues*	6,396	7,850
3,493	1,797	ECP issues*	1,797	3,493
155	61	Other issues	61	155
<b>11,498</b>	<b>8,254</b>	<b>Total</b>	<b>8,254</b>	<b>11,498</b>
1,340	1,036	Own portfolio	1,036	1,340
<b>10,158</b>	<b>7,218</b>	<b>Total</b>	<b>7,218</b>	<b>10,158</b>
No adjustments have been made that can be attributed to changes in own credit risk. *Listed on Nasdaq Copenhagen A/S or the Luxembourg Stock Exchange.				
<b>22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>				
14,562	3,718	Deposits at fair value	3,718	14,562
6,786	7,183	Negative securities portfolios	7,183	6,786
<b>21,348</b>	<b>10,901</b>	<b>Total</b>	<b>10,901</b>	<b>21,348</b>
14,562	3,718	Of "Deposits at fair value", genuine sale and repurchase transactions total	3,718	14,562
<b>23. OTHER LIABILITIES</b>				
1,803	1,219	Interest and commission payable	1,221	1,801
22,963	11,934	Negative market value of derivative financial instruments	11,934	22,963
1,387	1,158	Other payables	1,465	1,729
<b>26,153</b>	<b>14,311</b>	<b>Total</b>	<b>14,620</b>	<b>26,493</b>

## NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
<b>24. PROVISIONS</b>			
<b>Provisions for losses under guarantees</b>			
<b>100</b>	<b>52</b>	<b>52</b>	<b>100</b>
21	22	22	21
69	19	19	69
<b>52</b>	<b>55</b>	<b>55</b>	<b>52</b>
<b>Other provisions</b>			
<b>82</b>	<b>97</b>	<b>97</b>	<b>82</b>
48	2	2	48
-	16	16	-
33	30	30	33
<b>97</b>	<b>53</b>	<b>53</b>	<b>97</b>
<b>Total provisions for losses under guarantees and other provisions</b>			
<b>182</b>	<b>149</b>	<b>149</b>	<b>182</b>
69	24	24	69
69	35	35	69
33	30	30	33
<b>149</b>	<b>108</b>	<b>108</b>	<b>149</b>
<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 concern contractual obligations relating to loans and advances and other banking activities, as well as provisions for restructuring costs.</p> <p>It is estimated that the majority of provisions will be settled within 1-2 years.</p>			
<b>25. SUBORDINATED DEBT</b>			
Subordinated debt consists of financial liabilities which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinate loan capital. The loan is non-callable and falls due in its entirety on 1 January 2027 and carries an interest rate of 2.25% pa above 3M Cibur.			
2,000	2,000	2,000	2,000
<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>Included in the determination of own funds</b>			
2,000	2,000	2,000	2,000

## NOTES

		DKK million	
Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
<b>26. CONTINGENT LIABILITIES</b>			
11,123	10,048	9,779	10,585
1,366	5,180	5,180	1,366
5,301	5,713	5,613	5,201
<b>17,790</b>	<b>20,941</b>	<b>20,572</b>	<b>17,152</b>
<b>Total</b>			

### OTHER CONTINGENT LIABILITIES

#### Legal proceedings

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

#### Bankernes EDB Central (BEC)

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

#### Guarantee and resolution schemes

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

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

#### Joint taxation

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

# NOTES

DKK million

Nykredit Bank A/S		Nykredit Bank Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
<b>27. OTHER COMMITMENTS</b>			
5,130	6,739	6,739	5,130
95	98	183	245
<b>5,225</b>	<b>6,837</b>	<b>6,922</b>	<b>5,375</b>
<b>Total</b>			

## 28. RELATED PARTY TRANSACTIONS AND BALANCES

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

No unusual related party transactions occurred in Q1-Q3/2017.

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

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

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

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

### Agreements between Nykredit Realkredit A/S and Nykredit Bank A/S

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

### Agreements between Totalkredit A/S and Nykredit Bank A/S

Nykredit Bank may transfer secured homeowner loans to Totalkredit A/S. In 2017 Nykredit Bank has transferred secured homeowner loans worth DKK 2.7bn.



# 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 provisions	Collective impairment provisions	Total
<b>30 September 2017</b>							
<b>Public sector</b>	<b>825</b>	<b>-</b>	<b>825</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business customers</b>							
Agriculture, hunting, forestry and fishing	2,369	585	2,954	3.0	80	16	96
Manufacturing, mining and quarrying	4,896	167	5,063	5.2	166	16	182
Energy supply	1,930	20	1,950	2.0	3	-	3
Construction	2,692	599	3,291	3.4	146	6	152
Trade	3,241	442	3,683	3.8	63	6	69
Transport, accommodation and food service activities	2,483	526	3,009	3.1	99	2	101
Information and communication	653	198	851	0.9	17	1	18
Finance and insurance	26,323	918	27,241	27.8	78	5	83
Real estate	9,116	1,648	10,764	11.0	627	72	699
Other	10,751	1,298	12,049	12.3	204	24	228
<b>Total business customers</b>	<b>64,454</b>	<b>6,401</b>	<b>70,855</b>	<b>72.3</b>	<b>1,483</b>	<b>148</b>	<b>1,631</b>
Personal customers	12,159	14,171	26,330	26.9	570	31	601
<b>Total</b>	<b>77,438</b>	<b>20,572</b>	<b>98,010</b>	<b>100</b>	<b>2,053</b>	<b>179</b>	<b>2,232</b>
Of which reverse repurchase lending (loans and advances at fair value)	20,168	-	20,168	20.6	-	-	-
<b>31 December 2016</b>							
<b>Public sector</b>	<b>446</b>	<b>151</b>	<b>597</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business customers</b>							
Agriculture, hunting, forestry and fishing	2,091	570	2,661	2.6	85	10	95
Manufacturing, mining and quarrying	6,099	191	6,290	6.2	177	8	185
Energy supply	2,205	47	2,252	2.2	3	-	3
Construction	2,302	875	3,177	3.1	204	2	206
Trade	3,447	396	3,843	3.8	53	4	57
Transport, accommodation and food service activities	2,505	596	3,101	3.0	110	4	114
Information and communication	1,370	181	1,551	1.5	17	1	18
Finance and insurance	33,776	973	34,749	34.0	117	2	119
Real estate	9,510	2,079	11,589	11.3	887	63	950
Other	9,138	1,135	10,273	10.0	218	4	222
<b>Total business customers</b>	<b>72,443</b>	<b>7,043</b>	<b>79,486</b>	<b>77.7</b>	<b>1,871</b>	<b>98</b>	<b>1,969</b>
Personal customers	12,205	9,958	22,163	21.7	588	33	621
<b>Total</b>	<b>85,094</b>	<b>17,152</b>	<b>102,246</b>	<b>100</b>	<b>2,459</b>	<b>131</b>	<b>2,590</b>
Of which reverse repurchase lending (loans and advances at fair value)	30,091	-	30,091	29.4	-	-	-
<b>Provisioning rate</b>	<b>Q1/</b>	<b>Q2/</b>	<b>Q3/</b>	<b>Q4/</b>	<b>Q1/</b>	<b>Q2/</b>	<b>Q3/</b>
<b>Group</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
Total loans and advances	83,936	79,904	77,986	85,094	79,705	79,055	77,438
Total guarantees	13,615	13,688	15,528	17,152	15,164	19,627	20,572
Impairment provisions for loans and advances at amortised cost	2,753	2,584	2,611	2,537	2,473	2,209	2,177
Provisions for guarantees	97	65	50	51	49	59	55
<b>Total loans, advances, guarantees and provisions</b>	<b>100,401</b>	<b>96,241</b>	<b>96,175</b>	<b>104,834</b>	<b>97,391</b>	<b>100,950</b>	<b>100,242</b>
Provisioning rate, %	2.8	2.8	2.8	2.5	2.6	2.2	2.2
Provisioning rate excluding guarantees	3.2	3.1	3.2	2.9	3.0	2.7	2.7

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

## 30. FAIR VALUE DISCLOSURES

### Listed prices

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

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

### Observable inputs

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

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

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

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

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

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

FVA may involve both funding benefit and funding costs, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment. Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 185m at 30 September 2017 against a negative DKK 568m at end-2016.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 September 2017, the non-amortised minimum margin amounted to DKK 381m against DKK 403m at end-2016. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, become inactive and illiquid. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discounting techniques.

### Unobservable inputs

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

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

Following value adjustment, the fair value came to DKK 686m at 30 September 2017. Credit value adjustments came to DKK 3,285m at 30 September 2017 (2016: DKK 3,926m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 124m.

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 2017, the proportion was thus 0.9% compared with 0.6% at end-2016. The proportion of financial liabilities was 0.0% against 0.0% at end-2016.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 0.8bn (2016: DKK 0.7bn) belonged to this category. Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 76m at 30 September 2017 (0.4% of equity at 30 September 2017). The earnings impact for 2016 was estimated at DKK 71m (0.4% of equity at 31 December 2016).

## 30. FAIR VALUE DISCLOSURES (CONTINUED)

### Transfers between categories

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

In 2017 and 2016, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

Transfers between the categories Listed prices and Observable inputs resulted in all material respects from bonds that were reclassified either due to traded volume or the number of days between last transaction and the time of determination. In 2017, financial assets of DKK 11.9bn have been transferred from Listed prices to Observable inputs and DKK 1.8bn from Observable inputs to Listed prices. Financial liabilities of DKK 0.9bn have been transferred from Listed prices to Observable inputs and DKK 1.1bn from Observable inputs to Listed prices. Furthermore, redeemed bonds may be classified differently. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets.

At 30 September 2017, the amount was DKK 0.1bn against DKK 0.0bn at end-2016.

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

# NOTES

DKK million

Nykredit Bank Group

## 30. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 September 2017	Listed prices	Observable inputs	Unobservable inputs	Total fair value
<b>Financial assets:</b>				
- reverse repurchase lending to credit institutions and central banks	-	9,501	-	9,501
- other reverse repurchase lending	-	20,168	-	20,168
- bonds at fair value	13,236	25,662	-	38,898
- equities measured at fair value through profit or loss	132	-	77	209
- positive fair value of derivative financial instruments	32	18,276	686	18,994
<b>Fair value, 30 September 2017, assets</b>	<b>13,400</b>	<b>73,607</b>	<b>763</b>	<b>87,770</b>
<b>Percentage</b>	<b>15.3</b>	<b>83.9</b>	<b>0.9</b>	<b>100</b>

## Financial liabilities:

- repo transactions with credit institutions and central banks	-	10,513	-	10,513
- other non-derivative financial liabilities at fair value	5,800	5,101	-	10,901
- negative fair value of derivative financial instruments	19	11,915	-	11,934
<b>Fair value, 30 September 2017, liabilities</b>	<b>5,819</b>	<b>27,529</b>	<b>-</b>	<b>33,348</b>
<b>Percentage</b>	<b>17.4</b>	<b>82.6</b>	<b>-</b>	<b>100</b>

## Assets and liabilities measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
<b>Fair value, beginning of period, assets</b>	<b>-</b>	<b>123</b>	<b>587</b>	<b>710</b>
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	-	(47)	138	91
Realised capital gains and losses recognised in "Value adjustments" in the income statement	-	1	-	1
Purchases for the period	-	7	-	7
Sales for the period	-	(7)	(25)	(32)
Redemptions for the period	-	-	-	-
Transferred from Listed prices and Observable inputs	-	-	163	163
Transferred to Listed prices and Observable inputs	-	-	(177)	(177)
Reclassified to "Other assets"	-	-	-	-
<b>Fair value, 30 September 2017, assets</b>	<b>-</b>	<b>77</b>	<b>686</b>	<b>763</b>

For 2017, unrealised negative value adjustments of DKK 70m relating to the portfolio of financial instruments measured on the basis of unobservable inputs at 30 September 2017 have been recognised in the income statement.

# NOTES

DKK million

Nykredit Bank Group

## 30. FAIR VALUE DISCLOSURES (CONTINUED)

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

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

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

## NOTES

		DKK million		
Nykredit Bank A/S		Nykredit Bank Group		
31.12.2016	30.09.2017	30.09.2017	31.12.2016	
<b>31. FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES</b>				
<b>Foreign exchange risk</b>				
167.8	20.0	Exchange rate indicator 1 (DKKm)	20.0	167.8
1.0	0.1	Exchange rate indicator 1 as % of Tier 1 capital after deductions	0.1	1.0
0.4	0.2	Exchange rate indicator 2 (DKKm)	0.2	0.4
-	0.0	Exchange rate indicator 2 as % of Tier 1 capital after deductions	0.0	-
<b>Interest rate risk by the currency involving the highest interest rate exposure</b>				
106	31	DKK	40	108
(14)	32	EUR	32	(14)
(4)	5	SEK	5	(4)
(2)	(1)	CHF	(1)	(2)
3	3	NOK	3	3
(1)	(1)	USD	(1)	(1)
(1)	(1)	GBP	(1)	(1)
(1)	(2)	Other currencies	(2)	(1)
<b>86</b>	<b>66</b>	<b>Total interest rate exposure of debt instruments, end of period</b>	<b>75</b>	<b>88</b>

Interest rate risk is the risk of loss as a result of interest rate changes, and Nykredit Bank's interest rate risk is measured as the change in market value caused by a general interest rate rise of 1 percentage point on bonds and other financial instruments. The interest rate exposure ranged between a gain of DKK 6m and a loss of DKK 167m in Q1-Q3/2017 compared with a gain of DKK 69m and DKK 144m in Q1-Q3/2016. The interest rate exposure was a loss of DKK 66m at end-Q3/2017 against a loss of DKK 19m at end-Q3/2016.

### Value-at-Risk

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

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

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

Nykredit Bank's internal VaR was DKK 10m at end-Q1-Q3/2017 against DKK 13m at end-Q1-Q3/2016. This means that according to the internal VaR model, Nykredit Bank could potentially, at a 99% probability, lose a maximum of DKK 10m in one day in consequence of market fluctuations.

# NOTES

DKK million

Nykredit Bank Group

## 32. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 September 2017	Profit for the period 2017	Equity, 30 September 2017	Profit for 2016	Equity, 31 December 2016	Number of staff
Nykredit Bank A/S (Parent), Copenhagen, a)		2,894	19,638	627	16,744	661
<b>Consolidated subsidiaries</b>						
Nykredit Portefølje Administration A/S, Copenhagen, b)	100	99	687	106	588	107
Nykredit Leasing A/S, Gladsaxe c)	100	66	659	71	593	55

## Geographical distribution of activities

Denmark: Companies and activities appear from the Group structure  
Sweden: Nykredit Bank A/S, branch<sup>1</sup>

	Number of staff	Revenue <sup>2</sup>	Profit before tax	Tax	Government aid received
Denmark: Companies and activities appear from the Group structure	823	1,206	3,723	829	-
Sweden: Nykredit Bank A/S, branch <sup>1</sup>	-	-	-	-	-

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

<sup>2</sup> For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest income, fee and commission income and other operating income.

a) Banking

b) Investment management company

c) Leasing

## Subsidiaries in temporary possession

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

As at 30 September 2017, the property group comprised a parent and a subsidiary – both of them without activities.

# NOTES

DKK million

Nykredit Bank Group	Q1-Q3/ 2017	FY 2016	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013
<b>33. FIVE-YEAR FINANCIAL HIGHLIGHTS</b>						
<b>SUMMARY INCOME STATEMENT</b>						
Net interest and fee income	2,396	2,595	1,847	2,189	2,590	2,411
Value adjustments	2,472	84	(537)	580	(2,041)	(568)
Other operating income	25	28	21	21	23	23
Staff and administrative expenses	1,409	2,000	1,443	1,406	1,490	1,470
Other operating expenses, depreciation and amortisation	28	60	31	61	60	60
Impairment charges for loans, advances and receivables	(267)	(141)	(58)	(87)	119	329
Profit from investments in associates and Group enterprises	-	-	-	-	-	78
<b>Profit (loss) before tax</b>	<b>3,723</b>	<b>788</b>	<b>(85)</b>	<b>1,410</b>	<b>(1,097)</b>	<b>85</b>
Tax	829	161	(33)	331	(271)	3
<b>Profit (loss) for the period</b>	<b>2,894</b>	<b>627</b>	<b>(52)</b>	<b>1,079</b>	<b>(826)</b>	<b>82</b>
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>2,894</b>	<b>627</b>	<b>(52)</b>	<b>1,079</b>	<b>(826)</b>	<b>82</b>
<b>BALANCE SHEET, END OF PERIOD</b>						
<b>Assets</b>						
Cash balances and receivables from credit institutions and central banks	23,737	35,723	35,409	25,280	22,292	21,471
Loans, advances and other receivables at fair value	20,168	30,091	24,871	34,534	40,137	50,149
Loans, advances and other receivables at amortised cost	57,270	55,003	53,115	47,506	48,301	49,196
Bonds and equities	42,846	42,576	41,168	42,989	78,616	86,243
Remaining assets	24,076	31,533	38,893	37,316	41,151	41,347
<b>Total assets</b>	<b>168,097</b>	<b>194,926</b>	<b>193,456</b>	<b>187,625</b>	<b>230,497</b>	<b>248,406</b>
<b>Liabilities and equity</b>						
Payables to credit institutions and central banks	43,922	51,606	47,668	41,714	60,370	72,378
Deposits and other payables	69,298	66,263	65,031	61,725	60,478	59,356
Bonds in issue at amortised cost	7,218	10,158	12,071	24,662	24,423	26,188
Other non-derivative financial liabilities at fair value	10,901	21,348	19,598	12,205	33,451	37,466
Remaining payables	14,899	26,546	32,806	31,368	37,913	38,103
<b>Total payables</b>	<b>146,238</b>	<b>175,921</b>	<b>177,174</b>	<b>171,674</b>	<b>216,635</b>	<b>233,491</b>
Provisions	221	261	217	197	240	313
Subordinated debt	2,000	2,000	-	100	100	250
Equity	19,638	16,744	16,065	15,654	13,522	14,352
<b>Total liabilities and equity</b>	<b>168,097</b>	<b>194,926</b>	<b>193,456</b>	<b>187,625</b>	<b>230,497</b>	<b>248,406</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
Contingent liabilities	20,572	17,152	15,528	15,182	13,801	10,709
Other commitments	6,922	5,375	5,857	5,016	5,472	6,655



# NOTES

Nykredit Bank Group	Q1-Q3/ 2017	FY 2016	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013
<b>33. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)</b>						
<b>Financial ratios</b>						
Total capital ratio, %	21.7	16.6	13.9	21.1	14.5	21.0
Tier 1 capital ratio, %	19.5	14.8	13.9	20.7	14.1	21.0
Return on equity before tax, %	20.5	4.8	(0.5)	10.0	(7.9)	4.0
Return on equity after tax, %	15.9	3.8	(0.3)	7.6	(5.9)	3.0
Income:cost ratio	4.18	1.41	0.94	2.02	0.34	1.49
Interest rate exposure, %	0.4	0.5	0.2	(0.1)	(0.1)	1.0
Foreign exchange position, %	0.1	1.0	0.1	0.2	2.1	1.0
Foreign exchange exposure, %	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.1	1.3	1.2	1.4	1.5	1.6
Loans and advances:equity	3.9	5.1	4.9	5.2	6.5	6.7
Growth in loans and advances excl repo transactions for the period, %	4.1	17.7	13.6	1.0	2.7	(1.2)
Excess coverage:statutory liquidity requirements, %	198.3	263.5	243.7	307.7	238.0	201.6
Total large exposures, %	0.0	0.0	0.0	27.6	45.5	12.5
Impairment charges for the period, %	(0.3)	(0.1)	(0.1)	(0.1)	0.1	0.1
Return on capital employed, %	1.7	0.3	0.0	0.6	(0.4)	0.0
Average number of staff, full-time equivalent	823	800	796	759	829	858

# NOTES

Nykredit Bank Group

## FINANCIAL RATIOS, DEFINITIONS

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

The financial ratios have been calculated in accordance with the Danish FSA's guidelines for reporting purposes.

### Financial highlights, page 4

Profit (loss) for the period as % pa of average equity	Annualised profit (loss) divided by average equity
Profit (loss) before tax for the period as % pa of average equity	Annualised profit (loss) before tax divided by average equity
Business profit before impairment charges as % pa of average equity	Annualised business profit before impairment charges divided by average equity
Business profit as % pa of average equity	Annualised business profit divided by average equity
Costs as % of income	Costs divided by income

## MANAGEMENT COMMENTARY (CONTINUED)

DKK million

Nykredit Bank Group	Q3/ 2017	Q2/ 2017	Q1/ 2017	Q4/ 2016	Q3/ 2016
<b>FIVE-QUARTER FINANCIAL HIGHLIGHTS</b>					
<b>SUMMARY INCOME STATEMENT</b>					
Net interest income	427	390	353	436	359
Dividend on equities and fee and commission income, net	426	423	377	312	260
<b>Net interest and fee income</b>	<b>853</b>	<b>813</b>	<b>730</b>	<b>748</b>	<b>619</b>
Value adjustments	231	1,359	882	621	241
Other operating income	9	9	7	7	9
Staff and administrative expenses	475	474	460	557	490
Other operating expenses, depreciation and amortisation	9	9	10	29	10
Impairment charges for loans, advances and receivables	(60)	(152)	(55)	(83)	28
Profit from investments in associates and Group enterprises	-	-	-	-	-
<b>Profit before tax</b>	<b>670</b>	<b>1,850</b>	<b>1,204</b>	<b>872</b>	<b>341</b>
Tax	158	407	264	194	74
<b>Profit for the period</b>	<b>511</b>	<b>1,443</b>	<b>940</b>	<b>678</b>	<b>267</b>
Comprehensive income					
Other comprehensive income	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>511</b>	<b>1,443</b>	<b>940</b>	<b>678</b>	<b>267</b>
<b>SUMMARY BALANCE SHEET</b>					
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	23,737	25,486	36,324	35,723	35,409
Loans, advances and other receivables at fair value	20,168	21,511	23,449	30,091	24,871
Loans, advances and other receivables at amortised cost	57,270	57,544	56,256	55,003	53,115
Bonds	42,637	35,888	35,011	42,318	40,905
Equities	209	317	266	258	263
Remaining assets	24,076	25,041	26,945	31,533	38,893
<b>Total assets</b>	<b>168,097</b>	<b>165,787</b>	<b>178,251</b>	<b>194,926</b>	<b>193,456</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	43,922	41,252	48,346	51,606	47,668
Deposits and other payables	69,298	69,716	68,035	66,263	65,031
Bonds in issue	7,218	6,366	9,278	10,158	12,071
Other non-derivative financial liabilities at fair value	10,901	10,149	12,889	21,348	19,598
Remaining payables	14,899	16,958	19,784	26,546	32,806
<b>Total payables</b>	<b>146,238</b>	<b>144,441</b>	<b>158,332</b>	<b>175,921</b>	<b>177,174</b>
Provisions	221	219	235	261	217
Subordinated debt	2,000	2,000	2,000	2,000	-
Equity	19,638	19,127	17,684	16,744	16,065
<b>Total liabilities and equity</b>	<b>168,097</b>	<b>165,787</b>	<b>178,251</b>	<b>194,926</b>	<b>193,456</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	20,572	19,627	15,164	17,152	15,528
Other commitments	6,922	6,291	4,469	5,375	5,857

## MANAGEMENT COMMENTARY (CONTINUED)

	DKK million				
Nykredit Bank Group	Q3/ 2017	Q2/ 2017	Q1/ 2017	Q4/ 2016	Q3/ 2016
<b>FIVE-QUARTER FINANCIAL HIGHLIGHTS</b>					
<b>Business profit and profit for the period</b>					
Net interest income	381	381	363	379	352
Net fee income	145	121	120	90	116
Wealth management income	356	349	342	328	283
Net interest from capitalisation	(8)	(8)	(9)	(1)	2
Trading, investment portfolio and other income	96	309	467	156	50
<b>Income</b>	<b>972</b>	<b>1,152</b>	<b>1,283</b>	<b>952</b>	<b>803</b>
Costs	484	483	470	586	500
<b>Business profit before impairment charges</b>	<b>487</b>	<b>669</b>	<b>813</b>	<b>366</b>	<b>303</b>
Impairment charges for loans and advances	(60)	(152)	(55)	(82)	28
<b>Business profit</b>	<b>548</b>	<b>820</b>	<b>868</b>	<b>449</b>	<b>275</b>
Legacy derivatives	122	1,029	337	422	66
<b>Profit before tax</b>	<b>670</b>	<b>1,850</b>	<b>1,204</b>	<b>870</b>	<b>341</b>

*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.*