

To Nasdaq Copenhagen
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INTERIM REPORT – NYKREDIT REALKREDIT GROUP 1 JANUARY – 30 SEPTEMBER 2016

Michael Rasmussen, Group Chief Executive, comments on Nykredit's Q1-Q3 Interim Report 2016

– At Nykredit, we focus on becoming a more efficient and customer-centric business and I am pleased to note that our efforts are evident in today's Interim Financial Statements, which show that Nykredit's core business continues along the growth path of recent years.

– It is imperative that we optimise Nykredit's daily operations as much as we possibly can. This has led to the decision to let go of some of our valued colleagues, as announced two weeks ago. Today, we can announce that we have sold two of our headquarters buildings (the Glass Cube and the Crystal) for about DKK 1.4bn. Now is not the time for us to own expensive locations in central Copenhagen. The sale of the properties will generate a profit before tax for accounting purposes of approximately DKK 400m, which will be recognised in Q4/2016.

– We have intensified our efforts since 2013 to offer our personal and business customers solutions that reflect Nykredit's targeted strategy to meet their needs for individual advisory services and robust products. Both Totalkredit and Nykredit Bank have recorded increased lending activity in 2016, despite Danes still being more inclined to save than to borrow. The positive performance signifies that both legs of our Winning the Double strategy are well-grounded and offer great potential. We are on the right track to delivering this potential, although we are not quite there yet.

For more information on the sale of Nykredit's headquarters buildings, please refer to the Group Chief Executive's statement on pages 3 and 8.

Nykredit Realkredit Group, results for Q1-Q3/2016			
DKK million	Q1-Q3/2016	Q1-Q3/2015	Change
Income from core business	8,599	8,668	-69
Operating costs, depreciation and amortisation	3,580	3,604	24
Mandatory mortgage business contribution to the Danish Resolution Fund	104	46	-58
Impairment losses on loans and advances	385	693	308
Profit from core business	4,530	4,325	205
Value adjustment of interest rate swaps	(1,273)	212	-1,485
Goodwill impairment	-	1,907	1,907
Investment portfolio income	1,113	481	632
Profit before tax	4,370	3,111	1,259

Contact

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

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Tel +45 44 55 10 00
www.nykredit.com
CVR no 12 71 92 80

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GROUP CHIEF EXECUTIVE'S STATEMENT

Nykredit continues to deliver core business growth. Totalkredit's and Nykredit Bank's lending volumes are rising. At the same time, our costs are declining.

The process of making Nykredit more efficient and customer-centric started in late 2013, and every day we have sought improvements and savings – both on a small and on a large scale.

We are releasing this Interim Report at a time when these efforts are more evident to everyone than ever before. Both to those who follow Nykredit from the outside. And particularly to all of us who work inside the Group.

We are just about to make significant staff reductions and therefore have to let go of valued colleagues before the turn of the year.

This is obviously a difficult decision, but also a necessary one. We need to keep a constant focus on how to run our business at the lowest possible cost. That is the basic premise of today's financial sector.

This premise was also the motivation for listing our headquarters buildings at and around Kalvebod Brygge for sale earlier this year. Now is not the time for us to own expensive locations in central Copenhagen. Today, we can announce that we have sold part of our headquarters buildings (the Glass Cube and the Crystal) for about DKK 1.4bn. This amount exceeds their carrying amount, and the sale thus generates a pre-tax profit for accounting purposes of about DKK 400m, which will be recognised in Q4/2016. Under the sales agreement, Nykredit will remain as tenant for at least 5.5 years while looking for new premises that can accommodate all headquarters functions.

The sale of the buildings and the planned staff reductions are the most recent steps towards a more efficient Nykredit. I know that the path to achieving this is taxing – especially for our staff who demonstrate great adaptability and loyalty. I would like to thank all of them for that.

Focus now reflected in our financial results

Our efficiency drive is reflected in our financial results announced today. The cost:income ratio is now below 40% and our return on core business is nearing 10% before tax. In 2013 the corresponding figures were 57.9% and 1.4%. This demonstrates that Nykredit's core business continues along the growth path seen since 2013. This is a satisfactory performance and it has been achieved, first and foremost, as matters within our control are progressing in the right direction.

But our core business is also affected by factors beyond our control. Declining interest rates trigger negative value adjustment of interest rate swaps, adversely impacting the Group's net profit. This is obviously unsatisfactory. Conversely,

investment portfolio income had a positive earnings impact.

What we as Management are pleased to note is that our core business keeps delivering the intended results. Our core business is the foundation for Nykredit's future success. And our core business is within our sphere of influence.

Focus on customers

Our work to control costs is supported by other initiatives. Since 2013 we have focused on becoming better at meeting the needs of our customers for advisory services, robust products and strong digital solutions. This interplay between efficiencies and development is essential these years when customer behaviour is evolving rapidly. One example is the demand of many of our customers for more digital self-service solutions. We must ensure leeway to respond to such demands while also ensuring that we only spend what is necessary.

In this respect, our Winning the Double strategy is guiding our priorities so that we concentrate on the most important things.

In one strand of the strategy, Totalkredit, we strive each and every day to support our Totalkredit partners across Denmark in making a difference to our customers. Totalkredit's lending has grown every year since its beginning in 1990, and it seems that 2016 will be no exception. This signifies a strong partnership with great potential. We will continue our development efforts and investments to strengthen the Totalkredit alliance further.

In the other strand, we aim to make a difference to the homeowners and businesses that have entrusted their finances to Nykredit. Last year we introduced Nykredit BoligBank, a programme targeted specifically at homeowners. This year, we launched Nykredit ErhvervsBank for businesses as well as new, strong private banking concepts for the wealthiest clients. In these three banking programmes, the number of full-service customers is rising. We are also seeing a rise in bank lending even though the loan appetite remains low in Denmark, and consequently our market share in this field is growing. This has been achieved mainly through the steady increase in lending to SMEs.

We have come a long way in reshaping Nykredit into a more customer-centric and efficient Group than it was just a few years ago. This is gratifying, but it is also a humbling task. We can and must continually improve – for the benefit of our customers.

Yours sincerely



Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

Nykredit Realkredit Group	Q1-Q3/ 2016	Q1-Q3/ 2015	Q3/ 2016	Q3/ 2015	FY 2015
DKK million					
RESULTS FROM CORE BUSINESS AND RESULTS FOR THE PERIOD					
Core income from					
- business operations	8,962	9,122	3,137	2,886	11,945
- senior and subordinated debt	(396)	(483)	(164)	(119)	(610)
- securities	33	29	12	8	38
Income from core business	8,599	8,668	2,985	2,775	11,373
Operating costs, depreciation and amortisation	3,580	3,604	1,214	1,184	5,005
Mandatory mortgage bank contribution to Danish Resolution Fund ¹	104	46	35	46	61
Profit from core business before impairment losses	4,915	5,018	1,736	1,545	6,307
Impairment losses on mortgage lending	443	780	232	242	1,041
Impairment losses on bank lending	(58)	(87)	28	2	(121)
Profit from core business	4,530	4,325	1,476	1,301	5,387
Value adjustment of interest rate swaps due to interest rate changes	(1,334)	521	54	(343)	685
Other value adjustment of interest rate swaps	61	(309)	(15)	101	(275)
Amortisation of goodwill and customer relationships	-	1,907	-	1,907	1,965
Investment portfolio income	1,113	378	580	(113)	750
Investment portfolio income, capital gains from sale of strategic equities	-	103	-	103	103
Profit (loss) before tax	4,370	3,111	2,095	(858)	4,685
Tax	907	1,120	435	233	1,494
Profit (loss) for the period	3,463	1,991	1,660	(1,091)	3,191
Minority interests	2	-	1	-	-
Profit (loss) for the period excluding minority interests	3,461	1,991	1,659	(1,091)	3,191
Interest on Additional Tier 1 capital charged against equity	174	138	58	58	197
Value adjustment of strategic equities against equity	38	254	195	-52	7
SUMMARY BALANCE SHEET					
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	31.12.2015
Assets					
Receivables from credit institutions and central banks	41,685	36,732	41,685	36,732	23,253
Mortgage loans at fair value	1,127,516	1,118,029	1,127,516	1,118,029	1,119,101
Bank loans excluding reverse repurchase lending	53,115	47,506	53,115	47,506	46,747
Bonds and equities	108,574	102,787	108,574	102,787	110,294
Remaining assets	74,910	83,371	74,910	83,371	84,394
Total assets	1,405,800	1,388,425	1,405,800	1,388,425	1,383,789
Liabilities and equity					
Payables to credit institutions and central banks	19,362	35,117	19,362	35,117	30,226
Deposits	64,897	61,581	64,897	61,581	62,599
Bonds in issue at fair value	1,151,669	1,134,618	1,151,669	1,134,618	1,137,314
Subordinated debt	11,276	4,684	11,276	4,684	11,006
Remaining liabilities	89,719	87,848	89,719	87,848	77,184
Equity	68,877	64,577	68,877	64,577	65,460
Total liabilities and equity	1,405,800	1,388,425	1,405,800	1,388,425	1,383,789
FINANCIAL RATIOS					
Profit (loss) (after tax) for the period as % pa of average equity ²	7.0	4.1	10.1	(7.5)	5.0
Profit from core business before impairment losses as % pa of average equity ²	10.0	10.9	10.5	9.7	10.2
Profit from core business as % pa of average equity ²	9.2	9.4	8.8	8.1	8.6
Costs as % of core income from business operations	39.9	39.5	38.7	41.0	41.9
Total provisions for loan impairment – mortgage lending	5,605	5,684	5,605	5,684	5,694
Total provisions for loan impairment and guarantees – bank lending	2,661	3,227	2,661	3,227	2,952
Impairment losses for the period, % – mortgage lending	0.04	0.07	0.02	0.02	0.09
Impairment losses for the period, % – bank lending	(0.07)	(0.09)	0.03	0.00	(0.12)
Total capital ratio, %	22.0	21.7	22.0	21.7	23.9
Common Equity Tier 1 capital ratio, %	17.9	19.2	17.9	19.2	19.4
Internal capital adequacy requirement, %	10.5	11.8	10.5	11.8	11.8
Average number of staff, full-time equivalents	3,609	3,763	3,531	3,719	3,757

¹ The item includes Nykredit Realkredit's and Totalkredit's mandatory contributions to the Danish Resolution Fund. No contributions were made to similar schemes prior to Q3/2015.

² For the purpose of return on equity, the Additional Tier 1 (AT1) capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit (loss) for the period.

The income statement format has been adjusted relative to 2015, now including profit from core business, as this does not include value adjustment of interest rate swaps or goodwill impairment.

Q1-Q3/2016 – IN BRIEF

Q1-Q3/2016

The period was characterised by cautious economic optimism with rising property prices and low and declining interest rate levels. Further, loan demand in Denmark was moderate. In spite of this, Nykredit increased its lending volumes – primarily of bank lending. Part of the improvement is attributable to Nykredit's success in increasing the number of full-service customers in the bank, which is one of the Group's focus areas.

The Nykredit Group's profit before tax for Q1-Q3/2016 increased to DKK 4,370m from DKK 3,111m in Q1-Q3/2015.

Profit from core business rose to DKK 4,530m, up DKK 205m, or 5%, on Q1-Q3/2015.

Profit from core business

Core income from business operations

Core income from business operations totalled DKK 8,962m, down DKK 160m on the same period last year. The downturn should be seen in the context of a very high mortgage refinancing level and high activity in Markets in 2015 due in part to substantial interest rate volatility. By contrast, income was positively affected by an increase in Totalcredit's administration margin income due to the administration margin increase that took effect on 1 July 2016.

Core income from mortgage bank operations was DKK 6,269m. Nominal mortgage lending totalled DKK 1,104bn against DKK 1,114bn at end-2015. Totalcredit Partners recorded lending growth of DKK 6.1bn, whereas Retail and Wholesale Clients lending dropped by DKK 10.7bn and DKK 6.6bn, respectively.

The Group's market share of total Danish private residential mortgage lending was 42.2%, the same level as at end-2015, excluding loans arranged by Jyske Bank and others which are no longer part of the Totalcredit alliance. Nykredit's market share of the business customers segment, including agricultural customers, was 35.3%. The total market share, excluding loans arranged by Jyske Bank and others, was 39.3%, which is satisfactory considering the portfolio mix.

Core income from banking totalled DKK 2,538m, the same as in Q1-Q3/2015. This was attributable to rising income in Wealth Management, where Nykredit Private Banking Elite reported growth in the client base and assets under management. By contrast, income declined in Wholesale Clients, where income from Corporate & Institutional Banking and Nykredit Markets dropped. As mentioned above, the latter should partly be seen in the light that income in Nykredit Markets was at a high level in Q1-Q3/2015.

Bank lending at amortised cost rose by DKK 6.4bn to DKK 53.1bn from DKK 46.7bn at end-2015, while deposits in-

creased by DKK 2.3bn to DKK 64.9bn from DKK 62.6bn at end-2015.

Nykredit Bank's deposits at end-Q3/2016 were affected by a DKK 1.7bn portfolio of deposits acquired from FIH Erhvervsbank A/S.

Nykredit Bank's deposits exceeded lending by DKK 11.8bn at end-Q3/2016 compared with DKK 15.9bn at the beginning of the year.

Senior and subordinated debt

Nykredit's senior debt issues, including bail-inable bonds, came to DKK 27.9bn at end-Q3/2016 against DKK 25.9bn at the beginning of the year, and net interest expenses amounted to DKK 205m against DKK 259m in Q1-Q3/2015. Nykredit uses senior debt to fund supplementary collateral for covered bonds (SDOs) etc.

Nykredit had raised DKK 11.3bn of subordinated debt at end-Q3/2016 compared with DKK 11.0bn at the beginning of the year. Net interest expenses came to DKK 191m against DKK 224m in Q1-Q3/2015.

Core income from securities

Income amounted to DKK 33m, up DKK 4m on Q1-Q3/2015.

Operating costs, depreciation and amortisation

Operating costs, depreciation and amortisation decreased by 1% from DKK 3,604m in Q1-Q3/2015 to DKK 3,580m, and costs as a percentage of core income from business operations consequently came to 39.9%.

The average staff number declined by 154 persons, or 4%, from 3,763 in Q1-Q3/2015 to 3,609.

In Q1-Q3/2016 costs were also influenced by a new mortgage bank contribution of DKK 104m to the Danish Resolution Fund, which was established as at 1 July 2015. In Q1-Q3/2015, this was a charge of DKK 46m.

Impairment losses on loans and advances

Impairment losses on loans and advances declined by a total of DKK 308m from DKK 693m in Q1-Q3/2015 to DKK 385m. Impairment losses equalled 0.04% of total mortgage lending and negative 0.07% of total bank lending.

Impairment losses on mortgage lending declined by DKK 337m to DKK 443m. Impairment losses on mortgage lending to personal customers dropped by DKK 101m to DKK 329m, equal to 0.05% of lending. Impairment losses on mortgage lending to business customers dropped by DKK 236m to DKK 114m, equal to 0.03% of lending.

Impairment losses on bank lending changed by DKK 29m from a gain of DKK 87m in Q1-Q3/2015 to a gain of DKK 58m. Wholesale Clients and Wealth Management recorded an increase in impairment losses of DKK 52m and DKK 21m,

respectively, whereas impairment losses in Retail and Group Items reduced by DKK 38m and DKK 6m, respectively.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 8.2bn at end-Q3/2016 against DKK 8.5bn at the beginning of the year.

Losses incurred on mortgage and bank lending for the period were DKK 948m against DKK 1,159m in Q1-Q3/2015.

Value adjustment of interest rate swaps

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

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

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

The Nykredit Group has no direct interest rate exposure from its portfolios of interest rate swaps due to interest rate hedging arrangements with major domestic and foreign banks. Therefore, the provisions should in part be seen in the context of the uncertainty about the legal set-up of cooperative housing and customers' financial outlooks.

Long-term swap rates were 1.1% at end-Q3/2016. If the interest rate level changes by 1 percentage point, the loss or gain from value adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Investment portfolio income

Investment portfolio income amounted to DKK 1,113m against DKK 481m in Q1-Q3/2015. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 966m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 147m.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest. To this should be added the realised capital gains/losses from the sale of equities classified as available for sale (strategic equities).

The securities portfolio mainly consists of liquid Danish and other Northern European government and covered bonds.

The interest rate risk associated with the bond portfolio was largely eliminated through offsetting government bond sales or the use of interest rate swaps.

Tax

Tax calculated on profit for the period was DKK 907m, corresponding to 20.8% of profit before tax.

Equity

Nykredit issued EUR 500m worth of AT1 capital notes in February 2015. The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is treated as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes and are recognised in equity. Interest calculated for Q1-Q3/2016 totalled DKK 174m against DKK 138m for Q1-Q3/2015.

Equity was DKK 68,877m at end-Q3/2016 against DKK 65,460m at end-2015, including Additional Tier 1 (AT1) capital of DKK 3,826m (EUR 500m).

Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to the capital adequacy rules, came to DKK 64.0bn at end-Q3/2016 against DKK 60.5bn at end-2015.

RESULTS FOR Q3/2016

Results relative to Q2/2016

The Group recorded a profit before tax of DKK 2,095m in Q3/2016 against DKK 1,380m in Q2/2016.

Profit from core business grew by DKK 59m to DKK 1,476m in Q3/2016 against DKK 1,417m in Q2/2016.

Income from core business increased by DKK 156m, or 6%, from Q2/2016 to DKK 2,985m, while operating costs rose by DKK 13m to DKK 1,214m.

Impairment losses on loans and advances came to DKK 260m in Q3/2016, up DKK 84m on Q2/2016.

Value adjustment of interest rate swaps was a gain of DKK 39m in Q3/2016 against a loss of DKK 510m in Q2/2016.

Investment portfolio income came to DKK 580m against DKK 473m in Q2/2016.

Results relative to Q3/2015

Compared with a loss before tax of DKK 858m in Q3/2015, results were up by DKK 2,953m to a profit of DKK 2,095m in Q3/2016. This primarily reflected that results for Q3/2015 were affected by goodwill impairment of DKK 1,907m combined with an increase in investment portfolio income and value adjustment of interest rate swaps.

Profit from core business grew by DKK 175m to DKK 1,476m in Q1-Q3/2016 against DKK 1,301m in Q3/2015.

Income from core business was DKK 2,985m, up DKK 210m (8%) on Q3/2015, and operating costs rose by DKK 30m from DKK 1,184m to DKK 1,214m in Q3/2016.

Impairment losses on loans and advances increased by DKK 16m to DKK 260m from DKK 244m in Q3/2015.

Value adjustment of interest rate swaps was a gain of DKK 39m in Q3/2016 against a loss of DKK 242m in Q3/2015.

Investment portfolio income rose to DKK 580m against a loss of DKK 10m in Q3/2015.

OUTLOOK FOR 2016

In the H1 Interim Report 2016, Management forecast profit from core business for 2016 in the range of DKK 5.0bn-5.5bn.

Based on the performance in Q1-Q3/2016 and expectations for Q4/2016, including expected restructuring provisions in connection with the announced cost reductions, cf below, the full-year profit guidance is maintained.

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

OTHER

Nykredit Group plans stock exchange listing

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

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

Price adjustments at Totalkredit

As of 1 July 2016, the administration margins for all existing and new Totalkredit loans were raised. This administration margin rise was the result of the capital requirements already adopted and also aims to ensure a more limited use of interest-only loans and loans with frequent refinancing.

Customers with long-term fixed-rate repayment loans will thus experience the smallest increase.

Reference is made to Nykredit's press release dated 4 February 2016.

Totalkredit partnership now also includes business mortgages

Having offered mortgage loans to homeowners for more than 25 years, the Totalkredit partnership has now entered the business mortgage market.

From April 2016, all partner banks can offer Totalkredit business mortgages. Totalkredit business mortgages are offered to the segments office and retail, private rental as well as industry and trades.

KundeKroner

KundeKroner is Nykredit's customer benefits programme. The programme will initially be introduced to customers of Totalkredit.

Under the programme, customers will receive cash discounts that will be deducted from the administration margins and fees paid by the customers to Nykredit. The Danish National Tax Board has affirmed that this will entail a reduction in their tax deduction on those administration margins and fees equal to the amount of the discount.

In the initial phase, the customers will get a cash discount of around DKK 1,000 for each million kroner borrowed set off against their administration margin payments. The amount will be deducted over four quarters, beginning with the administration margin payment for Q3/2017. The final model for KundeKroner, which will apply after the initial phase, will be announced at a later date.

New centre organisation strengthens customer focus

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

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

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

Issuance of bail-inable senior notes

Nykredit has launched its first bail-inable senior bonds (senior resolution notes), and at end-Q3/2016 notes in issue amounted to DKK 7.4bn. Issuance of the remaining requirement of DKK 5bn-10bn is scheduled for 2016-2017. Going forward, the new funding will replace most of the issuance of senior secured and senior unsecured debt.

Credit ratings

S&P Global Ratings announced in July 2016 that it had revised its outlook on Nykredit Realkredit and Nykredit Bank's unsecured ratings from negative to stable. The rating outlook of senior secured debt was also changed from negative to stable.

According to S&P Global Ratings, the outlook was changed thanks to Nykredit's progress in the build-up of ALAC (Additional Loss-Absorbing Capacity). ALAC is a buffer of bail-inable debt serving to protect unsecured creditors in case of the company's bankruptcy. As mentioned above, Nykredit

Realkredit was the first financial business to issue so-called senior resolution notes, which count towards ALAC, in June and July 2016. Both issues amounted to EUR 500m.

Change in Nykredit Realkredit's Board of Directors

At Nykredit Realkredit's annual general meeting held on 16 March 2016, Helge Leiro Baastad and Per W. Hallgren were elected new members of the Board of Directors, replacing Steen E. Christensen and Jens Erik Udsen. Olav Bredgaard Brusén and Inge Sand joined the Board of Directors as staff-elected members, replacing Ina Nielsen and Lars Peter Skaarup.

The Board of Directors subsequently elected Steffen Kragh as Chairman and Merete Eldrup and Nina Smith as Deputy Chairmen.

Change in Nykredit's Group Executive Board

Effective from 1 September 2016, Nykredit reorganised its Group Executive Board. In connection with the reorganisation, David Hellemann joined the Group Executive Board as Group Managing Director, responsible for the CFO/COO areas, which now also include the Totalkredit partnership. At the same time, David Hellemann also joined the Boards of Directors of Nykredit Bank A/S and Totalkredit A/S.

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

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and other provisions, cf the Annual Report 2015.

Uncertainty as to recognition and measurement is described in detail in the accounting policies (note 1) of the Annual Report 2015, to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 46 of the Annual Report 2015, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

Capital contribution

To support the capitalisation of Nykredit Bank A/S and Totalkredit A/S, the Board of Directors of Nykredit Realkredit A/S decided on 9 November 2016 to contribute DKK 4bn to Totalkredit A/S in the form of Additional Tier 1 capital and DKK 2bn to Nykredit Bank A/S in the form of Tier 2 capital.

The capital increase in Totalkredit should be viewed in light of the expected introduction in the EU of a minimum leverage

ratio (LR) requirement of 3% of total assets for all credit institutions, including Totalkredit, from 2018. In future this requirement is expected to become the new binding regulatory requirement for Totalkredit. Thus, the capital contribution will serve to secure Totalkredit's capital position and the build-up of an adequate capital buffer.

A Tier 2 capital contribution of DKK 2bn will be made to Nykredit Bank, which should be viewed in the context of a number of model changes, which have prompted a DKK 30bn rise in Nykredit Bank's risk exposure amount. At present, the company has sufficient capital to meet Nykredit's target of total capital corresponding to the regulatory requirement with the addition of 1.5% of the risk exposure amount. However, in early 2017 the regulatory requirement will increase by about 1.1% of the risk exposure amount as a result of the phase-in of the regulatory buffers (SIFI and permanent buffers). The capital contribution thus underpins Nykredit Bank's capital structure – with respect to both the regulatory requirement and the target of maintaining a capital buffer.

Cost reduction

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

Against this backdrop, Nykredit has announced that up to 240 staff positions will be discontinued. To limit the number of staff reductions as much as possible, a number of vacant positions will not be refilled. As a result, Nykredit's staff will be reduced by up to 190 people. The staff reductions will be carried out on 15 November 2016 and will affect managers as well as staff members.

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

Sale of headquarters buildings

Nykredit has sold the buildings dubbed the Glass Cube and the Crystal to DADES A/S. The registered sales price amounts to about DKK 1.5bn. Under the sales agreement, Nykredit will continue as tenant for at least 5.5 years. If Nykredit vacates the buildings and ceases being a tenant immediately after this period, Nykredit must pay compensation to the buyer at the time in question, which will lower the final price of the buildings to about DKK 1.4bn. Based on a final price of about DKK 1.4bn, the sale will generate a pre-tax profit for accounting purposes of about DKK 400m, which will be recognised in Q4/2016.

The shift from owner to tenant means that Nykredit will in future have to pay rent, which will increase the operating costs, viewed separately.

Notwithstanding the sale of the Glass Cube and the Crystal, the buildings at Anker Heegaards Gade/Otto Mønstedes Plads at Kalvebod Brygge are still listed for sale.

Other events

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

BUSINESS AREAS

Nykredit's governance and organisational structure is based on the following business areas:

- Retail, which serves Nykredit's personal customers and SMEs and is responsible for mortgage lending to Nykredit's personal customers arranged via Totalkredit.
- Totalkredit Partners, which is responsible for the Group's mortgage lending to personal and business customers arranged by local and regional banks.
- Wholesale Clients, which comprises Corporate & Institutional Banking (CIB) and Nykredit Markets.
- Wealth Management, which comprises Private Banking Elite and Nykredit Asset Management.
- Group Items, which comprises income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

Gross income from customer business is generally allocated to the business areas which have supplied the individual products. With the exception of Private Banking for the wealthiest clients under Wealth Management, gross income attributable to the sales activities of Retail is subsequently reallocated to Retail in full. Correspondingly, Retail pays a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management attributable to the sales activities.

Adjustment of business areas

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

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

Comparative figures have been restated accordingly.

Adjustment of income statement format

The income statement format for the business areas has been adjusted compared with Q3/2015, now stating profit from core business corresponding to profit before tax excluding value adjustment of interest rate swaps, investment portfolio income and goodwill impairment.

Earnings

The Group's total profit from core business grew by DKK 205m, or 5%, to DKK 4,530m against DKK 4,325m in Q1-Q3/2015. The Group's total profit before tax by business area appears from the table below. The results of each business area are described in more detail on the following pages.

Results by business area ¹						
DKK million	Retail	Totalkredit Partners	Wholesale Clients	Wealth Management	Group Items	Total
Q1-Q3/2016						
Core income from						
- customer activities, gross	4,242	2,136	1,772	767	45	8,962
- payment for distribution	425	-	(168)	(257)	-	-
Total business operations	4,667	2,136	1,604	510	45	8,962
- senior and subordinated debt	(78)	(112)	(6)	-	(200)	(396)
- securities	-	-	-	-	33	33
Income from core business	4,589	2,024	1,598	510	(122)	8,599
Operating costs	2,367	414	463	292	44	3,580
Mandatory mortgage bank contribution to Danish Resolution Fund	73	2	29	-	-	104
Profit from core business before impairment losses	2,149	1,608	1,106	218	(166)	4,915
Impairment losses on mortgage lending	481	24	(60)	(2)	-	443
Impairment losses on bank lending	69	-	(142)	21	(6)	(58)
Profit (loss) from core business	1,599	1,584	1,308	199	(160)	4,530
Value adjustment of interest rate swaps	(552)	-	-721	-	-	(1,273)
Investment portfolio income	-	-	-	-	1,113	1,113
Profit before tax	1,047	1,584	587	199	953	4,370
Average allocated business capital ²	26,039	12,334	11,682	580	8,352	58,987
Profit from core business as % pa of average business capital	8.2	17.1	14.9	45.7	-	10.2

¹ Please refer to note 4 of the Financial Statements for complete segment financial statements with comparative figures.

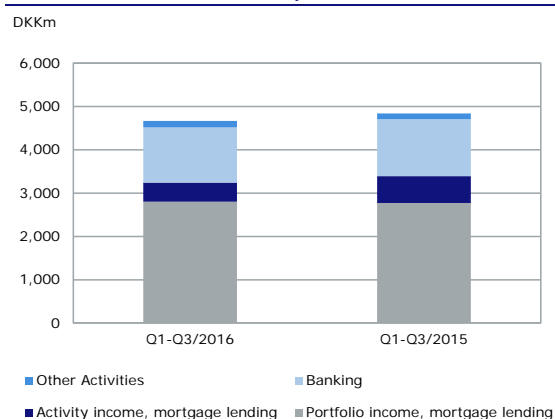
² Based on Nykredit's internal determination and allocation of capital.

Results – Retail	Q1-Q3/ 2016	Q1-Q3/ 2015
DKK million		
Core income from		
- business operations	4,667	4,838
- senior debt	(78)	(95)
Income from core business	4,589	4,743
Operating costs	2,367	2,442
Mortgage bank contribution to Danish Resolution Fund	73	18
Profit from core business before impairment losses	2,149	2,283
Impairment losses on mortgage lending	481	474
Impairment losses on bank lending	69	107
Profit from core business	1,599	1,702
Value adjustment of interest rate swaps	(552)	140
Profit before tax	1,047	1,842

Activities – Retail	30.09.2016	2015
DKK million		
Mortgage lending		
Gross new lending*	38,396	61,402
Portfolio at nominal value, end of period	425,225	435,916
Impairment losses for the period as % of loans and advances*	0.11	0.11
Total impairment provisions, end of period		
Total impairment provisions	4,081	3,925
Total impairment provisions as % of loans and advances	0.96	0.90
Bank lending		
Loans and advances, end of period	28,741	27,054
Deposits, end of period	42,983	40,799
Impairment losses for the period as % of loans and advances*	0.24	0.36
Total impairment provisions, end of period		
Total impairment provisions	1,735	1,784
Total impairment provisions as % of loans and advances	5.69	6.19
Guarantees, end of period	4,567	4,342
Provisions for guarantees, end of period	43	44

* For Q1-Q3/2016 and Q1-Q3/2015.
Other data from end-Q3/2016 and end-2015.

Core income from business operations – Retail



RETAIL

The business area Retail consists of the business units Retail Personal Banking and Retail Business Banking and provides mortgage and banking services to personal customers and SMEs, including agricultural customers, residential rental customers and Private Banking Retail's wealth clients. Mortgage loans granted via Totalcredit to Nykredit's personal customers also form part of Retail. The activities of Nykredit Mægler A/S and Nykredit Leasing A/S are also included.

Nykredit serves its customers through 53 local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

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

Q1-Q3/2016 in brief

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

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

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

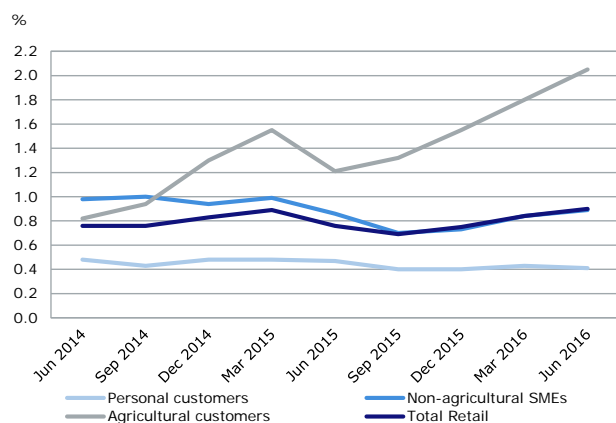
Activities

Retail Personal Banking saw a lower activity level in Q1-Q3/2016 compared with the same period last year when activity was exceptionally high due to the massive interest rate declines. Compared with Q1-Q3/2015, gross new lending thus reduced by DKK 9.2bn to DKK 17.1bn.

Nominal mortgage lending amounted to DKK 186.4bn, down DKK 5.3bn on the beginning of the year.

Bank lending amounted to DKK 11.3bn against DKK 12.1bn at the beginning of the year. Bank deposits increased by DKK 1.7bn in the same period to DKK 25.5bn. The increase in bank deposits was attributable to, for instance, the transfer of deposit accounts from FIH Erhvervsbank A/S to Nykredit in Q1/2016.

Arrears ratio, mortgage lending – Retail 75 days past due



Mortgage lending activity levels in Retail Business Banking in Q1-Q3/2016 were affected by a weak market with subdued demand and almost unchanged interest rate levels. By contrast, 2015 was characterised by massive interest rate declines prompting significant remortgaging activity. Compared with the year before, gross new lending thus reduced by DKK 13.8bn to DKK 21.3bn.

Nominal mortgage lending amounted to DKK 238.8bn, down DKK 5.4bn on the beginning of the year.

Bank lending, by contrast, increased by DKK 2.5bn to DKK 17.5bn in the period under review, and deposits rose by DKK 0.5bn to DKK 17.5bn.

Results

Relative to Q1-Q3/2015, profit from core business dropped by DKK 103m to DKK 1,599m in Q1-Q3/2016.

Income from business operations decreased by DKK 171m, or 4%, to DKK 4,667m, mainly due to lower activity income.

Operating costs were down DKK 20m, or 1%, to DKK 2,440m.

Impairment losses on Retail's mortgage lending increased from DKK 474m in Q1-Q3/2015 to DKK 481m, while impairment losses on bank lending dropped by DKK 38m to DKK 69m. Impairment losses represented 0.11% of mortgage lending and 0.24% of bank lending in the period under review.

Impairment losses on loans to personal customers grew by a total of DKK 337m, of which DKK 247m related to mortgage lending and DKK 90m to bank lending.

Impairment losses on loans to business customers declined by a total of DKK 368m, comprising a DKK 239m fall in mortgage lending and a DKK 129m fall in bank lending.

At end-Q3/2016, impairment provisions totalled DKK 5,813m against DKK 5,709m at the beginning of the year.

Value adjustment of interest rate swaps was a loss of DKK 552m, which represented an adverse development of DKK 692m compared with Q1-Q3/2015.

Arrears

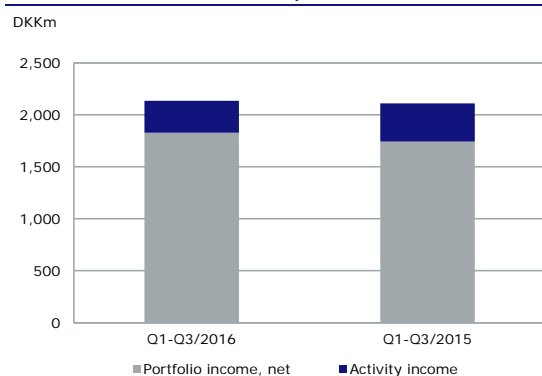
At the June due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.90% against 0.76% at the same date in 2015.

Results – Totalkredit Partners	Q1-Q3/ 2016	Q1-Q3/ 2015
DKK million		
Core income from		
- business operations	2,136	2,110
- senior debt	(112)	(133)
Income from core business	2,024	1,977
Operating costs	414	368
Mortgage bank contribution to Danish Resolution Fund	2	21
Profit from core business before impairment losses	1,608	1,588
Impairment losses on mortgage lending	24	371
Profit from core business	1,584	1,217
Goodwill impairment	-	1,907
Profit (loss) before tax	1,584	(690)

Activities – Totalkredit Partners	30.09.2016	2015
DKK million		
Mortgage lending		
Gross new lending*	79,791	115,158
Portfolio at nominal value, end of period	500,320	494,250
Impairment losses for the period as % of loans and advances*	0.00	0.08
Total impairment provisions, end of period		
Total impairment provisions	1,053	1,231
Total impairment provisions as % of loans and advances	0.21	0.25

* For Q1-Q3/2016 and Q1-Q3/2015.
Other data from end-Q3/2016 and end-2015.

Core income from business operations – Totalkredit Partners



TOTALKREDIT PARTNERS

Under the Totalkredit brand, Totalkredit Partners provides mortgage loans to personal and business customers arranged via 59 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Retail.

Totalkredit Partners's business concept is based on partner banks being responsible for customer services and covering a proportion of the risk of loss relating to the loan portfolio. The banks' share of realised losses are offset against future commission payments from Totalkredit to its partner banks.

Q1-Q3/2016 in brief

As of 1 July 2016, the administration margins for all existing and new Totalkredit loans were raised. This rise is the result of the increased capital requirements and aims to ensure a more limited use of interest-only loans and loans with frequent refinancing.

Totalkredit and its local and regional partner banks have extended their partnership to include secured homeowner loans and business mortgages. The secured homeowner loan allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans. Totalkredit business mortgages are offered to the segments office and retail, residential rental as well as industry and trades. The first business mortgages have now been granted, and 37 banks, representing the majority of banks having business customers with mortgage needs, have started offering business mortgages.

Activities

Totalkredit Partners saw a lower activity level in Q1-Q3/2016 compared with the level in the same period last year when activity was exceptionally high due to the massive interest rate declines. Gross new lending in Q1-Q3/2016 dropped by DKK 35.4bn year-on-year, amounting to DKK 79.8bn.

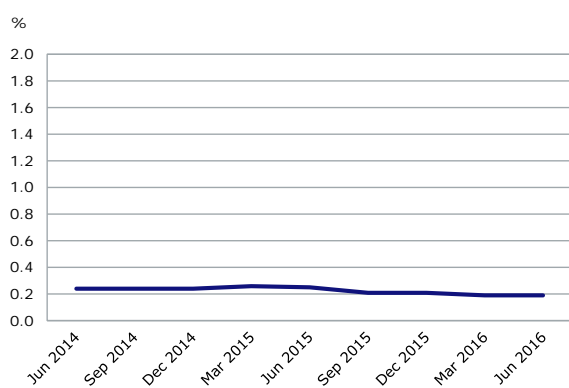
Nominal mortgage lending grew by DKK 6.1bn to DKK 500.3bn relative to end-2015. Loans distributed through former partner banks, which are now managed directly by Totalkredit, amounted to DKK 36bn at end-Q3/2016 against DKK 45bn at end-2015. Since Jyske Bank's exit from the partnership, Totalkredit loans worth DKK 51bn have been prepaid. Of this amount, DKK 10bn has subsequently been refinanced by other Totalkredit partner banks.

Results

Relative to Q1-Q3/2015, profit from core business rose by DKK 367m to DKK 1,584m in Q1-Q3/2016.

Income from business operations grew by DKK 26m, or 1%, to DKK 2,136m. The rise was largely attributable to increasing loan portfolio income caused by the administration margin increase as at 1 July 2016. By contrast, income reduced due to lower refinancing activity relative to 2015.

**Arrears ratio, mortgage lending – Totalkredit Partners
75 days past due**



Operating costs went up by DKK 27m, or 7%, to DKK 416m. The rise was in part attributable to changes in intercompany settlements, as Totalkredit accounts for an increasing proportion of the Group's overall activities, including increased use of IT resources for new products etc.

Net expenses relating to senior debt came to DKK 112m against DKK 133m in Q1-Q3/2015. The reduction was attributable to lower volumes of senior secured debt as well as declining interest rates.

Totalkredit Partners's net loan impairment losses declined by DKK 347m, or 94%, to DKK 24m after set-off against commission payable to partner banks.

At end-Q3/2016, impairment provisions totalled DKK 1,053m against DKK 1,231m at the beginning of the year.

In Q1-Q3/2015, Totalkredit Partners's profit before tax was adversely affected by goodwill impairment of DKK 1,907m relating to the acquisition of Totalkredit A/S. The impact of goodwill impairment in 2016 was nil.

Arrears

At the June due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.19% against 0.25% at the same date in 2015.

Results – Wholesale Clients	Q1-Q3/ 2016	Q1-Q3/ 2015
DKK million		
Core income from		
- business operations	1,604	1,767
- senior debt	(6)	(10)
Income from core business	1,598	1,757
Operating costs	463	513
Mortgage bank contribution to Danish Resolution Fund	29	7
Profit from core business before impairment losses	1,106	1,237
Impairment losses on mortgage lending	(60)	(65)
Impairment losses on bank lending	(142)	(194)
Profit from core business	1,308	1,496
Value adjustment of interest rate swaps	(721)	73
Profit before tax	587	1,569

Activities – Wholesale Clients	30.09.2016	2015
DKK million		
Mortgage lending		
Gross new lending*	17,287	29,147
Portfolio at nominal value, end of period	174,278	180,846
Impairment losses for the period as % of loans and advances*	(0.03)	(0.04)
Total impairment provisions, end of period		
Total impairment provisions	470	536
Total impairment provisions as % of loans and advances	0.27	0.30
Bank lending		
Loans and advances, end of period	20,582	17,762
Deposits, end of period	11,678	13,700
Impairment losses for the period as % of loans and advances*	(0.46)	(0.98)
Total impairment provisions, end of period		
Total impairment provisions	852	1,011
Total impairment provisions as % of loans and advances	3.97	5.39
Guarantees, end of period	1,465	1,565
Provisions for guarantees, end of period	7	55

* For Q1-Q3/2016 and Q1-Q3/2015.

Other data from end-Q3/2016 and end-2015.

Income – Nykredit Markets	Q1-Q3/ 2016	Q1-Q3/ 2015
DKK million		
Customer activities, gross	554	635
Payment for distribution	(226)	(238)
Business income, net	328	397

WHOLESALE CLIENTS

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

Q1-Q3/2016 in brief

Corporate & Institutional Banking saw robust loan demand in Q1-Q3/2016 and consequently participated in a number of large transactions despite continued fierce price competition. Moreover, the recent initiatives regarding strategic financial advisory services have attracted new clients.

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

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to step up their joint efforts to improve services to wealthy clients. Nykredit Markets provides comprehensive advisory services and offers wealthy clients tailored solutions using a mix of products from Nykredit Markets and Nykredit Asset Management.

Activities

Corporate & Institutional Banking's activity levels were lower than the high level in Q1-Q3/2015, and gross new lending dropped by DKK 11.9bn to DKK 17.3bn.

Mortgage lending amounted to DKK 174.3bn at end-Q3/2016, down DKK 6.6bn on the beginning of the year. The fall was particularly attributable to Germany, where Nykredit has scaled down its lending.

Bank lending was up DKK 2.8bn to DKK 20.6bn on the beginning of the year. Bank deposits dropped by DKK 2.0bn to DKK 11.7bn.

Results

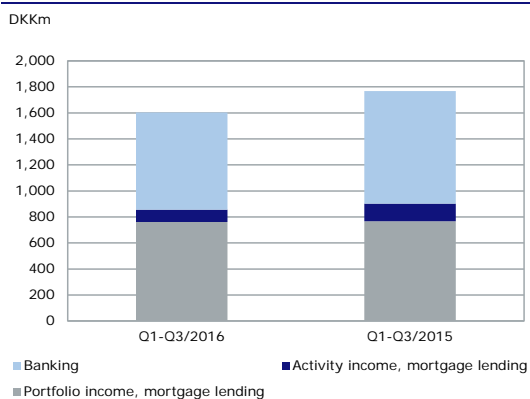
Relative to Q1-Q3/2015, profit from core business dropped by DKK 188m to DKK 1,308m in Q1-Q3/2016.

Income from business operations decreased by DKK 163m, or 9%, to DKK 1,604m. The fall was primarily attributable to declining income from banking operations and mortgage activities.

Relative to Q1-Q3/2015, Corporate & Institutional Banking's income fell by DKK 94m to DKK 1,276m.

Nykredit Markets's income after payment for distribution decreased by DKK 69m on Q1-Q3/2015 to DKK 328m. This should be seen in the context of the high activity levels in Q1-Q3/2015.

Core income from business operations – Wholesale Clients



Operating costs reduced by DKK 28m to DKK 492m.

Impairment losses on mortgage lending in Wholesale Clients changed from a gain of DKK 65m to a gain of DKK 60m, while the gain from impairments on bank lending dropped by DKK 52m to a gain of DKK 142m. Impairment losses represented negative 0.03% of mortgage lending and negative 0.46% of bank lending for the period under review.

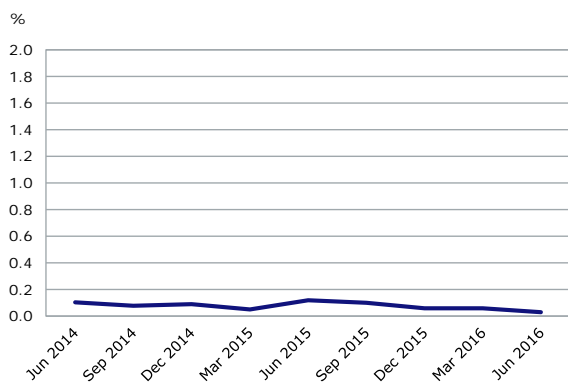
At end-Q3/2016, impairment provisions totalled DKK 1,322m against DKK 1,547m at the beginning of the year.

Value adjustment of interest rate swaps was a loss of DKK 721m, which represented an adverse development of DKK 794m compared with Q1-Q3/2015.

Arrears

At the June due date, 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.03% and thus remained at a low level. The arrears ratio was 0.12% at the same date in 2015.

Arrears ratio, mortgage lending – Wholesale Clients 75 days past due



Results – Wealth Management	Q1-Q3/	Q1-Q3/
DKK million	2016	2015
Core income from		
- business operations	510	410
- senior debt	-	-
Income from core business	510	410
Operating costs	292	269
Mortgage bank contribution to Danish Resolution Fund	-	-
Profit from core business before impairment losses	218	141
Impairment losses on mortgage lending	(2)	-
Impairment losses on bank lending	21	-
Profit from core business	199	141
Value adjustment of interest rate swaps	-	(1)
Profit before tax	199	140

Activities – Wealth Management	30.09.2016	2015
DKK million		
Mortgage lending		
Gross new lending*	800	948
Portfolio at nominal value, end of period	4,419	3,312
Impairment losses for the period as % of loans and advances*	(0.03)	(0.03)
Total impairment provisions, end of period		
Total impairment provisions	1	3
Total impairment provisions as % of loans and advances	0.03	0.09
Bank lending		
Loans and advances, end of period	2,341	1,922
Deposits, end of period	7,646	7,828
Impairment losses for the period as % of loans and advances*	0.86	0.01
Total impairment provisions, end of period		
Total impairment provisions	24	4
Total impairment provisions as % of loans and advances	1.01	0.21
Guarantees, end of period	472	327
Provisions for guarantees, end of period	-	-
Assets under management	154,407	143,812
Assets under administration	748,695	700,372
- of which Nykredit Group investment funds	72,816	66,394

* For Q1-Q3/2016 and Q1-Q3/2015.
Other data from end-Q3/2016 and end-2015.

Income – Wealth Management	Q1-Q3/	Q1-Q3/
DKK million	2016	2015
Customer activities, gross	767	652
Payment for distribution	(257)	(242)
Business income, net	510	410

WEALTH MANAGEMENT

The business area Wealth Management, which was established in Q1/2016 based on a number of former Wholesale clients, handles Nykredit's asset and wealth management activities. Wealth Management comprises the business units Nykredit Asset Management, Nykredit Portefølje Administration 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, and their products and solutions include Nykredit Invest, Private Portfolio, Savings Invest, Pension Invest and discretionary asset management and administration agreements with institutional clients, foundations, businesses, public institutions and personal wealth clients.

Q1-Q3/2016 in brief

Nykredit Asset Management delivered good investment results in Q1-Q3/2016, but also made adjustments to the pricing of Nykredit's investment funds. In connection with the adaptation to MiFID II, almost all the funds ceased charging subscription fees at the beginning of the year.

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

For Nykredit Portefølje Administration, Q1-Q3/2016 was characterised by decent growth and the launch of a Luxembourg UCITS SICAV investment fund.

Private Banking Elite achieved decent client growth in Q1-Q3/2016, both in terms of new clients and sophistication of existing client relationships. The latter has been given particular focus in the financial period under review.

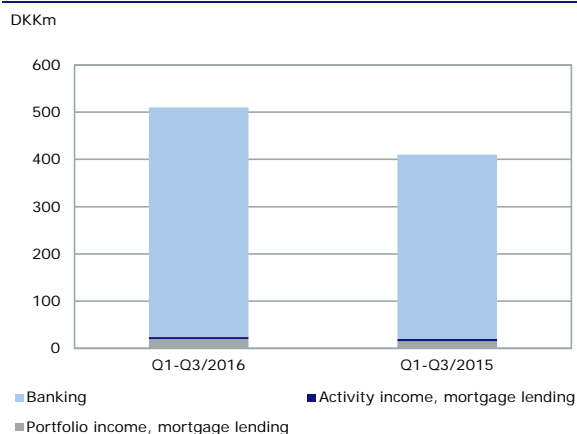
Activities

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

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

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

Core income from business operations – Wealth Management



Results

Relative to Q1-Q3/2015, profit from core business rose by DKK 58m to DKK 199m in Q1-Q3/2016.

Income from business operations grew by DKK 100m, or 24%, to DKK 510m. The rise was fully attributable to income from banking operations.

Operating costs increased by DKK 23m, or 9%, to DKK 292m, primarily as a result of a rising activity level in Private Banking Elite.

Impairment losses on mortgage lending in Wealth Management were a gain of DKK 2m compared with nil the year before, while impairment losses on bank lending increased from nil to DKK 21m. Impairment losses for the period represented negative 0.03% of mortgage lending and 0.86% of bank lending.

At end-Q3/2016, impairment provisions totalled DKK 25m against DKK 7m at the beginning of the year.

Results – Group Items	Q1-Q3/ 2016	Q1-Q3/ 2015
DKK million		
Core income from		
- business operations	45	(3)
- senior and subordinated debt	(200)	(245)
- securities	33	29
Income from core business	(122)	(219)
Operating costs	44	12
Loss from core business before impairment losses	(166)	(231)
Impairment losses on mortgage lending	-	-
Impairment losses on bank lending	(6)	-
Loss from core business	(160)	(231)
Investment portfolio income	1,113	481
Profit before tax	953	250

Activities – Group Items	30.09.2016	2015
DKK million		
Bank lending		
Loans and advances, end of period	1,451	8
Deposits, end of period	2,590	272
Total impairment provisions, end of period		
Total impairment provisions	-	53
Total impairment provisions as % of loans and advances	-	86.49
Guarantees, end of period	216	708
Provisions for guarantees, end of period	-	-

GROUP ITEMS

Some income statement and balance sheet items are not allocated to the business areas but are included in Group Items.

Group Items also includes Nykredit's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income". The activities of the companies Nykredit Ejendomme A/S and Ejendoms-selskabet Kalvebod A/S also form part of Group Items.

Results

Relative to Q1-Q3/2015, profit before tax rose by DKK 703m to DKK 953m in Q1-Q3/2016.

Income from business operations grew by DKK 48m to DKK 45m, whereas net interest expenses on senior debt and Nykredit's subordinated debt saw a total decline of DKK 45m to DKK 245m in Q1-Q3/2016.

Nykredit's core income from securities was DKK 33m, up DKK 4m on Q1-Q3/2015.

Core income from securities equals the return the Group could have obtained by placing its investment portfolios at the risk-free interest rate. Core income from securities also includes net interest expenses relating to Tier 2 capital.

Unallocated operating costs increased by DKK 32m to DKK 44m.

Loan impairment losses were a gain of DKK 6m compared with nil the year before.

Nykredit recorded investment portfolio income of DKK 1,113m against DKK 481m in Q1-Q3/2015. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 966m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 147m.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. To this should be added the realised capital gains/losses on the sale of equities classified as available for sale (strategic equities). Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit and the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

CAPITAL, LIQUIDITY AND FUNDING

Nykredit Realkredit Group			
Equity (incl Additional Tier 1 capital)			
DKK million	30.09.2016	31.12.2015	
Equity, beginning of period	65,460	58,650	
Profit for the period	3,463	3,191	
Fair value adjustment of equities available for sale	38	7	
New Additional Tier 1 (AT1) capital	-	3,731	
Other adjustments	(84)	(119)	
Equity, end of period	68,877	65,460	

Nykredit Realkredit Group			
Capital and capital adequacy			
DKK million	30.09.2016	31.12.2015	30.09.2015
Credit risk	310,624	264,865	267,464
Market risk	26,057	27,958	23,226
Operational risk	19,636	18,397	18,397
Total risk exposure amount (REA)¹	356,317	311,220	309,088
Equity (incl AT1 capital)	68,877	65,460	64,577
AT1/hybrid capital	(3,831)	(3,774)	(3,831)
CET1 capital deductions	(1,060)	(1,161)	(1,162)
Common Equity Tier 1 (CET1) capital	63,986	60,525	59,585
AT1/hybrid capital	3,716	3,831	3,828
AT1/hybrid capital deductions	(59)	(343)	(307)
Tier 1 capital	67,643	64,013	63,107
Tier 2 capital	10,804	10,820	4,461
Tier 2 capital additions/ deductions	(41)	(335)	(296)
Own funds	78,406	74,498	67,272
CET1 capital ratio, %	17.9	19.4	19.2
Tier 1 capital ratio, %	18.9	20.5	20.4
Total capital ratio, %	22.0	23.9	21.7
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.5	11.8	11.8

Own funds and capital adequacy are specified further in note 2 of this report.

¹ Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA. Total REA subject to transitional rules was DKK 608bn at end-Q3/2016, equal to a total capital ratio of 13.6%.

NYKREDIT REALKREDIT GROUP EQUITY AND OWN FUNDS

Equity

Nykredit's equity was DKK 68.9bn at end-Q3/2016, equal to a rise of DKK 3.4bn on the beginning of the year. The increase in equity was mainly attributable to profit for the period of DKK 3.5bn.

Equity carried for accounting purposes includes Additional Tier 1 (AT1) capital of EUR 500m (DKK 3.8bn). For capital adequacy purposes, AT1 capital is included in Tier 1 capital rather than in Common Equity Tier 1 (CET1) capital.

Capital and capital adequacy

Nykredit's own funds include CET1 capital, AT1 capital and Tier 2 capital after deductions.

Total own funds rose by DKK 3.9bn to DKK 78.4bn in Q1-Q3/2016 compared with end-2015.

Nykredit's risk exposure amount (REA) has increased from DKK 311.2bn to DKK 356.3bn since end-2015 owing to a decline in credit risk, mainly due to increasing property prices and thus lower LTVs, and reduced market risk. At the same time, REA has increased by about DKK 52bn as a result of changes to the credit risk models which the Danish FSA approved for implementation in Q3/2016, cf below.

The total capital ratio was 22.0% at end-Q3/2016 against 23.9% at end-2015. The Tier 1 capital ratio was 18.9% compared with 20.5% at end-2015, and the CET1 capital ratio was 17.9% compared with 19.4% at end-2015. The falls stemmed from a rise in REA following the changed credit risk models.

Nykredit's internal capital adequacy requirement was 10.5% at end-Q3/2016 compared with 11.8% at end-2015.

NYKREDIT'S CAPITAL TARGETS 2019

The Board of Directors of the Nykredit Realkredit Group has set a CET1 capital ratio target of 17.5% for 2019.

The Board's decision is based on the following:

- In 2019 the statutory requirement for the Nykredit Realkredit Group's CET1 capital ratio will be around 13%, to which should be added requirements resulting from the stress test exercises of the European Banking Authority (EBA) and the Danish FSA
- Nykredit must hold sufficient capital to ensure ratings with the credit rating agencies that are compatible with the Group's business plans
- The capital level must be market-consistent, corresponding to the level of the other large Nordic financial institutions
- In addition to this, especially three Nykredit characteristics must be allowed for in terms of capital:
 - Nykredit is currently not listed and therefore has more restricted access to capital markets than listed companies
 - Nykredit is one of the largest private bond issuers in Europe
 - Nykredit has a sizeable mortgage loan portfolio. The mortgage loans typically have long loan terms and are non-callable by Nykredit.

Nykredit's capital policy is laid down annually in connection with the budgeting process.

Nykredit has previously applied to the Danish FSA for approval of a number of model changes. The changes include, as required by the Danish FSA, the use of advanced IRB models for the Bank's business exposures going forward instead of the foundation IRB approach applied so far, as well as a new method for calculating the capital requirement for non-performing exposures. Most of the model changes have now been approved by the Danish FSA and were implemented at end-Q3/2016, which has increased REA, as expected. The increase was around DKK 52bn.

Nykredit's total REA subsequently amounts to around DKK 356bn given the current business volumes and the current property prices.

The model changes have furthermore reduced the future uncertainties associated with the calculation of REA to approximately DKK 10bn.

Business developments towards 2017 are expected to increase REA by some DKK 30bn. This level factors in any fluctuations in property prices in the period concerned. A 5% change in property prices will impact the risk-weighted assets by around DKK 15bn.

Altogether, REA is still expected to total around DKK 400bn in 2019.

In addition to the above capital requirements, Nykredit's capital position will be adversely affected by some DKK 1.5bn as at 1 January 2018 following the implementation of IFRS 9. The amount, which is a one-off item, corresponds to the estimated impact of the future impairment rules that will increase the Group's total impairment provisions.

Based on the known capital rules, the CET1 capital target for 2019 is DKK 70bn, corresponding to 17.5% of REA of around DKK 400bn.

In light of the latest model changes and the expected future regulatory requirements, it has been decided to adjust the capital structure and capital levels in both Nykredit Bank and Totalkredit. Nykredit Bank will raise DKK 2bn of Tier 2 capital from Nykredit Realkredit A/S to ensure an appropriate buffer to the regulatory requirements and to fulfil the capital targets laid down by the Board of Directors following the increase in the SIFI buffer and other requirements in 2017. Totalkredit will raise DKK 4bn of Additional Tier 1 capital from Nykredit Realkredit A/S primarily with a view to meeting a future leverage ratio requirement of 3%.

Risk of increased capital requirements

The expectation is that the capital requirements will increase further in the coming years.

Thus, the Basel Committee is expected in January 2017 to propose a number of changes and restrictions on the calculation of risk exposures for banks using internal models.

Firstly, the Basel Committee is expected to propose the introduction of a new capital floor for IRB institutions. The capital floor is expected to be in the range of 60-90% of the standardised approach, which will increase REA markedly compared with today.

Secondly, the Basel Committee is expected to propose the introduction of floors to the parameters used in the internal models for credit risk (PD and LGD). That will lead to considerable increases in the capital requirement for mortgage loans involving a particularly low risk of loss, such as mortgage loans to personal customers with low LTVs and attractive locations, for example in large towns or cities.

Thirdly, the Basel Committee is expected to propose various constraints on credit institutions' use of advanced models in selected areas going forward. This entails the risk that the capital requirement for particularly secure segments, including residential rental properties, increases significantly.

Moreover, the European Commission is expected shortly to propose revisions to the EU's capital requirements framework, including the introduction of a leverage ratio in the EU and changes to the rules for calculating the capital requirements for market risk. Both measures have previously been recommended by the Basel Committee.

Based on a capital floor of 60% of the standardised approach, the increased capital requirements will add an estimated DKK 15bn to the Group's CET1 capital requirement, corresponding to a CET1 capital level around DKK 85bn. If, on the other hand, the capital requirements are increased by way of floors to the parameters (PD and LGD) used in internal models combined with restrictions on the use of such models, the impact is expected to correspond to that of a capital floor of 60% of the standardised approach. Further, the revised market risk framework (FRTB) could increase Nykredit's total capital requirement.

However, Nykredit's final requirement will depend on the wording of the Basel standards and their implementation in the EU as well as market expectations. In this connection, markets and credit rating agencies are expected to be at the forefront of the implementation in the EU of the Basel standards.

Nykredit is working to preserve the existing principle of basing capital requirements on the observed risk of loss and thus the proven resilience of the Danish mortgage system.

Moreover, a possible requirement for bail-inable liabilities (MREL) could lead to higher interest expenses and significant liquidity risk.

FUNDING AND LIQUIDITY

Most of Nykredit's assets consist of lending secured by mortgages on real estate. These loans are funded through issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of daily tap issuance coupled with refinancing auctions for ARMs and floating-rate bonds, etc. Further, the Group may issue senior debt to provide statutory supplementary collateral.

Bank lending is chiefly funded by deposits. At end-Q3/2016, Nykredit Bank's deposits exceeded lending at amortised cost by DKK 11.9bn. At end-2015, deposits exceeded lending by DKK 16.0bn.

Liquidity

Nykredit's liquid assets are mainly liquid Danish and other Northern European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity.

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior secured and senior unsecured debt in issue, totalled DKK 95bn at end-Q3/2016 against DKK 90bn at end-2015.

In June 2016, the Danish FSA introduced an additional liquidity requirement for Danish SIFIs. Danish SIFIs must fulfil the Liquidity Coverage Ratio (LCR) requirement not only in DKK but also in significant currencies except for SEK and NOK. The requirement will be phased in up to October 2017 and only concerns EUR in Nykredit's case.

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of DKK 28bn corresponding to at least 2.5% of total mortgage lending.

At end-Q3/2016, the Nykredit Realkredit Group's LCR was 313%. In EUR, the LCR was 219% compared with a current requirement of 60%.

Negative interest rates

Denmark still has negative interest rates. Nykredit has adjusted its set-up related to bonds so that negative interest is offset against redemptions for investors, and borrowers are compensated for the negative interest by way of an increased principal payment on the loan.

Bullet covered bonds are traded at a premium resulting in a negative yield-to-maturity for borrowers and investors.

Nykredit is therefore able to retain its mortgage lending margins even though interest rate levels are negative.

Benchmark bond series

Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes. Liquidity is also supported by Nykredit's high market share and the market making arrangements between members of Nasdaq Copenhagen.

With the introduction of the LCR, banks increasingly prefer bonds with high outstanding amounts (> EUR 500m) and high ratings.

Nykredit strives to have a product range that best suits our customers' needs and investors' increased preference for very liquid bond series.

Nykredit has announced a number of initiatives to improve the liquidity of bond series. For instance, it has been decided that the refinancing of ARMs on 1 April and 1 October will be phased out as the loan portfolio is refinanced. The adjustment will take place over a number of years to ensure an even distribution of refinancing volumes. In the longer term, the plan is to refinance ARMs on 1 January and 1 July. The Nykredit Group will continue the refinancing on 1 April and 1 October of other products, such as F-kort, which serves to deconcentrate the aggregate amount of bonds maturing on the individual payment dates.

Issuance schedule for 2016

Nykredit Realkredit will continue to issue covered bonds on tap and at refinancing auctions.

Nykredit expects to refinance loans of about DKK 40bn and about SEK 13bn as at the payment date in January 2017. The bonds will be sold in November 2016. The intention is to refinance borrowers' loans with bonds with longer maturities

in order to reduce the amount of loans with frequent refinancing. SEK-denominated loans are expected to be refinanced into floating-rate bonds with maturities of 3-5 years.

In the period towards 2020 Nykredit must build up a debt buffer, which must correspond to at least 2% of total mortgage lending when fully phased in. Nykredit has indicated that in order to maintain its long-term rating of A with S&P Global Ratings, the Nykredit Group will meet the additional loss-absorbing capacity (ALAC) criteria of this credit rating agency. The implication is that Nykredit must raise a special type of bail-inable senior debt or other subordinated capital.

Nykredit has launched its first bail-inable senior bonds (senior resolution notes), and at end-Q3/2016 notes in issue amounted to DKK 7.4bn. Issuance of the remaining requirement of DKK 5bn-10bn is scheduled for 2016-2017. Going forward, the new funding will replace most of the issuance of senior secured and senior unsecured debt.

CREDIT RATINGS

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

S&P Global Ratings

Nykredit Realkredit and Nykredit Bank each have a long-term unsecured rating of A and a short-term unsecured rating of A-1 with S&P Global Ratings. The rating outlooks are stable. Senior secured debt is rated AA- by S&P. The rating outlook is stable.

SDOs and ROs issued by Nykredit Realkredit and Totalkredit through rated capital centres are all rated AAA by S&P Global Ratings, which is the highest possible rating. The rating outlook is stable.

S&P Global Ratings announced in July 2016 that it had revised its outlook on Nykredit Realkredit and Nykredit Bank's unsecured ratings and the rating of the senior debt from negative to stable.

Fitch Ratings

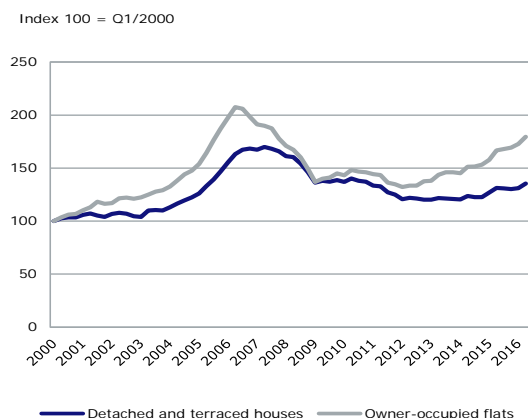
Nykredit Realkredit and Nykredit Bank each have a long-term unsecured rating of A and a short-term unsecured rating of F1 with Fitch. The rating outlook is stable.

Moody's Investors Service

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

LENDING

Nykredit Realkredit Group Housing prices in Denmark – inflation-adjusted



Source: Association of Danish Mortgage Banks

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of a nominal amount of DKK 1,157bn against DKK 1,161bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,128bn compared with DKK 1,119bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,104bn against DKK 1,114bn at end-2015.

Bank lending totalled DKK 53.1bn against DKK 46.7bn at the beginning of the year, up DKK 6.4bn. Reverse repurchase lending came to DKK 24.9bn against DKK 39.5bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.2bn against DKK 8.5bn at the beginning of the year. Impairment provisions for receivables from credit institutions came to DKK 44m, the same level as at the beginning of 2016.

At end-Q1-Q3/2016, guarantees came to DKK 6.7bn against DKK 6.9bn at the beginning of the year.

Incurred losses totalled DKK 948m in Q1-Q3/2016 of which DKK 683m on mortgage lending and DKK 266m on bank lending.

Nykredit Realkredit Group

Loans, advances, guarantees and impairment losses on loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment losses on loans and advances, earnings impact	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015	Q1-Q3/2016	FY 2015
Mortgage lending, nominal value						
Nykredit Realkredit	520,050	543,518	4,405	4,351	377	586
Totalkredit	584,192	570,806	1,200	1,343	66	455
Total	1,104,242	1,114,324	5,605	5,694	443	1,041
Bank lending						
Nykredit Bank	53,115	46,747	2,611	2,852	(9)	(114)
Total	53,115	46,747	2,611	2,852	(9)	(114)
Receivables from credit institutions	-	-	44	44	-	-
Total	-	-	44	44	-	-
Reverse repurchase lending	24,871	39,467	-	-	-	-
Guarantees	6,720	6,942	50	100	(50)	(7)
Loan impairment, % ¹						
Nykredit Realkredit	-	-	0.85	0.80	0.07	0.11
Totalkredit	-	-	0.21	0.24	0.01	0.08
Total	-	-	0.51	0.51	0.04	0.09
Nykredit Bank	-	-	4.69	5.75	(0.02)	(0.23)
Total	-	-	4.69	5.75	(0.02)	(0.23)

¹ Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.
Note: Nominal mortgage lending, adjusted for intercompany lending and intercompany set-off.

MORTGAGE LENDING

At end-Q1-Q3/2016, the credit exposure in terms of nominal mortgage lending was DKK 1,104bn, which is DKK 10bn lower than at the beginning of the year.

The security underlying mortgage lending is substantial. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset part of the losses incurred on mortgage loans against future commission payments to the partner banks which have distributed the loans.

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-Q1-Q3/2016.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment decreased by DKK 89m from the beginning of the year to DKK 5,605m at end-Q1-Q3/2016. Of the reversals, DKK 2m was related to private residential property, DKK 203m to private rental property, DKK 67m to office and retail and DKK 210m to agricultural property.

Private residential property accounted for DKK 2m of the reversals in Q1-Q3/2016 and business property DKK 87m.

Total impairment provisions equalled 0.51% of total mortgage lending against 0.51% at the beginning of the year.

Earnings impact

Impairment losses on mortgage lending for the period were DKK 443m against DKK 780m in Q1-Q3/2015. Of total impairment losses on loans and advances for the period, DKK 315m was attributable to the private residential segment and DKK 325m related to agricultural property. Private rental showed a reversal of DKK 183m.

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

Fair value DKK million/%	LTV (loan-to-value)						Total	LTV average % ¹
	0-40	40-60	60-80	80-90	90-100	> 100		
Private residential	414,900	160,245	97,186	13,013	5,114	4,328	694,786	71
Private rental	75,959	26,019	12,328	1,767	946	1,067	118,085	66
Industry and trades	18,742	2,913	381	99	74	193	22,401	48
Office and retail	82,323	21,131	3,310	609	327	505	108,205	54
Agricultural	68,563	18,518	7,030	1,166	536	530	96,343	59
Public housing	-	-	-	-	-	-	70,764	-
Other	13,325	2,648	779	72	29	79	16,932	51
Total, end-Q3/2016	673,811	231,474	121,014	16,727	7,024	6,701	1,127,516	65
Total, end-2015	672,034	233,789	116,058	15,289	7,031	6,987	1,119,101	69

¹ Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

Nykredit Realkredit Group

Provisions for mortgage loan impairment by property type¹

DKK million	30 September 2016		31 December 2015	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Private residential	2,228	315	2,230	562
Private rental ²	1,262	(183)	1,465	50
Industry and trades	211	(29)	244	45
Office and retail	449	11	516	104
Agricultural	1,306	325	1,096	342
Public housing	46	2	47	(60)
Other	104	2	96	(2)
Total	5,605	443	5,694	1,041

¹ The breakdown by property type is not directly comparable with the Group's business areas.

² Housing cooperatives are included in the property category Private rental.

Nykredit Realkredit Group

Arrears ratio – 75 days past due

Due dates	Arrears relative to total mortgage payments	Debt outstanding affected by arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2016			
- June	0.43	0.48	4.80
- March	0.43	0.40	4.40
2015			
- December	0.38	0.41	4.50
- September	0.39	0.39	4.30
- June	0.42	0.48	5.40
- March	0.48	0.49	5.50

Arrears

At the June due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.43% against 0.42% at the same date in 2015.

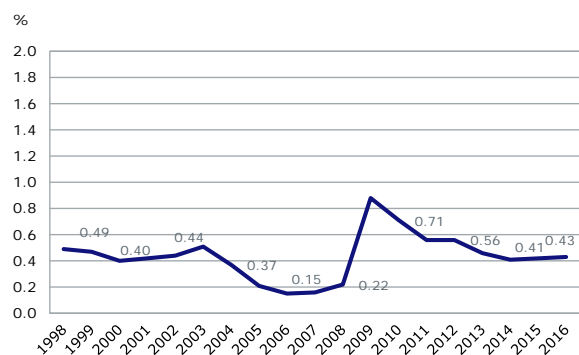
The Group's mortgage lending affected by arrears was 0.48% of total mortgage lending (bond debt outstanding) compared with 0.48% at the same time the previous year.

Properties acquired by foreclosure

In Q1-Q3/2016, the Group acquired 107 properties and sold 158. At end-Q1-Q3/2016, the property portfolio stood at 108 against 159 at the beginning of the year. Of this amount, residential property accounted for 62 against 72 at end-2015.

Nykredit Realkredit Group

Arrears ratio, mortgage lending – 75 days past due



BANK LENDING

Bank loans and advances amounted to DKK 53.1bn against DKK 46.7bn at the beginning of the year. Before provisions for loan impairment, loans and advances amounted to DKK 55.7bn against DKK 49.6bn at the beginning of the year.

Reverse repurchase lending amounted to DKK 24.9bn against DKK 39.5bn at the beginning of the year. Guarantees issued totalled DKK 6.7bn against DKK 6.9bn at the beginning of the year.

Nykredit Bank recorded lending growth of 14.0%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model.

Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 2,611m against DKK 2,852m at the beginning of the year.

Impairment provisions for receivables from credit institutions came to DKK 23m at end-Q1-Q3/2016, the same level as at end-2015.

Guarantees

Guarantees issued totalled DKK 6.7bn compared with DKK 6.9bn at the beginning of the year.

At end-Q1-Q3/2016, provisions for guarantees amounted to DKK 50m against DKK 100m at the beginning of the year.

Earnings impact

Impairment losses on loans and advances and provisions for guarantees were a gain of DKK 58m compared with a gain of DKK 87m in Q1-Q3/2015.

Nykredit Realkredit Group

Provisions for bank loan impairment and guarantees by sector¹

DKK million	30 September 2016		31 December 2015	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	-	-	-	-
Agriculture, hunting, forestry and fishing	121	29	102	7
Manufacturing, mining and quarrying	201	7	225	39
Energy supply	3	(1)	3	(6)
Construction	222	(2)	232	11
Trade	58	(44)	88	1
Transport, accommodation and food service activities	109	20	104	32
Information and communication	23	16	17	(2)
Finance and insurance	114	(92)	224	18
Real estate	1,000	(161)	1,140	(287)
Other	184	(11)	231	5
Total business customers	2,035	(239)	2,366	(182)
Personal customers	626	181	586	61
Total	2,661	(58)	2,952	(121)
- of which provisions for losses on guarantees	50	(15)	100	(7)
Impairment provisions for credit institutions	23	-	23	-
Total including impairment provisions for credit institutions	2,684	(58)	2,975	(121)

¹ As the breakdown is based on public sector statistics, it is not directly comparable with the Bank's business areas.

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 the period 1 January – 30 September 2016 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

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

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

Copenhagen, 10 November 2016

Executive Board

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

David Hellemann
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Steffen Kragh
Chairman

Merete Eldrup
Deputy Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Hans Bang-Hansen

Olav Bredgaard Brusén*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Allan Kristiansen*

Bent Naur

Anders C. Obel

Erling Bech Poulsen

Inge Sand*

Leif Vinther*

* Staff-elected member

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

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

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

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

DKK million

Nykredit Realkredit Group	Note	Q1-Q3/ 2016	Q1-Q3/ 2015	Q3/ 2016	Q3/ 2015
INCOME STATEMENT					
Interest income	5	21,585	25,095	7,103	7,854
Interest expenses	6	13,202	16,105	4,203	4,822
Net interest income		8,383	8,990	2,901	3,032
Dividend on equities		103	96	11	9
Fee and commission income		1,712	1,936	625	517
Fee and commission expenses		1,960	1,979	762	598
Net interest and fee income		8,238	9,044	2,774	2,960
Value adjustments	7	45	175	785	(484)
Other operating income		149	136	44	44
Staff and administrative expenses	8	3,403	3,388	1,153	1,120
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	156	2,074	54	1,955
Other operating expenses		124	94	42	60
Impairment losses on loans, advances and receivables	10	385	693	260	244
Profit from investments in associates and Group enterprises	11	7	6	1	2
Profit (loss) before tax		4,370	3,111	2,094	(858)
Tax	12	907	1,120	435	233
Profit (loss) for the period		3,463	1,991	1,660	(1,091)
Distribution of profit (loss) for the period					
Shareholder of Nykredit Realkredit A/S		3,287	1,852	1,601	(1,150)
Minority interests		1	-	0	-
Holders of Additional Tier 1 capital notes		174	138	58	59
Profit (loss) for the period		3,463	1,991	1,660	(1,091)
COMPREHENSIVE INCOME					
Profit (loss) for the period		3,463	1,991	1,660	(1,091)
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		14	10	14	(2)
Total items that cannot be reclassified to profit or loss		14	10	14	(2)
Items that may be reclassified to profit or loss:					
Fair value adjustment of equities available for sale		30	383	207	52
Tax on fair value adjustment of equities available for sale		8	(26)	(12)	(0)
Realised value adjustment of equities available for sale reclassified to profit or loss		-	(103)	-	(103)
Total items that may be reclassified to profit or loss		38	254	195	(52)
Other comprehensive income		52	264	209	(53)
Comprehensive income for the period		3,515	2,255	1,869	(1,144)
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		3,339	2,117	1,810	(1,203)
Minority interests		1	-	0	-
Holders of Additional Tier 1 capital notes		174	138	59	59
Comprehensive income for the period		3,515	2,255	1,869	(1,144)

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

DKK million

Nykredit Realkredit A/S	Note	Q1-Q3/ 2016	Q1-Q3/ 2015	Q3/ 2016	Q3/ 2015
INCOME STATEMENT					
Interest income	5	16,582	19,772	5,250	6,023
Interest expenses	6	13,114	15,959	4,174	4,804
Net interest income		3,469	3,813	1,076	1,220
Dividend on equities		91	92	11	9
Fee and commission income		659	740	229	209
Fee and commission expenses		108	111	39	36
Net interest and fee income		4,111	4,533	1,276	1,401
Value adjustments	7	486	(140)	672	(192)
Other operating income		750	662	267	231
Staff and administrative expenses	8	2,222	2,234	769	740
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	125	2,043	43	1,945
Other operating expenses		103	23	35	23
Impairment losses on loans, advances and receivables	10	377	366	211	142
Profit from investments in associates and Group enterprises	11	1,480	2,303	894	385
Profit (loss) before tax		4,000	2,692	2,050	(1,025)
Tax		501	447	195	117
Profit (loss) for the period		3,499	2,245	1,855	(1,143)
Distribution of profit (loss) for the period					
Shareholder of Nykredit Realkredit A/S		3,325	2,107	1,796	(1,201)
Minority interests		-	-	-	-
Holders of Additional Tier 1 capital notes		174	138	59	59
Profit (loss) for the period		3,499	2,245	1,855	(1,143)
COMPREHENSIVE INCOME					
Profit (loss) for the period		3,499	2,245	1,855	(1,143)
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		14	10	14	(2)
Total items that cannot be reclassified to profit or loss		14	10	14	(2)
Other comprehensive income		14	10	14	(2)
Comprehensive income for the period		3,513	2,255	1,868	(1,144)
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		3,339	2,117	1,810	(1,203)
Holders of Additional Tier 1 capital notes		174	138	59	59
Comprehensive income for the period		3,513	2,255	1,868	(1,144)

Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2015	30.09.2016		Note	30.09.2016	31.12.2015
ASSETS					
351	101	Cash balances and demand deposits with central banks		2,096	3,095
18,210	35,779	Receivables from credit institutions and central banks	13	39,589	20,158
1,156,122	1,191,585	Loans, advances and other receivables at fair value	14	1,152,752	1,158,926
263	252	Loans, advances and other receivables at amortised cost	15	53,410	47,036
56,053	45,198	Bonds at fair value	16	104,454	106,200
Equities					
3,733	3,858	Equities measured at fair value through profit or loss		1,976	1,979
-	-	Equities available for sale		2,144	2,115
3,733	3,858	Total		4,121	4,094
122	126	Investments in associates		128	124
35,594	37,001	Investments in Group enterprises		-	-
217	191	Intangible assets	17	237	271
Land and buildings					
-	-	Investment properties		209	244
16	14	Owner-occupied properties		1,446	1,460
16	14	Total		1,655	1,704
204	163	Other property, plant and equipment		190	235
-	0	Current tax assets		44	0
103	1	Deferred tax assets		101	103
396	148	Assets in temporary possession		201	451
10,884	11,491	Other assets	18	46,532	41,171
191	251	Prepayments		291	221
1,282,458	1,326,160	Total assets		1,405,800	1,383,789

Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2015	30.09.2016		Note	30.09.2016	31.12.2015
LIABILITIES AND EQUITY					
17,724	20,344	Payables to credit institutions and central banks	19	19,362	30,226
-	-	Deposits and other payables	20	64,897	62,599
1,169,616	1,199,193	Bonds in issue at fair value	21	1,151,669	1,137,314
3,795	11,231	Bonds in issue at amortised cost	22	23,302	23,945
427	66	Other non-derivative financial liabilities at fair value	23	16,963	10,126
16	382	Current tax liabilities		842	142
-	-	Liabilities temporarily assumed		29	29
14,124	14,447	Other liabilities	24	47,982	42,305
-	-	Deferred income		9	7
1,205,701	1,245,663	Total payables		1,325,054	1,306,692
Provisions					
169	158	Provisions for pensions and similar obligations		164	175
70	61	Provisions for deferred tax		182	123
63	61	Repayable reserves in pre-1972 series		61	63
-	-	Provisions for losses under guarantees		50	100
88	68	Other provisions		136	169
390	347	Total provisions		593	630
10,907	11,277	Subordinated debt	25	11,276	11,006
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
1	-	- revaluation reserves		155	160
-	-	- value adjustment of equities available for sale		685	648
Other reserves					
6,288	7,702	- statutory reserves		-	-
26,787	26,787	- series reserves		26,787	26,787
27,427	29,375	- retained earnings		36,236	32,909
61,686	65,046	Shareholder of Nykredit Realkredit A/S		65,046	61,686
-	-	Minority interests		5	-
3,774	3,826	Holders of Additional Tier 1 capital notes		3,826	3,774
65,460	68,872	Total equity		68,877	65,460
1,282,458	1,326,160	Total liabilities and equity		1,405,800	1,383,789
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	26	6,720	6,942
1,197	1,120	Other commitments		6,965	6,637
1,197	1,120	Total		13,685	13,579

Statement of changes in equity for 1 January – 30 September

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Revaluation reserves	Statutory reserves ²	Series reserves	Retained earnings	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2016								
Equity, 1 January	1,182	1	6,288	26,787	27,427	61,686	3,774	65,460
Profit for the period	-	-	1,486	-	1,839	3,325	174	3,499
Total other comprehensive income	-	-	-	-	14	14	-	14
Total comprehensive income for the period	-	-	1,486	-	1,853	3,339	174	3,513
Transactions with holders								
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	6	6	(6)	-
Tax	-	-	-	-	15	15	-	15
Dividend from associates	-	-	(3)	-	3	-	-	-
Dividend from Group enterprises	-	-	(70)	-	70	-	-	-
Realised from the sale of properties	-	(1)	-	-	1	-	-	-
Equity, 30 September	1,182	-	7,702	26,787	29,375	65,046	3,826	68,872
2015								
Equity, 1 January	1,182	2	3,147	30,975	24,197	59,502	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)	-	(852)
Equity, 1 January, as restated	1,182	2	3,147	30,975	23,344	58,650	-	58,650
Profit (loss) for the period	-	-	2,303	-	(196)	2,107	138	2,245
Total other comprehensive income	-	-	-	-	10	10	-	10
Total comprehensive income for the period	-	-	2,303	-	(186)	2,117	138	2,255
Transactions with holders								
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(38)	(38)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	1	(1)	-
Tax	-	-	-	-	18	18	-	18
Dividend from associates	-	-	(4)	-	4	-	-	-
Dividend from Group enterprises	-	-	(35)	-	35	-	-	-
Realised from the sale of properties	-	(1)	-	-	1	-	-	-
Other adjustments	-	-	(0)	-	0	-	-	-
Equity, 30 September	1,182	1	5,411	30,975	23,177	60,746	3,831	64,577

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² The item relates to transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646m in Totalkredit.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the bonds are consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the loan will be written down.

Statement of changes in equity for 1 January – 30 September

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ²	Total equity
2016									
Equity, 1 January	1,182	160	648	26,787	32,909	61,686	-	3,774	65,460
Profit for the period	-	-	-	-	3,287	3,287	1	174	3,463
Total other comprehensive income	-	-	38	-	14	52	-	-	52
Total comprehensive income for the period	-	-	38	-	3,302	3,339	1	174	3,515
Transactions with holders									
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	6	6	-	(6)	-
Tax	-	-	-	-	15	15	-	-	15
Additions relating to acquisition of Group enterprise	-	-	-	-	-	-	3	-	3
Realised from the sale of properties	-	(5)	-	-	5	-	-	-	-
Equity, 30 September	1,182	155	685	26,787	36,236	65,046	5	3,826	68,877
2015									
Equity, 1 January	1,182	151	641	30,975	26,553	59,502	-	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)	-	-	(852)
Equity, 1 January, as restated	1,182	151	641	30,975	25,701	58,650	-	-	58,650
Profit for the period	-	-	-	-	1,852	1,852	-	138	1,991
Total other comprehensive income	-	-	254	-	10	264	-	-	264
Total comprehensive income for the period	-	-	254	-	1,863	2,117	-	138	2,255
Transactions with holders									
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(38)	(38)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	1	-	(1)	-
Tax	-	-	-	-	18	18	-	-	18
Realised from the sale of properties	-	(6)	-	-	6	-	-	-	-
Equity, 30 September	1,182	145	895	30,975	27,549	60,746	-	3,831	64,577

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the loan will be written down.

Cash flow statement for 1 January – 30 September

DKK million

Nykredit Realkredit Group	Q1-Q3/2016	Q1-Q3/2015
Profit for the period	3,463	1,991
Non-cash operating items		
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	156	2,074
Profit from investments in associates	(7)	(6)
Impairment losses on loans, advances and receivables	385	693
Prepayments/deferred income, net	(67)	(22)
Tax calculated on profit for the period	907	1,120
Other adjustments	223	(237)
Total	1,596	3,622
Profit for the period adjusted for non-cash operating items	5,059	5,613
Change in working capital		
Loans, advances and other receivables	(585)	22,305
Deposits and payables to credit institutions	(8,566)	(13,397)
Bonds in issue	13,713	(33,544)
Other working capital	7,306	(12,423)
Total	11,867	(37,059)
Corporation tax paid, net	(167)	(69)
Cash flows from operating activities	16,759	(31,514)
Cash flows from investing activities		
Divestment of associates	-	1
Dividend received from associates	3	5
Purchase and sale of bonds and equities, net	1,844	28,597
Purchase of intangible assets	(38)	(43)
Purchase of property, plant and equipment	(26)	(38)
Sale of property, plant and equipment	26	26
Total	1,808	28,548
Cash flows from financing activities		
Redemption of subordinated debt	(100)	(6,699)
Interest on Additional Tier 1 capital	(116)	
Issuance of Additional Tier 1 capital recognised in equity	-	3,731
Purchase and sale of self-issued subordinated debt instruments	(1)	41
Total	(217)	(2,927)
Total cash flows for the period	18,350	(5,893)
Cash and cash equivalents, beginning of period	23,253	42,288
Foreign currency translation adjustment of cash	82	337
Cash and cash equivalents, end of period	41,685	36,732
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	2,096	19,125
Receivables from credit institutions and central banks	39,589	17,607
Total	41,685	36,732

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13. Receivables from credit institutions and central banks	46
14. Loans, advances and other receivables at fair value	46
15. Loans, advances and other receivables at amortised cost	47
16. Bonds at fair value	47
17. Intangible assets	48
18. Other assets	49
19. Payables to credit institutions and central banks	50
20. Deposits and other payables	50
21. Bonds in issue at fair value	50
22. Bonds in issue at amortised cost	51
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1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for Q1-Q3/2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Interim Financial Statements for Q1-Q3/2016 of the Parent Company have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on the Presentation of Financial Statements) issued by the Danish Financial Supervisory Authority (FSA).

Change in the presentation of business areas

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

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

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

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

Changed policy concerning the presentation of intercompany costs

In the financial statements of the Parent Company, Nykredit Realkredit A/S, intercompany transactions invoiced from Nykredit Realkredit A/S to other Group companies have so far been offset against the Parent Company's capacity costs.

To give a fairer presentation of the Parent Company's costs, the invoicing of intercompany transactions is recognised as income in "Other operating income" as of H1/2016.

The change only affects "Other operating income" and "Staff and administrative expenses" in the Parent Company's income statement. For Q1-Q3/2016 this amounted to DKK 696m, while the amount was DKK 658m for Q1-Q3/2015.

Comparative figures have been restated accordingly, and the changed policy did not affect the results, comprehensive income, balance sheet or equity for the periods concerned.

The change did not affect the financial statements of the Nykredit Group.

IFRS 9

IFRS 9 is expected to be implemented for financial years beginning on 1 January 2018 or later (the standard has not yet been approved for use in the EU). For the Nykredit Group, especially the new loan impairment rules will have a material impact on the Financial Statements. Nykredit estimates the future impairment provisions to impact equity by around DKK 1.5bn as at 1 January 2018, corresponding to the increased loan impairment provisions after deduction of the tax effect.

New and amended standards, interpretations and reporting provisions

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

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

Other information

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

All figures in the Q1-Q3 Interim Report 2016 are rounded to the nearest million kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
2. CAPITAL AND CAPITAL ADEQUACY			
65,460	68,872	68,877	65,460
-	-	(5)	-
(3,774)	(3,826)	(3,826)	(3,774)
61,686	65,046	65,046	61,686
(54)	(42)	(570)	(359)
(169)	(149)	(233)	(275)
(1,767)	(181)	(206)	(1,116)
(244)	(268)	(231)	(217)
1,197	170	180	806
(1,038)	(469)	(1,060)	(1,161)
60,648	64,577	63,986	60,525
3,731	3,726	3,716	3,831
(27)	(36)	(30)	(22)
(514)	(22)	(29)	(322)
3,190	3,668	3,657	3,488
63,838	68,245	67,643	64,013
10,821	10,804	10,804	10,821
(530)	(36)	(41)	(335)
74,129	79,013	78,406	74,498
338,823	361,066	310,624	264,865
17,396	17,026	26,057	27,958
11,266	10,806	19,636	18,397
367,484	388,898	356,317	311,220
Financial ratios			
16.5	16.6	17.9	19.4
17.3	17.5	18.9	20.5
20.1	20.3	22.0	23.9

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

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the Nykredit Realkredit Group. The requirement of 2% is being phased in and currently constitutes 0.8%. To this should be added the phase-in of the permanent buffer requirement, currently 0.625%, applicable to all financial institutions.

	Q1-Q3/2016			Q1-Q3/2015		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
3. RESULTS FROM CORE BUSINESS AND OTHER ACTIVITIES						
Net interest income	7,787	596	8,383	8,073	917	8,990
Dividend on equities	8	95	103	4	92	96
Fee and commission income, net	(235)	(13)	(248)	(26)	(17)	(43)
Net interest and fee income	7,560	678	8,238	8,051	992	9,043
Value adjustments	890	(845)	45	480	(305)	175
Other operating income	149	-	149	136	-	136
Staff and administrative expenses	3,404	-	3,404	3,388	-	3,388
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	156	-	156	167	1,907	2,074
Other operating expenses	124	-	124	94	-	94
Impairment losses on loans and advances	385	-	385	693	-	693
Profit from investments in associates	-	7	7	-	6	6
Profit (loss) before tax	4,530	(160)	4,370	4,325	(1,214)	3,111

¹ Results from Other Activities comprise negative value adjustment of interest rate swaps of DKK 1,273m (2015: positive value adjustment of DKK 212m), goodwill impairment of DKK 0m (2015: DKK 1,907m) and investment portfolio income of DKK 1,113m (2015: DKK 481m).

Nykredit Realkredit Group

4. BUSINESS AREAS

RESULTS Q1-Q3/2016	Personal Banking	Business Banking	Total Retail	Totalcredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
Core income from										
- customer activities, gross	1,874	2,368	4,242	2,136	1,218	554	1,772	767	45	8,962
- payment for distribution	246	179	425	-	58	(226)	(168)	(257)	-	-
Total business operations	2,120	2,547	4,667	2,136	1,276	328	1,604	510	45	8,962
- senior and subordinated debt	(32)	(46)	(78)	(112)	(6)	-	(6)	0	(200)	(396)
- core income from securities	-	-	-	-	-	-	-	-	33	33
Income from core business	2,088	2,501	4,589	2,024	1,270	328	1,598	510	(122)	8,599
Operating costs and depreciation of equipment ¹			2,367	414	260	203	463	292	44	3,580
Mortgage bank contribution to the Danish Resolution Fund ¹			73	2	29	-	29	-	-	104
Profit (loss) from core business before impairment losses			2,149	1,608	981	125	1,106	218	(166)	4,915
Impairment losses on loans and advances	409	141	550	24	(202)	-	(202)	19	(6)	385
Profit (loss) from core business			1,599	1,584	1,183	125	1,308	199	(160)	4,530
Value adjustment of interest rate swaps	0	(552)	(552)	-	(722)	1	(721)	0	-	(1,273)
Investment portfolio income ²	-	-	-	-	-	-	-	-	1,113	1,113
Profit before tax			1,047	1,584	461	126	587	199	953	4,370
BALANCE SHEET										
Assets										
Mortgage loans at fair value	190,390	243,938	434,328	511,031	178,009	-	178,009	4,514	-	1,127,881
Reverse repurchase lending at fair value	-	-	-	-	-	24,871	24,871	-	-	24,871
Loans and advances at amortised cost	11,279	17,462	28,741	52	20,825	-	20,825	2,341	1,451	53,410
Assets by business area	201,669	261,400	463,069	511,083	198,834	24,871	223,705	6,855	1,451	1,206,162
Unallocated assets										199,638
Total assets										1,405,800
Liabilities and equity										
Bank deposits and other payables at amortised cost	25,451	17,532	42,983	-	11,678	-	11,678	7,646	2,590	64,897
Liabilities by business area	25,451	17,532	42,983	-	11,678	-	11,678	7,646	2,590	64,897
Unallocated liabilities										1,272,026
Equity										68,877
Total liabilities and equity										1,405,800

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

² Investment portfolio income includes profit from equity investments and the sale of equity investments in associates of DKK 7m.

The business areas reflect Nykredit Realkredit's organisation and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale Clients comprises activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Group Items comprises Nykredit Bank's Treasury area as well as unallocated costs. Please refer to the business area section in the Management's Review.

The presentation is based on the segments used for the internal management reporting.

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

As a result of the above changes, profit before tax for Q1-Q3/2016 was reduced by DKK 115m in Retail, remained unchanged in Totalcredit Partners, decreased by DKK 84m in Wholesale Clients, increased by DKK 199m in Wealth Management and remained unchanged in Group Items.

Nykredit Realkredit Group

4. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS										
Q1-Q3/2015										
Core income from										
- customer activities, gross	2,025	2,393	4,418	2,110	1,310	635	1,945	652	(3)	9,122
- payment for distribution	248	172	420	-	60	(238)	(178)	(242)	-	-
Total business operations	2,273	2,565	4,838	2,110	1,370	397	1,767	410	(3)	9,122
- senior and subordinated debt	(40)	(55)	(95)	(133)	(10)	-	(10)	0	(245)	(483)
- core income from securities	-	-	-	-	-	-	-	-	29	29
Income from core business	2,233	2,510	4,743	1,977	1,360	397	1,757	410	(219)	8,668
Operating costs and depreciation of equipment ¹			2,442	368	262	251	513	269	12	3,604
Mortgage bank contribution to the Danish Resolution Fund ¹			18	21	7	-	7	0	-	46
Profit (loss) from core business before impairment losses			2,283	1,588	1,091	146	1,237	141	(231)	5,018
Impairment losses on loans and advances	72	509	581	371	(259)	-	(259)	0	-	693
Profit (loss) from core business			1,702	1,217	1,350	146	1,496	141	(231)	4,325
Value adjustment of interest rate swaps	1	139	140	-	73	0	73	(1)	-	212
Goodwill impairment	-	-	-	1,907	-	-	-	-	-	1,907
Investment portfolio income ²	-	-	-	-	-	-	-	-	481	481
Profit (loss) before tax			1,842	(690)	1,423	146	1,569	140	250	3,111
BALANCE SHEET, 31 DECEMBER 2015										
Assets										
Mortgage loans at fair value	192,549	245,376	437,925	496,528	181,679	-	181,679	3,327	-	1,119,459
Reverse repurchase lending at fair value	-	-	-	-	-	39,467	39,467	-	-	39,467
Loans and advances at amortised cost	12,077	14,977	27,054	45	18,007	-	18,007	1,922	8	47,036
Assets by business area	204,626	260,353	464,979	496,573	199,686	39,467	239,153	5,249	8	1,205,962
Unallocated assets										177,827
Total assets										1,383,789
Liabilities and equity										
Bank deposits and other payables at amortised cost	23,781	17,018	40,799	-	13,700	-	13,700	7,828	272	62,599
Liabilities by business area	23,781	17,018	40,799	-	13,700	-	13,700	7,828	272	62,599
Unallocated liabilities										1,255,730
Equity										65,460
Total liabilities and equity										1,383,789

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

² Investment portfolio income includes profit from equity investments and the sale of equity investments in associates of DKK 6m.

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

As a result of these changes and the changes introduced as from Q1/2016, profit before tax for Q1-Q3/2015 reduced by a total of DKK 277m in Retail, remained unchanged in Totalkredit Partners, reduced by DKK 324m in Wholesale Clients, increased by DKK 140m in Wealth Management and increased by DKK 461m in Group Items.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1-Q3/2015	Q1-Q3/2016	Q1-Q3/2016	Q1-Q3/2015
5. INTEREST INCOME			
(0)	(0)	(23)	(20)
15,684	12,806	14,170	17,295
3,154	3,077	6,818	6,583
Bonds			
247	153	309	635
427	446	639	882
186	164	187	219
72	95	132	143
Derivative financial instruments			
(7)	(15)	116	132
168	(48)	(471)	(145)
-	-	(18)	(32)
-	-	6	2
88	58	60	88
20,019	16,737	21,910	25,780
(247)	(153)	(309)	(635)
(0)	(1)	(16)	(50)
19,772	16,582	21,585	25,095
Of which interest income from reverse repurchase lending entered as:			
(3)	(3)	(27)	(14)
-	-	(77)	(68)
6. INTEREST EXPENSES			
(2)	(37)	(14)	(11)
-	-	(30)	90
15,815	12,951	13,253	16,401
293	275	276	294
104	79	42	16
16,207	13,268	13,527	16,790
(247)	(153)	(309)	(635)
(0)	(1)	(16)	(50)
15,959	13,114	13,202	16,105
Of which interest expenses from repo transactions entered as:			
(13)	(44)	(42)	(40)
-	-	(57)	(12)

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1-Q3/2015	Q1-Q3/2016	Q1-Q3/2016	Q1-Q3/2015
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
(4,128)	5,824	Mortgage loans, a)	19,119 (16,024)
(11,482)	13,377	Totalkredit mortgage loan funding, a)	-
(163)	(49)	Other loans, advances and receivables at fair value, b)	2 (3)
(518)	1,352	Bonds, b)	1,776 (635)
512	144	Equities, b)	127 212
-	-	Investment properties	(12) 2
1	5	Foreign exchange	23 369
(191)	(1,002)	Foreign exchange, interest rate and other contracts as well as derivative financial instruments, b)	(1,908) (95)
Assets measured at fair value and recognised in "Other comprehensive income"			
-	-	Realised value adjustment of equities available for sale reclassified to profit or loss	- 103
Liabilities measured at fair value through profit or loss			
4,347	(5,787)	Bonds in issue, a)	(19,083) 16,245
11,482	(13,377)	Totalkredit mortgage loan funding	-
(140)	486	Total	45 175
<p>a) Financial assets and liabilities classified at fair value on initial recognition. b) Financial assets and liabilities classified under the trading book.</p>			
8. STAFF AND ADMINISTRATIVE EXPENSES			
36	49	Remuneration of Board of Directors and Executive Board	49 36
1,486	1,493	Staff expenses	2,184 2,127
712	680	Other administrative expenses	1,170 1,226
2,234	2,222	Total	3,403 3,388
Remuneration of Board of Directors and Executive Board			
Board of Directors			
3	3	Fees	3 3
Executive Board			
27	29	Base salaries	29 27
6	4	Pensions	4 6
-	13	Post-employment salary and termination benefits for one Group Managing Director	13 -
36	49	Total	49 36
<p>Bente Overgaard stepped down from the Group Executive Board on 30 June 2016 and will receive post-employment salary and termination benefits totalling DKK 12m in accordance with her contract. She will further receive special termination benefits equal to six months' salary. Bente Overgaard will remain available to Nykredit for a period of time.</p>			
Staff expenses			
1,170	1,166	Salaries	1,722 1,692
143	132	Pensions	186 195
162	181	Payroll tax	259 225
10	14	Other social security expenses	18 14
1,486	1,493	Total	2,184 2,127
2,837	2,680	Average number of staff, full-time equivalents	3,609 3,763

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
Q1-Q3/2015	Q1-Q3/2016	Q1-Q3/2016	Q1-Q3/2015
9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
53	61	73	64
	-	-	
1,923	-	-	1,923
Property, plant and equipment			
67	64	84	87
	-	-	
2,043	125	156	2,074
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
10 a. Earnings impact			
264	357	582	691
9	(39)	(171)	(113)
114	62	240	384
(46)	(44)	(93)	(104)
-	-	(50)	3
341	335	508	861
10 b. Specification of impairment provisions for loans, advances and receivables			
50	37	56	54
(26)	5	(4)	(26)
-	-	(175)	(197)
366	377	385	693
10 c. Individual impairment provisions for loans and advances			
2,917	3,073	6,107	6,357
1,410	1,354	2,152	2,488
4,327	4,427	8,260	8,845
Impairment provisions have been offset against the following items:			
4,149	4,220	5,314	5,436
156	185	291	247
-	-	2,611	3,118
21	21	44	44
4,327	4,427	8,260	8,845
10 c. Individual impairment provisions for loans and advances			
2,869	2,958	6,223	6,465
690	722	1,526	1,654
(426)	(366)	(944)	(963)
(43)	(27)	(33)	(68)
(195)	(236)	(708)	(774)
2,895	3,051	6,064	6,313

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
Q1-Q3/2015	Q1-Q3/2016		Q1-Q3/2016	Q1-Q3/2015
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)				
10 d. Collective impairment provisions for loans and advances				
1,401	1,393	Impairment provisions, beginning of period	2,324	2,602
9	(39)	Impairment provisions for the period, net	(171)	(113)
1,410	1,354	Impairment provisions, end of period	2,152	2,488
10 e. Individual impairment provisions for receivables from credit institutions				
21	21	Impairment provisions, beginning of period	44	44
21	21	Impairment provisions, end of period	44	44
10 f. Specification of loans, advances and receivables from credit institutions with objective evidence of impairment				
13,883	14,166	Loans and advances subject to individual provisioning before impairment	20,694	20,508
2,895	3,051	Impairment	6,064	6,313
10,988	11,114	Loans and advances after impairment	14,630	14,194
34,390	40,109	Loans and advances subject to collective provisioning before impairment	132,226	118,614
1,410	1,354	Impairment	2,152	2,488
32,980	38,755	Loans and advances after impairment	130,073	116,126
29	29	Receivables from credit institutions subject to individual provisioning before impairment	54	54
21	21	Impairment	44	44
8	8	Receivables after impairment	10	10
10 g. Impairment provisions for properties acquired by foreclosure				
315	217	Impairment provisions, beginning of period	287	414
43	27	Transfer from impairment provisions for loans and advances – note 10 c.	33	68
63	41	Impairment provisions for the period	82	99
(13)	(5)	Impairment provisions reversed	(26)	(44)
(142)	(119)	Impairment provisions written off	(147)	(201)
267	162	Impairment provisions, end of period	229	336
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".				
11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES				
6	7	Profit from investments in associates	7	6
2,297	1,474	Profit from investments in Group enterprises	-	-
2,303	1,480	Total	7	6
12. TAX				
Current tax rates, %			22.0	23.5
Non-taxable income and deductible expenses			(0.8)	12.5
Effective tax rate, %			21.2	36.0
In Q1-Q3/2015, the effective tax rate was affected by goodwill impairment of DKK 1,907m. Adjusted for goodwill, the effective tax rate for Q1-Q3/2015 would be 21.7%.				

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2015	30.09.2016		30.09.2016	31.12.2015
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
6,772	15,779	Receivables from central banks	23,773	6,772
11,004	17,165	Receivables from credit institutions	13,957	12,284
-	-	Reverse repurchase lending to central banks	510	-
433	2,835	Reverse repurchase lending to credit institutions	1,349	1,102
18,210	35,779	Total	39,589	20,158
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
549,618	531,547	Mortgage loans	1,127,516	1,119,101
235	193	Arrears and outlays	365	358
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	24,871	39,467
12,891	11,195	Loans to Totalkredit serving as collateral in capital centres	-	-
593,377	648,650	Totalkredit mortgage loan funding	-	-
1,156,122	1,191,585	Total	1,152,752	1,158,926
14 a. Mortgage loans				
570,913	544,356	Balance, beginning of period, nominal value	1,114,324	1,111,744
86,795	40,172	New loans	137,272	257,128
152	159	Indexation	159	152
926	(1,069)	Foreign currency translation adjustment	(1,069)	926
(11,815)	(9,248)	Ordinary principal payments	(15,751)	(18,974)
(102,615)	(53,518)	Prepayments and extraordinary principal payments	(130,694)	(236,652)
544,356	520,850	Balance, end of period, nominal value	1,104,242	1,114,324
(207)	(74)	Loans transferred relating to properties in temporary possession	(121)	(255)
231	227	Loans assumed by the Danish Agency for Governmental Management	227	231
544,380	521,004	Total	1,104,348	1,114,300
9,452	14,763	Adjustment for interest rate risk	28,482	10,198
Adjustment for credit risk				
(2,820)	(2,866)	Individual impairment provisions	(3,318)	(3,215)
(1,393)	(1,354)	Collective impairment provisions	(1,996)	(2,182)
549,618	531,547	Balance, end of period, fair value	1,127,516	1,119,101
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
28,894	30,537	Supplementary guarantees totalling	49,337	44,772
674	772	Interim loan guarantees totalling	14,672	12,913
2,749	1,573	Registration guarantees totalling	22,555	13,302
14 b. Arrears and outlays				
280	267	Arrears before impairment provisions	369	385
93	111	Outlays before impairment provisions	287	269
(138)	(185)	Individual impairment provisions for arrears and outlays	(291)	(297)
235	193	Total	365	358
14 c. Totalkredit mortgage loan funding				
576,910	593,432	Balance, beginning of period, nominal value	-	-
290,238	199,761	New loans	-	-
(5,873)	(5,224)	Ordinary principal payments	-	-
(267,843)	(152,328)	Prepayments and extraordinary principal payments	-	-
593,432	635,641	Balance, end of period, nominal value	-	-
(54)	13,010	Adjustment for interest rate risk	-	-
593,377	648,650	Balance, end of period, fair value	-	-

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	55,726	49,599
19	16	-	-
-	-	17	19
269	261	302	295
288	277	56,046	49,914
Adjustment for credit risk			
-	-	(2,455)	(2,711)
-	-	(156)	(141)
288	277	53,435	47,061
(25)	(25)	(25)	(25)
263	252	53,410	47,036
16. BONDS AT FAIR VALUE			
39,046	73,388	125,299	72,801
15,876	15,866	23,886	34,506
-	-	1,174	2,028
-	204	210	370
39,224	34,733	89,401	85,747
12,815	7,643	10,899	12,969
4,013	2,821	4,154	7,485
110,974	134,655	255,022	215,905
(39,020)	(73,370)	(125,281)	(72,774)
(26)	(18)	(18)	(26)
(15,876)	(15,866)	(23,886)	(34,506)
-	-	(1,174)	(2,028)
-	(204)	(210)	(370)
56,053	45,198	104,454	106,200
8,221	17,229	22,585	13,092
As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of			
Collateral security was provided on an arm's length basis.			

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
17. INTANGIBLE ASSETS			
-	-	14	14
-	-	17	20
117	139	143	117
100	51	51	100
-	-	12	20
217	191	237	271
17 a. Goodwill			
2,759	2,759	2,782	2,782
2,759	2,759	2,782	2,782
-	2,759	2,768	-
852	-	-	852
852	2,759	2,768	852
1,907	-	-	1,916
2,759	2,759	2,768	2,768
-	-	14	14
<p>The Danish FSA has performed a partial review of Nykredit Realkredit's Financial Statements 2014, with special focus on the carrying amount of goodwill. According to the FSA, their review showed that goodwill was overvalued by DKK 852m in Nykredit Realkredit's Financial Statements 2014. As a result, goodwill has been adjusted by DKK 852m at end-2014.</p> <p>The budget period related to the impairment test for 2014 of Nykredit Bank A/S has been changed from 10 years to 5 years, as talks with the Danish FSA have established that the 10-year period was not adequately motivated, including that it is not documented by experience that the longer period provides a better basis of calculation. Furthermore, the FSA does not find that the applied business growth has been adequately documented. As a result of this correction, goodwill of DKK 852m has been written down for impairment in full. Goodwill has been attributed to the business area Group Items, and the impairment test is based on the expected cash flows of Nykredit Bank A/S.</p> <p>For further information, reference is made to note 1, Accounting policies, under General.</p>			
17 b. Fixed-term rights			
4,506	4,506	4,575	4,575
4,506	4,506	4,575	4,575
4,506	4,506	4,555	4,553
-	-	3	2
4,506	4,506	4,558	4,555
-	-	17	20

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
17. INTANGIBLE ASSETS (CONTINUED)			
17 c. Software			
931	1,002	Cost, beginning of period	1,002 931
-	-	- Additions	4 -
71	84	Transferred from development projects in progress	84 71
1,002	1,085	Cost, end of period	1,089 1,002
807	884	Amortisation and impairment losses, beginning of period	884 807
3	-	- Transferred from development projects in progress	- 3
63	61	Amortisation for the period	62 63
11	-	- Impairment losses for the period	- 11
884	946	Amortisation and impairment losses, end of period	946 884
117	139	Balance, end of period	143 117
17 d. Development projects in progress			
87	100	Cost, beginning of period	100 87
86	37	Additions	37 86
(71)	(84)	Transferred to software	(84) (71)
(2)	(2)	Disposals	(2) (2)
100	51	Cost, end of period	51 100
-	-	Amortisation and impairment losses, beginning of period	- -
5	-	- Impairment losses for the period	- 5
(3)	-	- Transferred to software	- (3)
(2)	-	- Disposals	- (2)
-	-	Amortisation and impairment losses, end of period	- -
100	51	Balance, end of period	51 100
17 e. Customer relationships			
110	110	Cost, beginning of period	145 145
110	110	Cost, end of period	145 145
53	110	Amortisation and impairment losses, beginning of period	125 55
8	-	- Amortisation for the period	9 20
49	-	- Impairment losses for the period	- 49
110	110	Amortisation and impairment losses, end of period	133 125
-	-	Balance, end of period	12 20
18. OTHER ASSETS			
7,213	6,878	Interest and commission receivable	5,800 6,388
177	136	Receivables from Group enterprises	- -
2,962	4,007	Positive market value of derivative financial instruments	37,896 31,579
227	244	Defined benefit plans	244 227
304	226	Other	2,592 2,977
10,884	11,491	Total	46,532 41,171

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
-	-	510	-
1,336	1,141	12,589	8,543
16,388	19,203	6,262	21,683
17,724	20,344	19,362	30,226
20. DEPOSITS AND OTHER PAYABLES			
-	-	52,407	49,962
-	-	2,306	2,334
-	-	7,375	7,536
-	-	2,809	2,767
-	-	64,897	62,599
21. BONDS IN ISSUE AT FAIR VALUE			
230,588	208,786	221,199	251,040
971,449	1,062,943	1,062,943	971,449
18,155	12,599	12,599	18,155
4,320	4,305	4,305	4,320
1,224,512	1,288,633	1,301,046	1,244,964
(54,896)	(89,439)	(149,376)	(107,650)
1,169,616	1,199,193	1,151,669	1,137,314
21 a. ROs			
222,555	200,105	211,808	242,206
8,033	8,681	9,390	8,834
230,588	208,786	221,199	251,040
(15,876)	(15,866)	(23,886)	(34,506)
214,712	192,920	197,313	216,534
24	177	177	24
15,331	9,971	10,766	16,191
21 b. SDOs			
970,081	1,043,848	1,043,848	970,081
1,368	19,094	19,094	1,368
971,449	1,062,943	1,062,943	971,449
(39,020)	(73,370)	(125,281)	(72,774)
932,429	989,573	937,662	898,675
2,408	3,993	3,993	2,408
57,889	113,565	113,565	57,889
21 c. Senior secured debt			
17,503	12,024	12,024	17,503
652	575	575	652
18,155	12,599	12,599	18,155
-	(204)	(210)	(370)
18,155	12,395	12,389	17,784
118	854	854	118

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
21. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
21 d. Senior unsecured debt			
4,320	4,287		
(0)	18	4,287	4,320
		18	(0)
4,320	4,305	4,305	4,320
22. BONDS IN ISSUE AT AMORTISED COST			
-	-	13,245	22,179
26	18	18	26
3,789	3,778	3,778	3,789
-	7,443	7,443	-
30	34	34	30
3,846	11,274	24,519	26,024
-	-	(1,174)	(2,028)
(26)	(18)	(18)	(26)
(25)	(25)	(25)	(25)
3,795	11,231	23,302	23,945
23. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	-	13,201	7,438
427	66	3,762	2,689
427	66	16,963	10,126
24. OTHER LIABILITIES			
9,551	8,096	10,256	11,776
3,154	4,703	33,828	27,287
1,419	1,648	3,897	3,241
14,124	14,447	47,982	42,305

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
25. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital, Additional Tier 1 capital and hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nom EUR 600m. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every 5 years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7%, the loan will be written down.			
4,602	4,712	4,712	4,602
Nom EUR 800m. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next 5 years.			
5,932	6,192	6,192	5,932
Nom EUR 50m. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first 2 years after issuance. In the remaining loan term, the interest rate will be fixed every 6 months.			
373	373	373	373
10,907	11,277	11,277	10,907
Additional Tier 1 capital/hybrid capital			
Nom DKK 100m. The loan is perpetual and carries an interest rate of 1.7% pa above 3M Cibar ¹			
-	-	-	100
-	-	-	100
Portfolio of self-issued bonds			
-	-	(2)	(1)
10,907	11,277	11,276	11,006
10,821	10,804	10,804	10,921
29	-	-	29
Extraordinary principal payments and redemption of subordinated debt in the financial period			
6,699	100	100	6,699

¹ Following approval by the Danish FSA, hybrid loans of DKK 100m were redeemed in May 2016.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.09.2016	30.09.2016	31.12.2015
26. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	6,720	6,942
1,197	1,120	6,965	6,637
1,197	1,120	13,685	13,579
26 a. Contingent liabilities			
-	-	1,143	1,706
-	-	211	284
-	-	5,366	4,952
-	-	6,720	6,942
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
26 b. Other commitments			
-	-	5,579	5,299
1,197	1,120	1,386	1,338
1,197	1,120	6,965	6,637

"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds and non-callable lease payments.

26. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

Owing to its size and business scope, the Nykredit Group is continuously involved 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 Group's financial position.

Nykredit 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.

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

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

Nykredit Realkredit has issued a letter of comfort stating that Nykredit Realkredit will contribute capital to Nykredit Bank to ensure that Nykredit Bank's Tier 1 capital calculated according to the Basel II rules does not fall below 12-13%. However, Nykredit Realkredit will not contribute capital to Nykredit Bank if that will bring Nykredit Realkredit's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.

Nykredit Realkredit is jointly taxed in Denmark with Foreningen Nykredit (the Nykredit Association) as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable for income taxes etc payable by the jointly taxed companies as of the financial year 2013 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012.

Nykredit Realkredit A/S is liable for the obligations of the pension fund in run-off Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

27. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in Q1-Q3/2016.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, 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 Q1-Q3/2016 include:

Agreements between Nykredit Realkredit A/S and Totalkredit A/S

As a part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis.

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, no later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, cf section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 11.2bn at 30 September 2016. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0bn to Totalkredit A/S in the form of subordinated debt.

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.

28. 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.

Observable inputs

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

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

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

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

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

Upon entering into financial derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 September 2016, the non-amortised minimum margin amounted to DKK 407m compared with DKK 430m at end-2015. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. These counterparties are all rated 0, and OEI has thus been identified for these customers. Following value adjustment, the fair value came to DKK 769m at 30 September 2016. Credit value adjustments came to DKK 5,643m at 30 September 2016 (2015: DKK 4,845m).

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

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.3bn (2015: DKK 5.4bn) and DKK 0.0bn (2015: DKK 0.0bn), respectively, were attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 534m in Q1-Q3/2016 (0.8% of equity at 30 September 2016). The earnings impact for 2015 was estimated at DKK 538m (0.8% of equity at 31 December 2015).

Transfers between 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 each month.

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

Transfers between the categories Listed prices and Observable inputs mainly resulted from redeemed bonds that were reclassified on redemption. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 September 2016, the amount was DKK 0.4bn against DKK 0.5bn at end-2015.

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

Notes

DKK million

Nykredit Realkredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

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

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
30 September 2016				
Assets:				
Recognised in the trading book:				
- reverse repurchase lending to credit institutions and central banks	-	1,859	-	1,859
- other reverse repurchase lending	-	24,871	-	24,871
- bonds at fair value	101,180	3,026	248	104,454
- equities measured at fair value through profit or loss	432	-	1,544	1,976
- positive fair value of derivative financial instruments	79	37,049	769	37,896
Recognised through the fair value option:				
- mortgage loans, arrears and outlays	-	1,127,881	-	1,127,881
Recognised as available for sale:				
- equities available for sale	1,218	-	926	2,144
Other assets recognised at fair value:				
- owner-occupied properties	-	-	1,445	1,445
- investment properties	-	-	209	209
- assets in temporary possession	-	-	201	201
Total	102,909	1,194,686	5,342	1,302,937
Percentage	7,9	91,7	0,4	100

Liabilities:

Recognised in the trading book:

- repo transactions with credit institutions and central banks	-	6,773	-	6,773
- other non-derivative financial liabilities at fair value including negative securities portfolios	3,762	13,201	-	16,963
- negative fair value of derivative financial instruments	79	33,748	-	33,828

Recognised through the fair value option:

- bonds in issue at fair value	1,130,447	21,223	-	1,151,669
Total	1,134,288	74,944	-	1,209,232
Percentage	93,8	6,2	-	100

Assets and liabilities measured on the basis of unobservable inputs	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	2,155	287	2,315	622	5,378
Value adjustment recognised in the income statement	(69)	(1)	114	246	289
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	46	-	46
Purchases for the period	191	5	130	-	326
Sales for the period	(421)	(47)	(134)	-	(602)
Transferred from Listed prices and Observable inputs ¹	-	5	-	126	131
Transferred to Listed prices and Observable inputs ²	-	-	-	(225)	(225)
Fair value, end of period, assets	1,856	248	2,470	769	5,343
Fair value, beginning of period, liabilities	-	-	-	31	31
Transferred to Listed prices and Observable inputs ²	-	-	-	(31)	(31)
Fair value, end of period, liabilities	-	-	-	-	-

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

Notes

DKK million

Nykredit Realkredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2015	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Assets:				
Recognised in the trading book:				
- reverse repurchase lending to credit institutions and central banks	-	1,102	-	1,102
- other reverse repurchase lending	-	39,467	-	39,467
- bonds at fair value	98,302	7,611	287	106,200
- equities measured at fair value through profit or loss	545	-	1,435	1,979
- positive fair value of derivative financial instruments	64	30,894	621	31,579
Recognised through the fair value option:				
- mortgage loans, arrears and outlays	-	1,119,459	-	1,119,459
Recognised as available for sale:				
- equities available for sale	1,235	-	880	2,115
Other assets recognised at fair value:				
- owner-occupied properties	-	-	1,460	1,460
- investment properties	-	-	244	244
- assets in temporary possession	-	-	451	451
Total	100,146	1,198,533	5,378	1,304,057
Percentage	7.7	91.9	0.4	100

Liabilities:

Recognised in the trading book:

- repo transactions with credit institutions and central banks	-	21,683	-	21,683
- other non-derivative financial liabilities at fair value including negative securities portfolios	2,689	7,438	-	10,126
- negative fair value of derivative financial instruments	84	27,203	-	27,287

Recognised through the fair value option:

- bonds in issue at fair value	1,134,547	2,736	31	1,137,314
Total	1,137,319	59,060	31	1,196,410
Percentage	95.1	4.9	0.0	100

Assets and liabilities measured on the basis of unobservable inputs	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	2,320	180	2,015	1,312	5,826
Value adjustment recognised in the income statement	(1)	2	229	(409)	(179)
Unrealised capital gains and losses recognised in "Other comprehensive income"	17	-	(72)	-	(55)
Purchases for the period	281	44	551	-	875
Sales for the period	(462)	(57)	(408)	-	(927)
Transferred from Listed prices and Observable inputs ¹	-	118	-	183	302
Transferred to Listed prices and Observable inputs ²	-	-	-	(465)	(465)
Fair value, end of period, assets	2,155	286	2,315	621	5,378
Fair value, beginning of period, liabilities	-	-	-	297	297
Transferred to Listed prices and Observable inputs ²	-	-	-	(297)	(297)
Purchases for the period	-	-	-	31	31
Fair value, end of period, liabilities	-	-	-	31	31

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.

² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

Notes

DKK million

Nykredit Realkredit A/S	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013	Q1-Q3/ 2012
29. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	3,469	3,813	3,285	3,293	4,068
Net fee income	642	721	474	610	670
Net interest and fee income	4,111	4,533	3,759	3,904	4,738
Value adjustments	486	(140)	568	408	527
Other operating income	750	662	571	542	484
Staff and administrative expenses	2,222	2,234	2,292	2,414	2,297
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	125	2,043	130	551	534
Other operating expenses	103	23	53	3	0
Impairment losses on loans, advances and receivables	377	366	1,067	932	681
Profit from investments in associates and Group enterprises	1,480	2,303	345	580	757
Profit before tax	4,000	2,692	1,700	1,534	2,994
Tax	501	447	254	153	522
Profit for the period	3,499	2,245	1,446	1,381	2,473
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2016	30.09.2015	30.09.2014	30.09.2013	30.09.2012
Assets					
Cash balances and receivables from credit institutions and central banks	35,880	23,617	30,127	29,742	38,063
Mortgage loans at fair value	531,547	554,374	592,810	601,545	617,343
Totalkredit mortgage loan funding	648,650	611,664	593,388	557,976	540,514
Bonds and equities	49,056	49,535	37,674	17,839	47,952
Remaining assets	61,027	61,890	72,084	84,111	82,113
Total assets	1,326,160	1,301,080	1,326,083	1,291,212	1,325,986
Liabilities and equity					
Payables to credit institutions and central banks	20,344	20,658	16,007	17,548	55,194
Bonds in issue at fair value	1,199,193	1,189,974	1,210,197	1,175,943	1,168,968
Subordinated debt	11,277	4,600	11,335	10,797	11,083
Remaining liabilities	26,473	21,271	28,392	28,139	33,172
Equity	68,872	64,577	60,152	58,784	57,569
Total liabilities and equity	1,326,160	1,301,080	1,326,083	1,291,212	1,325,986
OFF-BALANCE SHEET ITEMS					
Other commitments	1,120	1,210	1,187	1,417	1,605
FINANCIAL RATIOS¹					
Total capital ratio, %	20.3	18.1	16.9	17.1	16.1
Tier 1 capital ratio, %	17.5	17.0	16.0	17.1	16.1
Return on equity before tax, %	6.0	4.4	2.9	2.6	5.3
Return on equity after tax, %	5.2	3.6	2.4	2.4	4.4
Income:cost ratio	2.42	1.58	1.48	1.39	1.85
Foreign exchange position, %	0.3	0.2	0.9	0.8	1.1
Loans and advances:equity (loan gearing)	7.7	8.6	9.9	10.2	10.7
Growth in loans and advances for the period, %	(4.3)	(4.0)	(1.5)	(1.2)	1.3
Total impairment provisions, %	0.82	0.77	0.63	0.41	0.32
Impairment losses for the period, %	0.07	0.07	0.18	0.15	0.11
Return on capital employed, %	0.26	0.17	0.11	0.11	0.19

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2015

Notes

DKK million

Nykredit Realkredit Group	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013	Q1-Q3/ 2012
29. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	8,383	8,990	8,427	7,526	8,140
Net fee income	(145)	53	8	63	261
Net interest and fee income	8,238	9,044	8,435	7,588	8,401
Value adjustments	45	175	(1,812)	120	249
Other operating income	149	136	143	163	163
Staff and administrative expenses	3,403	3,388	3,499	3,676	3,506
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	156	2,074	156	577	560
Other operating expenses	124	94	110	56	23
Impairment losses on loans, advances and receivables	385	693	1,457	1,604	1,533
Profit from investments in associates and Group enterprises	7	6	6	101	30
Profit before tax	4,370	3,111	1,550	2,058	3,221
Tax	907	1,120	327	269	681
Profit from non-continuing activities	-	-	-	-	-
Profit for the period	3,463	1,991	1,222	1,789	2,540
Value adjustment and reclassification of strategic equities against equity	38	254	224	(408)	(68)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2016	30.09.2015	30.09.2014	30.09.2013	30.09.2012
Assets					
Cash balances and receivables from credit institutions and central banks	41,685	36,732	37,335	31,983	50,620
Mortgage loans at fair value	1,127,516	1,118,029	1,144,160	1,136,059	1,128,680
Bank loans, excluding reverse repurchase lending	53,115	47,506	48,301	49,130	53,980
Bonds and equities	108,574	102,787	120,066	75,521	92,371
Remaining assets	74,910	83,371	98,029	108,117	109,936
Total assets	1,405,800	1,388,425	1,447,891	1,400,811	1,435,587
Liabilities and equity					
Payables to credit institutions and central banks	19,362	35,117	44,217	55,974	80,506
Deposits and other payables	64,897	61,581	60,373	59,160	53,498
Bonds in issue at fair value	1,151,669	1,134,618	1,150,270	1,088,084	1,082,066
Subordinated debt	11,276	4,684	11,387	11,028	11,322
Remaining liabilities	89,719	87,848	121,492	127,780	150,625
Equity	68,877	64,577	60,152	58,784	57,569
Total liabilities and equity	1,405,800	1,388,425	1,447,891	1,400,811	1,435,587
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,720	7,568	6,511	5,333	5,547
Other commitments	6,965	6,132	6,520	7,872	9,089
FINANCIAL RATIOS¹					
Total capital ratio, %	22.0	21.7	19.0	20.4	18.6
Tier 1 capital ratio, %	18.9	20.4	17.5	20.4	18.6
Return on equity before tax, %	6.5	5.5	3.0	2.9	5.7
Return on equity after tax, %	5.2	3.6	2.4	2.4	4.4
Income: cost ratio	2.08	1.54	1.34	1.29	1.57
Foreign exchange position, %	0.4	0.2	1.2	1.0	0.3
Loans and advances: equity (loan gearing)	17.5	18.6	20.5	21.0	21.2
Growth in loans and advances for the period, %	(1.5)	(0.3)	(1.7)	2.1	4.1
Total impairment provisions, %	0.68	0.73	0.70	0.62	0.59
Impairment losses for the period, %	0.03	0.06	0.12	0.13	0.12
Return on capital employed, %	0.25	0.14	0.08	0.13	0.18

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2015

Nykredit Realkredit A/S

30. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 September 2016	Profit (loss) for the period	Equity, 30 September 2016	Profit for 2015	Equity, 31 December 2015
Nykredit Realkredit A/S (Parent Company), Copenhagen, a)	-	3,499	68,872	3,198	65,460
Totalkredit A/S, Copenhagen, a)	100	1,450	20,063	1,500	18,613
Nykredit Bank A/S, Copenhagen, b)	100	(52)	16,065	1,542	16,117
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	83	565	85	482
Nykredit Leasing A/S, Gladsaxe, e)	100	57	579	66	522
Nykredit Mægler A/S, Copenhagen, c)	100	51	125	45	144
Nykredit Ejendomme A/S, Copenhagen, d)	100	23	533	47	510
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	1	210	24	209
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	(6)	112	12	118
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	7	94	12	87
Nykredit Adm. V A/S, Copenhagen, f)	100	0	1	0	1
Bolighed A/S, c)	50	3	9	1	7
	Number of staff	Revenue*	Profit before tax	Tax	Government aid received
Geographical distribution of activities					
Denmark: Companies and activities appear from the Group structure above	3,597	23,453	4,368	907	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	8	1	0	-
Sweden: Nykredit Bank A/S, branch, b) ¹	-	-	-	-	-

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

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

- a) Mortgage bank
- b) Bank
- c) Estate agency business
- d) Property company
- e) Leasing business
- f) No activity
- g) Investment management company
- h) Holding company, no independent activities

Nykredit Realkredit A/S is 100% owned by and consolidated with Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements of Foreningen Nykredit (in Danish) and Nykredit Holding A/S are available from:

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V

Seven-quarter financial highlights

DKK million

Nykredit Realkredit Group	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015
Core income from							
Business operations	3,137	2,932	2,892	2,823	2,886	2,946	3,290
Senior and subordinated debt	(164)	(115)	(118)	(127)	(119)	(111)	(253)
Securities	12	11	11	10	8	7	14
Income from core business	2,985	2,828	2,785	2,706	2,775	2,842	3,051
Operating costs, depreciation and amortisation	1,214	1,200	1,166	1,401	1,184	1,197	1,223
Mortgage bank contribution to the Danish Resolution Fund ¹	35	35	34	15	46	-	-
Profit from core business before impairment losses	1,736	1,593	1,585	1,289	1,545	1,645	1,828
Impairment losses on loans and advances	260	176	(51)	227	244	120	329
Profit from core business	1,476	1,417	1,637	1,062	1,301	1,525	1,499
Value adjustment of interest rate swaps	39	(510)	(802)	198	(242)	1,515	(1,061)
Amortisation of goodwill and customer relationships	-	-	-	58	1,907	-	-
Investment portfolio income	580	473	61	372	(10)	47	445
Profit (loss) before tax	2,095	1,380	895	1,574	(858)	3,087	883
Tax	435	282	191	374	233	690	197
Profit (loss) for the period	1,660	1,098	705	1,200	(1,091)	2,397	686
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	14	2	(1)	0	(2)	4	8
Value adjustment of strategic equities	195	(141)	(16)	(247)	52	149	157
Other adjustment of strategic equities	0	0	0	0	(103)	0	0
Fair value adjustment including tax of owner-occupied properties	0	0	0	15	0	0	0
Total other comprehensive income	209	(139)	(18)	(233)	(53)	153	164
Comprehensive income for the period	1,869	959	687	967	(1,145)	2,550	850
SUMMARY BALANCE SHEET, END OF PERIOD	30.09.2016	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015	31.03.2015
Assets							
Cash balances and receivables from credit institutions and central banks	41,685	43,707	28,798	23,253	36,732	47,410	70,932
Mortgage loans at fair value	1,127,516	1,127,725	1,122,218	1,119,101	1,118,029	1,119,080	1,137,833
Bank loans, excluding reverse repurchase lending	53,115	49,554	48,972	46,747	47,506	49,441	49,404
Bonds and equities	108,574	106,387	116,892	110,294	102,787	109,404	104,795
Remaining assets	74,910	79,922	83,278	84,394	83,371	81,773	97,683
Total assets	1,405,800	1,407,294	1,400,157	1,383,789	1,388,425	1,407,108	1,460,647
Liabilities and equity							
Payables to credit institutions and central banks	19,362	28,131	44,015	30,226	35,117	39,322	38,860
Deposits and other payables	64,897	69,547	59,583	62,599	61,581	65,935	67,733
Bonds in issue at fair value	1,151,669	1,142,561	1,135,251	1,137,314	1,134,618	1,146,975	1,181,483
Subordinated debt	11,276	11,260	11,240	11,006	4,684	4,646	11,417
Remaining liabilities	89,719	88,778	83,931	77,184	87,848	84,508	97,952
Equity	68,877	67,017	66,137	65,460	64,577	65,722	63,203
Total liabilities and equity	1,405,800	1,407,294	1,400,157	1,383,789	1,388,425	1,407,108	1,460,647

Seven-quarter financial highlights (continued)

DKK million

Nykredit Realkredit Group	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015
Summary income statement							
Net interest income	2,901	2,656	2,827	2,886	3,032	2,904	3,054
Net fee income	(127)	31	(50)	(147)	(72)	68	57
Net interest and fee income	2,774	2,687	2,777	2,739	2,960	2,973	3,111
Value adjustments	785	34	(774)	477	(484)	1,382	(724)
Other operating income	44	65	40	58	44	45	47
Staff and administrative expenses	1,153	1,138	1,112	1,270	1,120	1,129	1,139
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	54	55	48	110	1,955	53	66
Other operating expenses	42	42	40	94	60	16	18
Impairment losses on loans, advances and receivables	260	176	(51)	227	244	120	329
Profit (loss) from investments in associates	1	6	(0)	2	2	4	(0)
Profit (loss) before tax	2,095	1,380	895	1,574	(858)	3,087	883
Tax	435	282	191	374	233	690	197
Profit (loss) for the period	1,660	1,098	705	1,200	(1,091)	2,396	686
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	14	2	(1)	0	(2)	4	8
Value adjustment of strategic equities	195	(141)	(16)	(247)	52	149	157
Other adjustment of strategic equities	-	-	-	-	(103)	-	-
Fair value adjustment including tax of owner-occupied properties	-	-	-	15	-	-	-
Total other comprehensive income	209	(139)	(18)	(233)	(53)	153	164
Comprehensive income for the period	1,869	959	687	967	(1,145)	2,549	850

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.