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INTERIM REPORT – NYKREDIT GROUP 1 JANUARY – 31 MARCH 2017

This is the Interim Report of Nykredit A/S, previously Nykredit Holding A/S.

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GROUP CHIEF EXECUTIVE'S STATEMENT

Nykredit continues to grow the core business, which in 2016 produced the Group's best results ever. Income is rising. Costs are falling. And growth is accelerating across the Group.

Continued growth in Nykredit Bank

For the past few years, we have worked to make Nykredit more customer-centric, more profitable and more efficient. Every day, we have scoured the Group for improvements and cost savings.

Our efforts are now being reflected in our financial results for this quarter. Especially the success of Nykredit Bank stands out, bearing witness to the Bank's great potential. The Bank's profit from core business has risen markedly compared with the same period last year. This growth is explained to some extent by the trend in interest rates, but also by growth in savings products, for instance, where strong investment results combined with competitive concepts are attracting customers. Total assets under management are up 17% on the same period last year. At the same time, the number of homeowners, business customers and Private Banking clients entrusting their finances to Nykredit Bank is growing steadily. Thus, bank lending increased by more than 2% in Q1 alone. Year-on-year, deposits grew by 14 % and lending by 15%. The lending growth recorded in Q1 was driven by growth in the Bank's Retail activities and especially in business lending. The growth included, Nykredit Bank today holds a larger market share of both personal and business lending than a year ago.

Financial ratios heading in the right direction

In this Q1 Interim Report, the Nykredit Group is able to present one of the lowest cost:income ratios in the industry. Concurrently, return on equity is on the rise. This is satisfactory and can be ascribed to our sustained focus on improving things that are within our sphere of influence. Naturally, we are also aware that our performance is underpinned by the economic climate, which makes for rising housing prices and extraordinarily low loan impairment losses. Also, an increase in long-term swap rates resulted in positive value adjustments of interest rate swaps, and our investment portfolio income boosted earnings.

Focus on core business

Focus is on our core business. Our core business is the foundation for Nykredit's future success. And in this respect, our Winning the Double strategy is guiding our priorities.

In one strand of the strategy, Totalkredit, we work each and every day – together with our partners – to make a difference to our customers through attractive products and solutions. We are therefore pleased to note that Totalkredit's lending and market share continue to expand. After the closing of the accounts, nominal lending reached a historic milestone of DKK 600bn. The current partnership has thus in a joint effort increased lending by DKK 125bn since Q1/2014.

This demonstrates Totalkredit's very strong position, and it is our ambition to advance the Totalkredit alliance further. In the other strand of the strategy, Nykredit Bank, we aim to create clarity, opportunities and security for our customers. We will engage in their dreams and their worries – so that we may find the right solutions together. In recent years, we have further strengthened our customer propositions by launching our homeowner and business banking programmes, Nykredit BoligBank and Nykredit ErhvervsBank, as well as new strong Private Banking concepts for the wealthiest clients.

We will keep developing strong solutions for our customers. To this end, digitisation is an important element. More and more customers demand effective digital solutions. We are ramping up our digitisation efforts – both for the benefit of our customers and to reap the efficiency gains resulting from digital development.

A special responsibility

Nykredit is founded by our customers, for our customers. We have come a long way in reshaping Nykredit into a more customer-centric, profitable and efficient Group. But we can and must continually improve – for the benefit of our customers.

Nykredit is Denmark's leading credit provider and the largest lender to homeowners. But we are also one of the largest credit providers to small and medium-sized enterprises, the agricultural sector and the housing sector. And as such we have a special responsibility in Nykredit. We will be active in all of Denmark and support growth – in urban and rural districts alike. At all times.

Yours sincerely



Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

Nykredit Group

DKK million

	Q1/2017	Q1/2016	FY 2016
PROFIT FROM CORE BUSINESS AND PROFIT FOR THE PERIOD			
Core income from			
- business operations	3,450	2,831	12,159
- senior and subordinated debt	(129)	(118)	(494)
- securities	22	11	46
Income from core business	3,343	2,724	11,711
Operating costs, depreciation and amortisation	1,181	1,200	5,285
Profit from core business before impairment losses	2,162	1,524	6,426
Impairment losses on mortgage lending	33	(35)	821
Impairment losses on bank lending	(54)	(16)	(141)
Profit from core business	2,183	1,575	5,746
Legacy derivatives	337	(741)	(763)
Gain on sale of owner-occupied properties	-	-	369
Investment portfolio income	465	60	1,331
Profit before tax	2,985	894	6,683
Tax	639	191	1,377
Profit for the period	2,346	703	5,306
Minority interests	-	-	-
Profit for the period, excluding minority interests	2,346	703	5,306
Other comprehensive income, value adjustment of strategic equities	(2)	(16)	331
Other comprehensive income, remaining items	(1)	(2)	12
Comprehensive income for the period	2,344	685	5,649
Interest on Additional Tier 1 capital charged against equity	57	58	233
SUMMARY BALANCE SHEET			
	31.03.2017	31.03.2016	31.12.2016
Assets			
Receivables from credit institutions and central banks	40,240	28,798	34,829
Mortgage loans at fair value	1,133,497	1,122,218	1,124,693
Bank loans excluding reverse repurchase lending	56,256	48,972	55,003
Bonds and equities	103,043	116,892	116,555
Remaining assets	57,183	83,286	69,531
Total assets	1,390,219	1,400,166	1,400,611
Liabilities and equity			
Payables to credit institutions and central banks	17,885	44,015	21,681
Deposits	67,733	59,571	65,414
Bonds in issue at fair value	1,146,919	1,135,251	1,152,383
Subordinated debt	11,010	11,240	11,078
Remaining liabilities	73,379	83,932	79,100
Equity	73,293	66,157	70,955
Total liabilities and equity	1,390,219	1,400,166	1,400,611
FINANCIAL RATIOS			
Profit for the period (after tax) as % pa of average equity ¹	13.5	4.2	8.0
Profit from core business before impairment losses as % pa of average equity ¹	12.3	9.5	9.6
Profit from core business as % pa of average equity ¹	12.4	9.8	8.6
Costs as % of core income from business operations	34.2	42.4	43.5
Total provisions for loan impairment – mortgage lending	5,577	5,471	5,751
Total provisions for loan impairment and guarantees – bank lending	2,522	2,850	2,590
Impairment losses for the period, % - mortgage lending	0.00	(0.00)	0.07
Impairment losses for the period, % - bank lending	(0.06)	(0.00)	(0.15)
Total capital ratio, %	22.6	20.8	21.9
Common Equity Tier 1 capital ratio, %	19.4	19.5	18.8
Internal capital adequacy requirement, %	10.2	11.7	10.2
Average number of staff, full-time equivalents	3,560	3,660	3,648

¹ 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 accounting purposes on this capital for the period are included as interest expenses on subordinated debt in profit for the period.

As stated in the Annual Report 2016 and in note 1, Accounting policies, of this Interim Report, the presentation of certain derivatives was altered in Q4/2016, which changed the recognition in the income statement of these and core income from business operations. Comparative figures for previous periods have been restated.

Q1/2017 – SUMMARY

Q1/2017

In several areas, Q1/2017 saw positive trends and satisfactory activity levels, which was reflected in increased mortgage lending and banking business, including deposit and lending activities. Business lending saw strong growth, notably in terms of mortgage lending, but also bank lending increased. Nykredit Asset Management and Nykredit Markets also delivered strong performance.

Operating costs continued to reflect the Group's efficiency drive.

Furthermore, impairment losses remained low, and value adjustment of the Bank's swap transactions developed positively, partly due to the interest rate environment.

The Nykredit Group's profit before tax for Q1/2017 increased to DKK 2,985m from DKK 894m in Q1/2016. Profit from core business grew to DKK 2,183m, up DKK 608m, or 39%, on profit for Q1/2016. The earnings growth was partly driven by higher administration margin income in Totalkredit. Furthermore, Nykredit Markets and Wealth Management also recorded growth. The earnings impact of legacy derivatives improved by DKK 1,078m, and investment portfolio income went up by DKK 405m.

Core income from business operations

Core income from business operations totalled DKK 3,450m, up DKK 619m, or 22%, on Q1/2016. The income growth was driven by higher administration margin income in Totalkredit as a result of higher activity levels and a changed pricing structure. Income also grew thanks to a positive earnings performance by Nykredit Markets and Wealth Management.

Core income from mortgage bank operations was DKK 2,205m. Nominal mortgage lending grew by DKK 6bn to DKK 1,113bn against DKK 1,107bn at end-2016. Totalkredit Partners and the Wholesale Clients and Wealth Management divisions recorded lending growth of DKK 3.5bn, DKK 3.0bn and DKK 0.5bn, respectively, whereas Retail lending dropped by DKK 1.0bn.

The Group's market share of total Danish private residential mortgage lending was 42.3%, the same level as at end-2016, excluding loans arranged by banks which are no longer part of the Totalkredit alliance. Nykredit's market share of the business customers segment, including agricultural customers, was 35.2%. The total market share, excluding loans arranged by banks that were previously part of the Totalkredit alliance, was 39.3%.

Core income from banking products amounted to DKK 1,196m against DKK 742m in Q1/2016. The increase was driven by positive value adjustments of core business derivatives and rising activity levels, and of the increase DKK 241m was attributable to Retail and DKK 186m to Wholesale Clients.

Bank lending rose by DKK 1.3bn to DKK 56.3bn from DKK 55.0bn at end-2016, while deposits increased by DKK 2.3bn to DKK 67.7bn from DKK 65.4bn at end-2016.

Nykredit Bank's customer deposits exceeded lending by DKK 11.5bn at end-Q1/2017 compared with DKK 10.4bn at the beginning of the year.

Senior and subordinated debt

Nykredit's senior debt issues, including bail-inable bonds, totalled DKK 29.6bn at end-Q1/2017 against DKK 26.8bn at the beginning of the year, and net interest expenses amounted to DKK 62m against DKK 66m in Q1/2016. Nykredit uses senior debt to fund supplementary collateral for covered bonds (SDOs) etc.

Nykredit had raised DKK 11.0bn of subordinated debt at end-Q1/2017 compared with DKK 11.1bn at the beginning of the year. Net interest expenses were DKK 67m against DKK 52m in Q1/2016.

Core income from securities

Income amounted to DKK 22m, up DKK 11m on Q1/2016.

Operating costs, depreciation and amortisation

Total costs decreased from DKK 1,200m in Q1/2016 to DKK 1,181m, and costs as a percentage of core income from business operations consequently came to 34.2%.

The average headcount was reduced by 100 people, or 3%, from 3,660 in Q1/2016 to 3,560.

Costs included the mortgage bank contribution to the Danish Resolution Fund, which was a charge of DKK 34m, unchanged relative to Q1/2016.

The Parent Nykredit A/S's own costs came to DKK 3m in Q1/2017 against DKK 1m in Q1/2016. Of these, advisory services costs related to preparations for the planned stock exchange listing of the Company amounted to DKK 1m in Q1/2017 against DKK 0 in Q1/2016.

Costs		
DKK million	Q1/2017	Q1/2016
Costs relating to ordinary activities	1,147	1,166
Mandatory mortgage bank contribution to Danish Resolution Fund	34	34
Total costs	1,181	1,200
Costs relating to ordinary activities as % of core income from business operations	33.2	41.2
Total costs as % of core income from business operations	34.2	42.4

Impairment losses on loans and advances

Impairments were a gain of DKK 51m in Q1/2016 compared with a gain of DKK 21m in Q1/2017. Impairment losses equalled 0.00% of total mortgage lending and negative 0.06% of total bank lending.

Impairment losses on mortgage lending changed from a gain of DKK 35m in Q1/2016 to a loss of DKK 33m. Impairment losses on mortgage lending to personal customers reduced by DKK 75m to a gain of DKK 22m, which represented 0.00% of lending. Impairment losses on mortgage lending to business customers rose by DKK 143m to DKK 55m, equal to 0.01% of lending.

For bank lending and guarantees, impairment losses changed from a gain of DKK 16m in Q1/2016 to a gain of DKK 54m.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 8.1bn at end-Q1/2017 against DKK 8.3bn at the beginning of the year. In addition, value adjustment of interest rate swaps of DKK 4.4bn was recognised, of which credit value adjustment of interest rate swaps amounted to DKK 3.7bn; of this amount DKK 3.0bn related to legacy derivatives and DKK 0.7bn related to other.

Losses incurred on mortgage and bank lending for the period were DKK 316m against DKK 337m in Q1/2016.

Legacy derivatives

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

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

Value adjustment of legacy derivatives was a gain of DKK 337m against a loss of DKK 741m in Q1/2016. This has been driven by several factors in 2017, including changes in interest rates and credit spreads as well as a positive effect from maturity reduction. Viewed separately, the Funding Valuation Adjustment (FVA) resulted in a positive value adjustment of DKK 77m in Q1/2017.

The portfolio of legacy derivatives had a total market value of DKK 6.3bn against DKK 6.7bn at end-2016. The portfolio was written down to DKK 3.3bn at end-Q1/2017 due to increased credit risk against DKK 3.4bn at end-2016.

Investment portfolio income

Investment portfolio income was DKK 465m against DKK 60m in Q1/2016. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 356m and from equities and equity instruments value adjusted through profit or loss it was DKK 109m.

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 639m, corresponding to 21.4% of profit before tax.

Equity

The Nykredit Group's equity stood at DKK 73.3bn at end-Q1/2017 against DKK 71.0bn at end-2016.

Equity includes Additional Tier 1 capital of EUR 500m (DKK 3.8bn). The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is recognised in 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 Q1/2017 totalled DKK 57m, which was unchanged from the same period last year.

Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to the capital adequacy rules, came to DKK 65.5bn at end-Q1/2017 against DKK 65.6bn at end-2016. The change should be seen against the backdrop that Q1 profit is not recognised in CET1 capital, cf note 2 of the Financial Statements.

RESULTS RELATIVE TO Q4/2016

The Group recorded a profit before tax of DKK 2,985m in Q1/2017 against DKK 2,336m in Q4/2016.

Profit from core business grew by DKK 856m to DKK 2,183m compared with DKK 1,327m in Q4/2016, which was affected by expenses of DKK 250m relating to restructuring.

Income from core business went up DKK 143m, or 4%, on Q4/2016 to DKK 3,343m.

Operating costs totalled DKK 1,181m in Q1/2017. Excluding provisions for restructuring of DKK 250m in Q4/2016, operating costs dropped by DKK 147m, or 11%.

Impairment losses on loans and advances reduced to a gain of DKK 21m from a loss of DKK 295m in Q4/2016.

Legacy derivatives generated a gain of DKK 337m in Q1/2017 against a gain of DKK 422m in Q4/2016.

Gain on sale of owner-occupied properties was DKK 369m in Q4/2016.

Investment portfolio income increased to DKK 465m from DKK 218m in Q4/2016.

OUTLOOK FOR 2017

In the 2016 Annual Report, Nykredit's guidance for profit from core business in 2017 was on a level with 2016 when profit was DKK 5.7bn.

Based on the business income performance in Q1/2017 and an impairment level that is now expected to be lower than forecast, Management anticipates that profit from core business in 2017 will increase compared with 2016.

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

OTHER

Nykredit Group prepares for stock exchange listing

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for a stock exchange listing of Nykredit A/S (formerly Nykredit Holding A/S) in order to ensure greater capital flexibility in the Group.

This should be seen against the backdrop that Nykredit currently has more restricted access to capital markets than listed companies. It is difficult for Nykredit's main shareholder to contribute capital today, if required due to general economic conditions, new regulation, etc.

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, customers will get a cash discount of DKK 1,000 for each million kroner borrowed set off against their administration margin payments. The amount will be deducted from borrowers' four annual administration margin payments, beginning with the payment for Q3/2017. The final KundeKroner programme, applying after the initial phase, will be announced at a later date.

Issuance of bail-inable senior notes

Nykredit launched its first issue of bail-inable senior notes in 2016 and continued issuance in Q1/2017, with total senior notes in issue at DKK 11.2bn at end-Q1. Additional issuance of DKK 2bn-6bn is scheduled for 2017. Going forward, the new funding will replace most of the senior secured and senior unsecured debt in issue.

Change in Nykredit's Board of Directors

At Nykredit's annual general meeting held on 16 March 2017, Vibeke Krag was elected new member of the Board of Directors, replacing Anders C. Obel.

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

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 and unlisted financial instruments and are described in detail in accounting policies (note 1 of the Annual Report 2016), to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 46 of the Annual Report 2016, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the Q1 Interim Report 2017 which materially affect the 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 (small and medium-sized enterprises) 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 Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite.
- Group Items, which comprises other 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 income statement format

As stated in the Annual Report 2016 and in note 1, Accounting policies, of this Interim Report, the presentation of certain derivatives was altered in Q4/2016, which changed the recognition in the income statement of these and core income from business operations. Comparative figures for previous periods have been restated.

Earnings

The Nykredit Group's profit from core business was up DKK 608m, or 39%, to DKK 2,183m in Q1/2017 against DKK 1,575m in Q1/2016. The Group's 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
Q1/2017						
Core income from						
- customer activities, gross	1,601	790	761	297	1	3,450
- payment for distribution	175	-	(92)	(83)	-	-
Total business operations	1,776	790	669	214	1	3,450
- senior and subordinated debt	(23)	(27)	(2)	-	(77)	(129)
- securities	-	-	-	-	22	22
Income from core business	1,753	763	667	214	(54)	3,343
Operating costs	776	150	135	109	11	1,181
Profit (loss) from core business before impairment losses	977	613	532	105	(65)	2,162
Impairment losses on mortgage lending	52	11	(29)	(1)	-	33
Impairment losses on bank lending	(2)	-	(49)	(3)	-	(54)
Profit (loss) from core business	927	602	610	109	(65)	2,183
Legacy derivatives	162	-	175	-	-	337
Investment portfolio income	-	-	-	-	465	465
Profit before tax	1,089	602	785	109	400	2,985
Average allocated business capital ²	24,759	12,197	11,727	746	10,604	60,033
Profit from core business as % pa of average business capital	15.0	19.7	20.8	58.4	-	14.5

¹ Please refer to note 3 of the Financial Statements for complete segment financial statements with comparative figures.

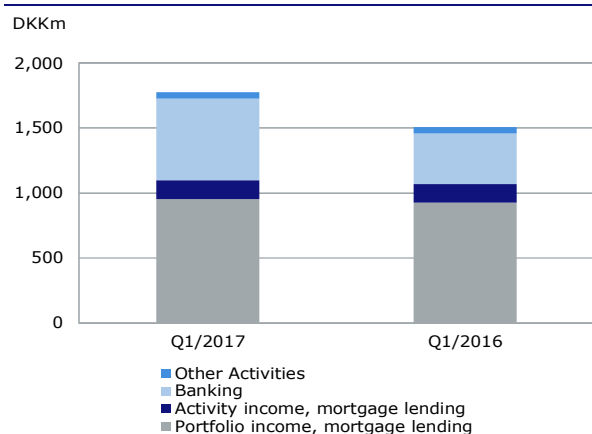
² Based on Nykredit's internal determination and allocation of capital.

Results – Retail		
DKK million	Q1/2017	Q1/2016
Core income from		
- business operations	1,776	1,505
- senior debt	(23)	(25)
Income from core business	1,753	1,480
Operating costs	776	790
Profit from core business before impairment losses	977	690
Impairment losses on mortgage lending	52	(24)
Impairment losses on bank lending	(2)	(3)
Profit from core business	927	717
Legacy derivatives	162	(369)
Profit before tax	1,089	348

Activities – Retail		
DKK million	31.03.2017	2016
Mortgage lending		
Gross new lending*	13,442	12,036
Portfolio at nominal value	420,657	421,601
Impairment losses for the period as % of loans and advances*	0.01	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	4,251	4,347
Total impairment provisions as % of loans and advances	1.01	1.03
Banking		
Loans and advances	30,945	30,079
Deposits	43,945	43,037
Impairment losses for the period as % of loans and advances*	(0.01)	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	1,677	1,716
Total impairment provisions as % of loans and advances	5.14	5.39
Guarantees	4,477	4,510
Provisions for guarantees	41	43

* For Q1/2017 and Q1/2016.
Other data from end-Q1/2017 and end-2016.

Core income from business operations – Retail



RETAIL

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 Totalkredit 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 43 local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. 18 of these centres serve business customers, while ten centres have specialist wealth management teams that serve our Private Banking clients. 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.

Q1/2017 – summary

Since the beginning of Q1/2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBank, launching ten new independent Private Banking teams. These specialist teams are responsible for all wealth management services to Retail customers in ten customer centres. The aim is to serve all the needs of the customers, including wealth management and financing needs. The number of full-service BoligBank customers grew satisfactorily in Q1/2017.

Retail Business Banking continued to improve Nykredit's business banking programme, Nykredit ErhvervsBank, and launched a new and updated version of Nykredit's online banking service for business customers, MitNykredit Erhverv. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

The partnership between Nykredit and Lunar Way, a fintech company, got off to a good start, and Lunar Way saw a decent customer inflow in Q1/2017.

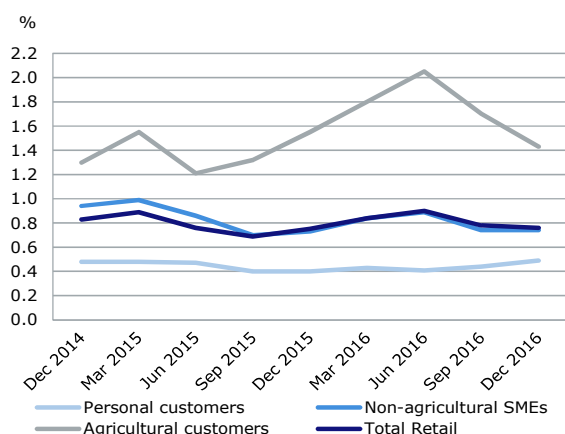
At the beginning of the quarter, Nykredit launched a new app named Nykredit Wallet for contactless mobile payments. The solution has been developed as part of a collaboration with a number of other banks.

Activities

Retail Personal Banking's activity level was higher in Q1/2017 than in the same period last year. Compared with the previous year, gross new lending rose by DKK 1.1bn to DKK 5.3bn.

Nominal mortgage lending in Retail Personal Banking came to DKK 181.3bn against DKK 183.4bn at the beginning of the year.

Arrears ratio, mortgage lending – Retail 75 days past due



Lending in Retail Personal Banking totalled DKK 12.3bn compared with DKK 12.0bn at the beginning of the year. Bank deposits rose by DKK 0.3bn in the same period to DKK 26.1bn.

Mortgage lending activity levels in Retail Business Banking in Q1/2017 were affected by almost unchanged interest rate levels. Gross new lending rose by DKK 0.3bn to DKK 8.1bn, while nominal mortgage lending totalled DKK 239.4bn, up DKK 1.1bn on end-2016.

Lending in Retail Business Banking increased by DKK 0.5bn to DKK 18.7bn, and deposits grew by DKK 0.6bn to DKK 17.9bn.

Results

Profit from core business went up by DKK 210m year-on-year to DKK 927m in Q1/2017.

Income from business operations rose by DKK 271m, or 18%, to DKK 1,776m, mainly driven by higher banking activity. Loan portfolio income from mortgage lending increased slightly owing to administration margin rises as of 1 July 2016.

Net expenses relating to senior debt came to DKK 23m compared with DKK 25m in Q1/2016.

Operating costs went down by 2% from DKK 790m in Q1/2016 to DKK 776m.

Impairment losses on Retail's mortgage lending changed from a gain of DKK 24m in Q1/2016 to a loss of DKK 52m, while impairment losses on bank lending changed marginally from a gain of DKK 3m to a gain of DKK 2m. Impairment losses represented 0.01% of mortgage lending and negative 0.01% of bank lending in the period under review.

Impairment losses on loans to personal customers declined by a total of DKK 63m, of which DKK 62m related to mortgage lending and DKK 1m to bank lending.

Impairment losses on loans to business customers grew by a total of DKK 140m, of which DKK 138m related to mortgage lending and DKK 2m to bank lending.

At end-Q1/2017, impairment provisions totalled DKK 5,928m against DKK 6,063m at the beginning of the year.

Legacy derivatives had a positive earnings impact of DKK 162m compared with Q1/2016, up DKK 531m, which was a result of the development in interest rates, credit quality and FVA.

Arrears

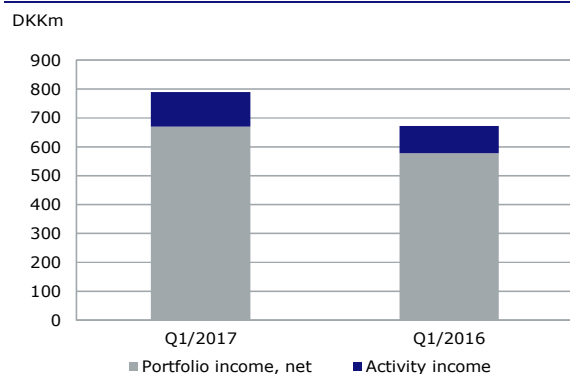
At the December due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.76% against 0.75% at the same date in 2016.

Results – Totalkredit Partners		
DKK million	Q1/2017	Q1/2016
Core income from		
- business operations	790	672
- senior debt	(27)	(34)
Income from core business	763	638
Operating costs	150	136
Profit from core business before impairment losses	613	502
Impairment losses on mortgage lending	11	24
Profit from core business	602	478

Activities – Totalkredit Partners		
DKK million	31.03.2017	2016
Mortgage lending		
Gross new lending*	22,724	17,226
Portfolio at nominal value	507,253	503,767
Impairment losses for the period as % of loans and advances*	0.00	0.00
Total impairment provisions, end of period		
Total impairment provisions	939	987
Total impairment provisions as % of loans and advances	0.19	0.20

* For Q1/2017 and Q1/2016.
Other data from end-Q1/2017 and end-2016.

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 58 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 is offset against future commission payments from Totalkredit to its partner banks and is recognised in the income statement as impairment of loans and advances.

Q1/2017 – summary

Totalkredit continues its efforts to develop a new future-proof mortgage lending platform based on the needs of digital consumers and new technological opportunities. This will improve and renew the current platform used by Totalkredit's business partners.

Totalkredit's partnership with the local and regional partner banks also includes 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. 39 banks, representing the majority of banks having business customers with mortgage needs, have started offering business mortgages.

Activities

Totalkredit Partners's activity level was higher in Q1/2017 than in the same period last year. Gross new lending thus rose to DKK 22.7bn in Q1/2017 compared with DKK 17.2bn year-on-year.

Nominal mortgage lending grew by DKK 3.5bn to DKK 507.3bn relative to end-2016. Loans distributed through former partner banks, which are now managed directly by Totalkredit, amounted to DKK 31bn at end-Q1/2017 against DKK 34bn at end-2016. Since Jyske Bank's exit from the partnership, Totalkredit loans worth DKK 56bn have been prepaid. Of this amount, DKK 11bn has subsequently been refinanced by other Totalkredit partner banks.

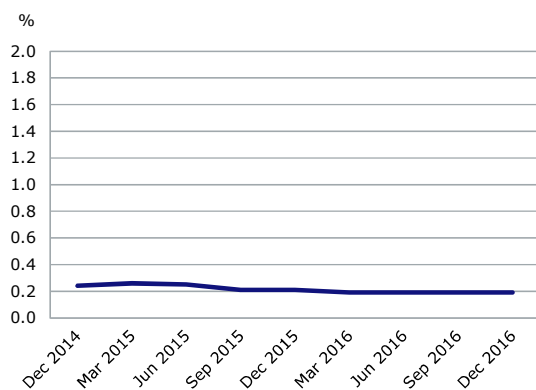
Results

Profit from core business went up by DKK 124m on the previous year to DKK 602m in Q1/2017.

Income from business operations grew by DKK 118m, or 18%, to DKK 790m, mainly driven by increasing loan portfolio income caused by increasing lending and changed pricing.

Net expenses relating to senior debt came to DKK 27m compared with DKK 34m in Q1/2016.

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



Operating costs increased by DKK 14m, or 10%, to DKK 150m.

Totalkredit Partners's net loan impairment losses declined by DKK 13m, or 54%, to DKK 11m after set-off of the partner banks' share of realised losses.

At end-Q1/2017, impairment provisions totalled DKK 939m against DKK 987m at the beginning of the year.

Arrears

At the December due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.19% against 0.21% at the same date in 2016.

Results – Wholesale Clients		
DKK million	Q1/2017	Q1/2016
Core income from		
- business operations	669	469
- senior debt	(2)	(2)
Income from core business	667	467
Operating costs	135	172
Profit from core business before impairment losses	532	295
Impairment losses on mortgage lending	(29)	(34)
Impairment losses on bank lending	(49)	(39)
Profit from core business	610	368
Legacy derivatives	175	(372)
Profit (loss) before tax	785	(4)

Activities – Wholesale Clients		
DKK million	31.03.2017	2016
Mortgage lending		
Gross new lending*	9,605	5,231
Portfolio at nominal value	179,418	176,405
Impairment losses for the period as % of loans and advances*	(0.02)	(0.02)
Total impairment provisions, end of period		
Total impairment provisions	385	415
Total impairment provisions as % of loans and advances	0.21	0.24
Banking		
Loans and advances	21,839	21,554
Deposits	12,902	12,207
Impairment losses for the period as % of loans and advances*	(0.21)	(0.19)
Total impairment provisions, end of period		
Total impairment provisions	782	805
Total impairment provisions as % of loans and advances	3.46	3.60
Guarantees	1,764	1,445
Provisions for guarantees	8	9

* For Q1/2017 and Q1/2016.
Other data from end-Q1/2017 and end-2016.

Income – Nykredit Markets		
DKK million	Q1/2017	Q1/2016
Customer activities, gross	262	158
Payment for distribution	(115)	(68)
Business income, net	147	90

WHOLESALE CLIENTS

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.

Q1/2017 – summary

Corporate & Institutional Banking saw robust loan demand in 2017 and consequently participated in a number of large transactions despite continued fierce price competition. Moreover, strategic financial advisory services continue to attract new clients.

Income in Nykredit Markets was driven by high customer activity across all customer segments in Q1/2017. Further, the number of new clients, and wealth clients' assets under management grew.

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to strengthen collaboration to improve services to wealth clients. Nykredit Markets provides comprehensive advisory services and offers wealth clients tailored solutions using a mix of products from Nykredit Markets and Nykredit Asset Management.

Activities

Corporate & Institutional Banking recorded higher activity in Q1/2017 than in the same period in 2016, and gross new lending went up by DKK 4.4bn to DKK 9.6bn.

Mortgage lending amounted to DKK 179.4bn at end-Q1/2017, up DKK 3.0bn on the beginning of the year. The rise was primarily driven by the segments real estate and public housing.

Bank lending was up DKK 0.3bn on the beginning of the year to DKK 21.8bn. Bank deposits increased by DKK 0.7bn to DKK 12.9bn.

Activities in Nykredit Markets in Q1/2017 were high and affected by customers' and market participants' focus on risk profiling and positioning. In general, there was an increased demand for interest rate derivatives and credit bonds.

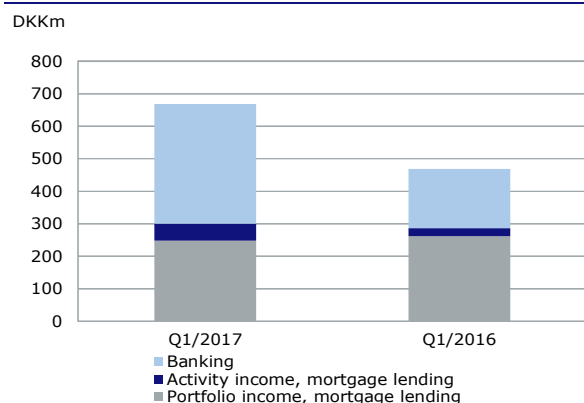
Results

Profit from core business saw a rise of DKK 242m on the previous year to DKK 610m in Q1/2017.

Income from business operations grew by DKK 200m, or 43%, to DKK 669m, which was mainly attributable to higher banking income and a minor rise in mortgage income.

Corporate & Institutional Banking's income was DKK 522m, up DKK 143m relative to the same period last year.

Core income from business operations – Wholesale Clients



Nykredit Markets's income after payment for distribution saw an upturn of DKK 57m compared with last year to DKK 147m.

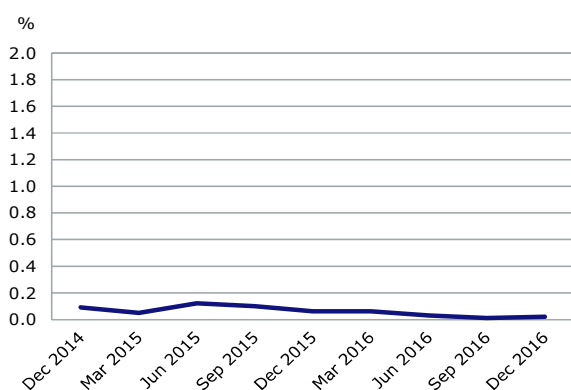
Operating costs reduced by DKK 37m, or 22%, to DKK 135m.

Impairment losses on mortgage lending in Wholesale Clients changed from a gain of DKK 34m in Q1/2016 to a gain of DKK 29m, while impairments on bank lending changed from a gain of DKK 39m to a gain of DKK 49m. Impairment losses represented negative 0.02% of mortgage lending and negative 0.21% of bank lending for the period under review.

At end-Q1/2017, impairment provisions totalled DKK 1,167m against DKK 1,220m at the beginning of the year.

Legacy derivatives had a positive earnings impact of DKK 175m compared with Q1/2016, up DKK 547m, which was a result of the development in interest rates, credit quality and FVA.

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



Arrears

At the December due date, Wholesale Clients's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.02% and thus remained at a low level. The arrears ratio was 0.06% at the same date in 2016.

Results – Wealth Management		
DKK million	Q1/2017	Q1/2016
Core income from		
- business operations	214	155
- senior debt	-	-
Income from core business	214	155
Operating costs	109	98
Profit from core business before impairment losses	105	57
Impairment losses on mortgage lending	(1)	(1)
Impairment losses on bank lending	(3)	26
Profit from core business	109	32
Legacy derivatives	-	-
Profit before tax	109	32

Activities – Wealth Management		
DKK million	31.03.2017	2016
Mortgage lending		
Gross new lending*	429	102
Portfolio at nominal value	5,884	5,362
Impairment losses for the period as % of loans and advances*	(0.02)	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	2	2
Total impairment provisions as % of loans and advances	0.03	0.04
Banking		
Loans and advances	2,982	2,603
Deposits	9,751	9,522
Impairment losses for the period as % of loans and advances*	(0.10)	1.20
Total impairment provisions, end of period		
Total impairment provisions	14	17
Total impairment provisions as % of loans and advances	0.47	0.65
Guarantees	799	549
Provisions for guarantees	-	-
Assets under management	167,469	157,056
Assets under administration	798,633	786,549
- of which Nykredit Group investment funds	78,890	74,648

* For Q1/2017 and Q1/2016.
Other data from end-Q1/2017 and end-2016.

Income – Wealth Management		
DKK million	Q1/2017	Q1/2016
Customer activities, gross	297	233
Payment for distribution	(83)	(78)
Business income, net	214	155

WEALTH MANAGEMENT

The business area Wealth Management 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.

Q1/2017 – summary

Nykredit Asset Management saw a rise in assets under management and delivered good investment results in Q1/2017.

85% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1/2017, and 90% generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1/2017, especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, have performed extraordinarily well.

Private Banking Elite saw satisfactory client growth and financial performance in the first three months of the year.

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

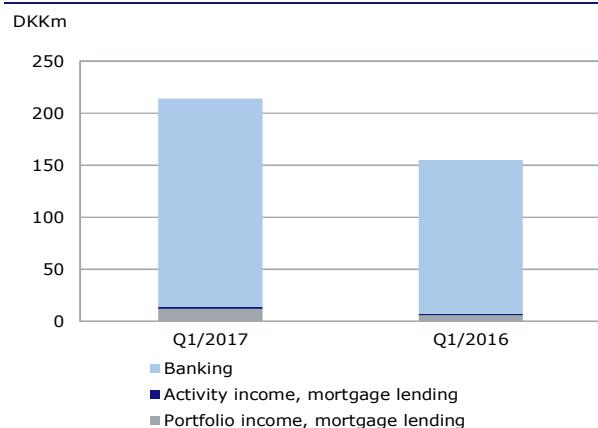
Activities

Assets under management grew by DKK 10.4bn to DKK 167.5bn at end-Q1/2017 as a result of positive net sales, positive value adjustments and other returns.

Total assets under administration went up by DKK 12.1bn to DKK 798.6bn at end-Q1/2017. The increase comprised net outflows of DKK 14.7bn and capital gains as well as other returns of DKK 26.7bn.

Private Banking Elite, which is behind part of the total assets under administration, recorded highly satisfactory net growth in the first three months of the year.

Core income from business operations – Wealth Management



Results

Profit from core business saw a rise of DKK 77m on the previous year to DKK 109m in Q1/2017.

Income from business operations grew by DKK 59m, or 38%, to DKK 214m, which was mainly attributable to income from banking operations.

Operating costs were DKK 109m, up DKK 11m, or 11%. The increase should primarily be seen against the backdrop of the intensified focus on the Private Banking area.

Impairment losses on mortgage lending in Wealth Management were a gain of DKK 1m, unchanged on Q1/2016, while impairment losses on bank lending changed from a loss of DKK 26m to a gain of DKK 3m. Impairment losses represented negative 0.01% of mortgage lending and negative 0.10% of bank lending for the period under review.

At end-Q1/2017, impairment provisions totalled DKK 16m against DKK 19m at the beginning of the year.

Results – Group Items		
DKK million	Q1/2017	Q1/2016
Core income from		
- business operations	1	30
- senior and subordinated debt	(77)	(57)
- securities	22	11
Income from core business	(54)	(16)
Operating costs	11	4
Loss from core business before impairment losses	(65)	(20)
Impairment losses on bank lending	-	-
Loss from core business	(65)	(20)
Investment portfolio income	465	60
Profit before tax	400	40

Activities – Group Items		
DKK million	31.03.2017	2016
Banking		
Loans and advances	490	767
Deposits	1,135	649
Total impairment provisions, end of period		
Total impairment provisions	-	-
Total impairment provisions as % of loans and advances	-	-
Guarantees	145	190
Provisions for guarantees	-	-

GROUP ITEMS

Some income statement and balance sheet items are not allocated to the business divisions but are included in Group Items. This applies eg to the Parent Nykredit A/S's own costs.

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 the year before, profit before tax rose by DKK 360m to DKK 400m in Q1/2017. The entire rise can be ascribed to higher investment portfolio income.

Income from business operations decreased by DKK 29m to DKK 1m, while net interest expenses on senior debt and Nykredit's subordinated debt saw a total increase of DKK 20m to DKK 77m in Q1/2017.

Nykredit's core income from securities was DKK 22m, up DKK 11m on Q1/2016. Core income from securities equals the return the Group could have obtained on investment portfolios at the risk-free interest rate. Core income from securities also includes net interest expenses for Tier 2 capital.

Unallocated operating costs increased by DKK 7m to DKK 11m. Of these, the Parent Nykredit A/S's own costs came to DKK 3m in Q1/2017 against DKK 1m in Q1/2016.

Impairment losses on loans and advances were nil, the same as the year before.

Nykredit's investment portfolio income was DKK 465m against DKK 60m in Q1/2016. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 356m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 109m.

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 from 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 Group

Equity (incl Additional Tier 1 capital)

DKK million	31.03.2017	31.12.2016
Equity, beginning of period	70,955	65,482
Profit for the period	2,346	5,306
Fair value adjustment of equities available for sale	(2)	331
Other adjustments	(6)	(164)
Equity, end of period	73,293	70,955

Nykredit Group

Capital and capital adequacy

DKK million	31.03.2017	31.12.2016	31.03.2016
Credit risk	292,826	303,243	260,248
Market risk	22,193	25,437	29,158
Operational risk	21,246	19,679	19,678
Total risk exposure amount (REA)¹	336,265	348,359	309,084
Equity (incl AT1 capital)	73,293	70,955	66,157
AT1 capital	(5,465)	(5,409)	(3,826)
Deduction, profit for the period (excl AT1 interest) ²	(2,227)	-	-
CET1 capital additions/deductions	(91)	36	(1,918)
Common Equity Tier 1 capital	65,510	65,582	60,413
AT1 capital	2,323	2,546	1,081
AT1 capital deductions	(63)	(91)	(285)
Tier 1 capital	67,770	68,037	61,209
Tier 2 capital	8,232	8,510	3,591
Tier 2 capital additions/deductions	48	(40)	(276)
Own funds	76,050	76,507	64,524
CET1 capital ratio, %	19.4	18.8	19.5
Tier 1 capital ratio, %	20.1	19.5	19.8
Total capital ratio, %	22.6	21.9	20.8
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.2	10.2	11.7

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 604bn at end-Q1/2017, equal to a minimum total capital ratio of 14.4%.

² Capital in Q1/2017 has been determined exclusive of profit for the period. Capital and capital adequacy are specified further in note 2.

The determination includes a deduction of DKK 97m, cf the mention in note 2 of the Financial Statements.

EQUITY AND OWN FUNDS

Equity

The Nykredit Group's equity carried for accounting purposes was DKK 73.3bn at end-Q1/2017, up DKK 2.3bn on the beginning of the year. The increase in equity was mainly attributable to profit for the period of DKK 2.3bn.

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. The determination of own funds for Q1/2017 excludes current profit for the period.

In the Group's capital determination, a deduction has been made for parts of Totalcredit's non-distributable reserve fund. The deduction is based on the assessment of the Danish FSA that the non-distributable reserve fund cannot be recognised fully according to a decision made by the Danish FSA concerning the non-distributable reserve fund of another financial undertaking. Nykredit does not concur with the assessment of the Danish FSA and expects to discuss the matter with the Danish FSA from a legal perspective in H1/2017 with a view to reaching a formal decision concerning the treatment of Totalcredit's non-distributable reserve fund for capital adequacy purposes.

The risk exposure amount (REA) totalled DKK 336bn at end-Q1/2017, which was lower than at the turn of the year. The decline was driven by minor adjustments to the credit risk models, rising housing prices and lower market risk than at the turn of the year.

The total capital ratio was 22.6% at end-Q1/2017 against 21.9% at end-2016. The Tier 1 capital ratio was 20.1% compared with 19.5% at end-2016, and the CET1 capital ratio was 19.4% compared with 18.8% at end-2016.

Nykredit's internal capital adequacy requirement was 10.2% at end-Q1/2017, the same as at end-2016.

Capital targets

The Board of Directors of the Nykredit Group has set a CET1 capital ratio target of 17.5% for 2019. The capital policy is reviewed annually.

The Board's decision is based on the following:

- In 2019 the statutory requirement for the Nykredit Group's CET1 capital ratio will be around 13% of the current REA assuming a Pillar II capital requirement of 2-3%, and depending on the economic climate, including whether the countercyclical capital buffer is activated or not.

- To this 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 strategy.
- The capital level must be market-consistent, corresponding to the levels of other large Nordic financial issuers, considering that Nykredit is 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 must be able to handle movements in REA as a result of the general economic conditions and the development in property prices, interest rates, impairments, amended regulation, etc.

At present and subject to the current market expectations, Nykredit has set its capital target at 15-16% of REA after being listed on the stock exchange. This level is deemed to correspond to the market standards of large listed financial issuers.

Nykredit currently has more restricted access to capital markets than listed companies. It is difficult for Nykredit's main shareholder to contribute capital today, if, for instance, general economic conditions, new regulation or similar should make it necessary.

This is part of the reasons why Nykredit's Board of Directors decided to prepare Nykredit for listing on the stock exchange in order to ensure greater capital flexibility.

Due to the lack of capital flexibility, the Board of Directors has set a capital target of 17.5%. Nykredit's capital level is currently somewhat above this target, the CET1 capital ratio standing at 19.4%, which is partly a result of declining REA following an persistent rise in property prices.

Risk of increased capital requirements

There is a risk that the capital requirements will be tightened further in the coming years.

The Basel Committee has proposed to introduce a new so-called capital floor requirement for credit institutions using internal models, implying that the institutions may become subject to a minimum capital requirement across risk types (credit, market and operational risk) that makes up a proportion of the capital requirement calculated using the standardised approach.

The Basel Committee is contemplating a capital floor at 70% of the standardised approach, which will increase Nykredit's REA markedly compared with today. The capital floor re-

quirement will particularly impact mortgage loans as they have a very low risk of loss, which will not be allowed for in the risk determination if a capital floor is introduced. It may therefore result in significant increases in the capital requirement for mortgage loans in general and for private residential mortgage loans with LTVs over 55-60% in particular.

Moreover, the EU discusses proposed revisions to the EU's capital requirements framework, including changes to the rules for calculating the capital requirements for market risk. This proposal may result in higher capital requirements and may also have a negative impact on the Danish covered bond market, as it may become significantly more expensive for banks and mortgage lenders to trade in covered bonds. This may result in lower bond liquidity, more volatile yields and higher residential mortgage rates.

Nykredit's capital requirements will ultimately depend on the wording of the Basel standards, their implementation in the EU, and the new market and rating standards for large Nordic financial issuers.

Based on the current proposal, Nykredit finds that the increased capital requirements may potentially add an estimated DKK 15bn to Nykredit's CET1 capital requirement under the current capital policy.

In this connection it is important to bear in mind that markets will often expect the large established institutions to adapt to new legislation relatively fast, even if legislation prescribes a longer formal phase-in period of the requirements. In that case, having capital levels below those of other large Nordic institutions would not be a tenable situation for Nykredit. Nykredit must therefore be able to meet potentially stricter capital requirements faster than actually prescribed by the legislation. This is emphasised by the fact that, being the largest private issuer of covered bonds in Europe, Nykredit relies on being able to sell bonds at competitive prices, which makes it imperative that Nykredit's capital position can never be called into question.

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.

FUNDING AND LIQUIDITY

Nykredit coordinates its liquidity and funding at Group level and generally issues bonds, senior debt and capital instruments out of Nykredit Realkredit A/S.

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 of bullet covered bonds and floating-rate covered bonds, etc. Further, the Group may issue different kinds of senior debt serving as statutory supplementary collateral.

Bank lending is chiefly funded by deposits. At end-Q1/2017, Nykredit Bank's deposits exceeded lending at amortised cost by DKK 11.5bn. At end-2016, deposits exceeded lending by DKK 10.4bn.

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 97bn at end-Q1/2017 against DKK 93bn at end-2016.

At end-Q1/2017, the Nykredit Realkredit Group's Liquidity Coverage Ratio (LCR) was 351%. The aggregate LCR for Nykredit's mortgage banks was 2,418%, while Nykredit Bank's LCR was 134%. At end-Q1/2017, the Nykredit Realkredit Group's LCR in EUR was 285%.

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. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 65bn at end-Q1/2017.

In June 2016, the Danish FSA introduced an additional liquidity requirement for Danish SIFIs. Danish SIFIs must fulfil the 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.

Negative interest rates

Denmark still has a negative interest rate environment. 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's mortgage loan margin is a margin that is added to the funding rate and is therefore not affected by the negative interest rate levels.

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 as well as the market making and primary

dealer arrangements between members of Nasdaq Copenhagen.

With the introduction of the LCR, banks increasingly prefer to invest in 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, which serves to deconcentrate the aggregate amount of bonds maturing on the individual payment dates.

As scheduled, Nykredit's fixed-rate callable covered bonds will consequently close for new issuance on 31 August 2017. The closing takes effect as part of the usual 3-year cycle for change of maturity class of fixed-rate bonds. As at 1 September 2017, new lending will be based on issuance in new fixed-rate callable covered bonds with or without interest-only options.

Issuance schedule for 2017

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

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 unsecured 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.

In Q1/2017, Nykredit issued senior resolution notes (SRN) – a special form of bail-inable senior debt – in the amount of DKK 3.7bn. At end-Q1/2017, SRN in issue thus totalled DKK 11.2bn. Nykredit seeks to have an even quarterly distribution of the funding run-off.

It is the intention that Nykredit will issue SRN worth an additional DKK 2bn-6bn in 2017 to meet the debt buffer requirement and S&P's ALAC criteria. Going forward, SRN will replace most of the senior secured and senior unsecured debt in issue.

Nykredit Realkredit is exempt from the minimum requirement for own funds and liabilities eligible for bail-in (MREL). Nykredit Bank, on the other hand, will likely have to meet

the MREL requirement. Under the MREL framework, credit institutions must hold a buffer of bail-inable liabilities that can be written down upon resolution in order to absorb future losses without involving the Danish government. Nykredit Bank has concluded an agreement on long-term intercompany funding for the purpose of meeting the MREL requirement.

CREDIT RATINGS

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

S&P Global Ratings

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

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, which is the highest possible rating. The rating outlook is stable.

Fitch Ratings

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

Moody's Investors Service

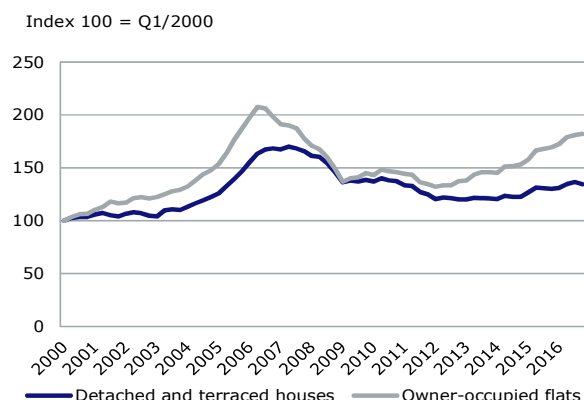
Moody's Investors Service continues to publish unsolicited ratings for some companies of the Nykredit Group.

Listing of ratings

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

LENDING

Housing prices in Denmark – inflation-adjusted



Source: Finance Denmark

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of a nominal amount of DKK 1,169bn against DKK 1,162bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,133bn compared with DKK 1,125bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,113bn against DKK 1,107bn at end-2016.

Bank lending totalled DKK 56.3bn against DKK 55.0bn at the beginning of the year, up DKK 1.3bn. Reverse repurchase lending came to DKK 23.4bn against DKK 30.1bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.1bn against DKK 8.3bn 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 the year.

At end-Q1/2017, guarantees were DKK 7.2bn against DKK 6.7bn at the beginning of the year.

Incurred losses totalled DKK 316m in Q1/2017 of which DKK 268m on mortgage lending and DKK 48m on bank lending.

Nykredit 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016	Q1/2017	FY 2016
Mortgage lending, nominal value						
Nykredit Realkredit	516,877	516,176	4,505	4,620	30	770
Totalkredit	596,336	590,959	1,072	1,130	3	51
Total	1,113,212	1,107,135	5,577	5,751	33	821
Bank lending						
Nykredit Bank	56,256	55,003	2,473	2,538	(52)	(93)
Total	56,256	55,003	2,473	2,538	(52)	(93)
Receivables from credit institutions	-	-	44	44		
Total	-	-	44	44	-	-
Reverse repurchase lending	23,449	30,091				
Guarantees	7,185	6,694	49	52	(2)	(48)
Loan impairment, % ¹						
Nykredit Realkredit	-	-	0.87	0.89	0.01	0.15
Totalkredit	-	-	0.18	0.19	0.00	0.01
Total	-	-	0.50	0.52	0.00	0.07
Nykredit Bank	-	-	4.21	4.41	(0.09)	(0.16)
Total	-	-	4.21	4.41	(0.09)	(0.16)

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-Q1/2017, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,113bn, up DKK 6bn from DKK 1,107bn 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-Q1/2017.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment decreased by DKK 174m from the beginning of the year to DKK 5,577m at end-Q1/2017. Of this decline, DKK 97m was attributable to owner-occupied dwellings and DKK 150m to private rental property, while office and retail rose as well as agricultural property rose by DKK 91m and DKK 37m, respectively.

Of the reduction in Q1/2017, DKK 97m stemmed from owner-occupied dwellings and DKK 77m from business property.

Total impairment provisions equalled 0.50% of total mortgage lending against 0.52% at the beginning of the year.

Earnings impact

Impairment losses on mortgage lending for the period were DKK 33m against a gain of DKK 35m in Q1/2016. Of impairment losses on loans and advances for the period, DKK 91m was attributable to office and retail and DKK 108m related to agricultural property. Private rental and owner-occupied dwellings showed a reversal of DKK 138m and DKK 20m, respectively.

Nykredit Group

Debt outstanding relative to estimated property values

Fair value	LTV (loan-to-value)						LTV	
DKK million/%	0-40	40-60	60-80	80-90	90-100	>100	Total	average, % ¹
Owner-occupied dwellings	423,978	161,788	93,004	10,025	4,043	3,380	696,218	69
Private rental	78,746	26,634	11,793	1,636	918	989	120,717	65
Industry and trades	16,198	3,277	562	162	98	228	20,525	52
Office and retail	86,824	21,536	3,129	539	308	509	112,845	53
Agricultural	68,511	18,102	6,674	1,090	506	444	95,327	58
Public housing	-	-	-	-	-	-	71,572	-
Other	13,066	2,425	653	43	27	80	16,293	49
Total end-Q1/2017	687,323	233,763	115,814	13,495	5,900	5,630	1,133,497	64
Total end-2016	680,121	231,599	116,067	14,400	6,364	6,091	1,124,693	64

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 Group

Provisions for mortgage loan impairment by property type¹

DKK million	Q1/2017		FY 2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Owner-occupied dwellings	2,023	(20)	2,120	247
Private rental	1,183	(138)	1,333	(96)
Industry and trades	123	(26)	188	(23)
Office and retail	620	91	529	82
Agricultural	1,484	108	1,447	628
Public housing	48	14	35	(11)
Other	96	4	99	(6)
Total	5,577	33	5,751	821

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

Nykredit 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			
- December	0.37	0.48	5.30
- September	0.39	0.40	4.50
- 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

Arrears

At the December due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.37% against 0.38% at the same date the year before.

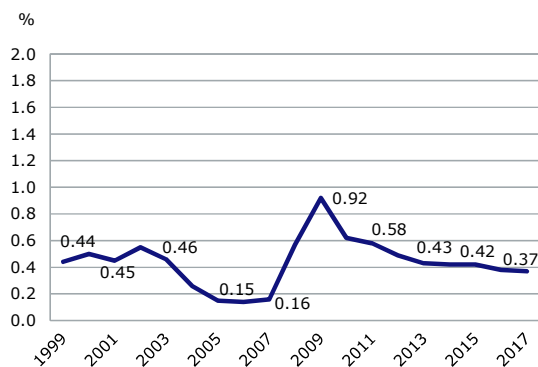
The Group's mortgage lending affected by arrears was 0.48% of total mortgage lending (bond debt outstanding) compared with 0.41% at the same time the previous year.

Properties acquired by foreclosure

In Q1/2017, the Group acquired 25 properties by foreclosure and sold 45. At end-Q1/2017, the property portfolio stood at 94 against 114 at the beginning of the year of which 50 were owner-occupied dwellings against 66 at end-2016.

Nykredit Group

Arrears ratio, mortgage lending – 75 days past due



BANK LENDING

Bank lending amounted to DKK 56.3bn against DKK 55.0bn at the beginning of the year. Before provisions for loan impairment, loans and advances amounted to DKK 58.7bn against DKK 57.5bn at the beginning of the year.

Reverse repurchase lending amounted to DKK 23.4bn against DKK 30.1bn at the beginning of the year. Guarantees issued totalled DKK 7.2bn against DKK 6.7bn at the beginning of the year.

Nykredit Bank recorded lending growth of 15.7%, 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 2,473m against DKK 2,538m at the beginning of the year.

Impairment provisions for receivables from credit institutions came to DKK 23m at end-Q1/2017, the same level as at end-2016.

Guarantees

Guarantees issued totalled DKK 7.2bn against DKK 6.7bn at the beginning of the year.

At-end-Q1/2017, provisions for guarantees amounted to DKK 49m against DKK 52m at the beginning of the year.

Earnings impact

Provisions for bank loan impairment and guarantees for the period were a gain of DKK 55m compared with a gain of DKK 16m in Q1/2016.

Nykredit Group

Provisions for bank loan impairment and guarantees by sector¹

DKK million	Q1/2017		FY 2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	-	-	-	-
Agriculture, hunting, forestry and fishing	99	6	96	14
Manufacturing, mining and quarrying	179	(2)	185	24
Energy supply	3	-	3	(1)
Construction	171	(43)	206	(41)
Trade	52	(5)	57	(36)
Transport, accommodation and food service activities	102	(12)	114	35
Information and communication	20	-	18	16
Finance and insurance	123	(11)	119	(97)
Real estate	922	(48)	950	(304)
Other	222	26	222	14
Total business customers	1,893	(89)	1,969	(376)
Personal customers	630	34	621	235
Total	2,523	(55)	2,590	(141)
- of which provisions for losses under guarantees	49	(2)	52	(48)
Impairment provisions for credit institutions	23	-	23	-
Total including impairment provisions for credit institutions	2,546	(55)	2,613	(141)

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 – 31 March 2017 of Nykredit A/S and the Nykredit 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 have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

Copenhagen, 9 May 2017

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's assets, liabilities, equity and financial position at 31 March 2017 and of the results of the Group's and the Parent's operations and the Group's cash flows for the financial period 1 January – 31 March 2017.

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

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

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 Brusen*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Vibeke Krag

Allan Kristiansen*

Bent Naur

Lasse Nyby

Inge Sand*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S			Nykredit Group		
Q1/2016	Q1/2017		Note	Q1/2017	Q1/2016
		INCOME STATEMENT			
-	-	Interest income	5	6,966	7,412
-	0	Interest expenses	6	4,060	4,585
-	(0)	Net interest income		2,905	2,827
-	-	Dividend on equities		32	23
-	-	Fee and commission income		620	492
-	-	Fee and commission expenses		702	564
-	(0)	Net interest and fee income		2,855	2,777
-	-	Value adjustments	7	1,242	(774)
-	-	Other operating income		44	40
2	3	Staff and administrative expenses	8	1,095	1,114
-	-	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	46	48
-	-	Other operating expenses		40	40
-	-	Impairment losses on loans, advances and receivables	10	(21)	(51)
630	2,289	Profit from investments in associates and Group enterprises	11	4	-
629	2,286	Profit before tax		2,985	894
(0)	(0)	Tax	12	639	191
629	2,287	Profit for the period		2,346	703
Distribution of profit for the period					
629	2,287	Shareholder of Nykredit A/S		2,289	645
-	-	Holders of Additional Tier 1 capital notes		57	58
629	2,287	Profit for the period		2,346	703
COMPREHENSIVE INCOME					
629	2,287	Profit for the period		2,346	703
OTHER COMPREHENSIVE INCOME					
Items that cannot be reclassified to profit or loss:					
-	-	Actuarial gains/losses on defined benefit plans		(1)	(1)
(1)	(1)	Share of comprehensive income in associates and Group enterprises		-	-
(1)	(1)	Total items that cannot be reclassified to profit or loss		(1)	(1)
Items that can be reclassified to profit or loss:					
-	-	Fair value adjustment of equities available for sale		6	(29)
-	-	Tax on fair value adjustment of equities available for sale		(8)	12
-	-	Total items that can be reclassified to profit or loss		(2)	(16)
(1)	(1)	Other comprehensive income		(3)	(18)
628	2,286	Comprehensive income for the period		2,344	685
Distribution of comprehensive income					
628	2,286	Shareholder of Nykredit A/S		2,286	628
-	-	Holders of Additional Tier 1 capital notes		57	58
628	2,286	Comprehensive income for the period		2,344	685

BALANCE SHEETS

DKK million

Nykredit A/S			Nykredit Group		
31.12.2016	31.03.2017		Note	31.03.2017	31.12.2016
		ASSETS			
-	-	Cash balances and demand deposits with central banks		2,993	2,087
1	-	Receivables from credit institutions and central banks	13	37,248	32,742
-	-	Loans, advances and other receivables at fair value	14	1,157,276	1,155,155
-	-	Loans, advances and other receivables at amortised cost	15	56,622	55,361
-	-	Bonds at fair value	16	98,627	111,981
		Equities			
-	-	Equities measured at fair value through profit or loss		1,965	2,129
-	-	Equities available for sale		2,451	2,445
-	-	Total		4,416	4,574
-	-	Investments in associates		136	130
67,194	69,478	Investments in Group enterprises		-	-
-	-	Intangible assets		220	243
		Land and buildings			
-	-	Investment properties		71	232
-	-	Owner-occupied properties		432	432
-	-	Total		503	664
-	-	Other property, plant and equipment		166	177
4	4	Current tax assets		124	166
-	-	Deferred tax assets		115	113
-	-	Assets in temporary possession		347	311
-	-	Other assets	17	31,132	36,667
1	1	Prepayments		294	239
67,199	69,483	Total assets		1,390,219	1,400,611

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group			
31.12.2016	31.03.2017	Note	31.03.2017	31.12.2016	
					LIABILITIES AND EQUITY
-	2	Payables to credit institutions and central banks	18	17,885	21,681
-	-	Deposits and other payables	19	67,733	65,414
-	-	Bonds in issue at fair value	20	1,146,919	1,152,383
-	-	Bonds in issue at amortised cost	21	24,106	21,292
-	-	Other non-derivative financial liabilities at fair value	22	10,620	17,735
-	-	Current tax liabilities		335	14
-	-	Liabilities temporarily assumed		29	29
7	7	Other liabilities	23	37,589	39,408
-	-	Deferred income		11	11
7	9	Total payables		1,305,226	1,317,967
					Provisions
-	-	Provisions for pensions and similar obligations		149	155
-	-	Provisions for deferred tax		244	126
-	-	Repayable reserves in pre-1972 series		54	55
-	-	Provisions for losses under guarantees		49	52
-	-	Other provisions		193	224
-	-	Total provisions		690	611
-	-	Subordinated debt	24	11,010	11,078
					Equity
1,327	1,327	Share capital		1,327	1,327
		Accumulated value adjustments			
-	-	- revaluation reserves		26	26
-	-	- value adjustment of equities available for sale		976	979
		Other reserves			
49,013	51,297	- statutory reserves		-	-
-	-	- series reserves		35,198	35,198
16,852	16,850	- retained earnings		31,946	29,662
67,192	69,474	Shareholder of Nykredit A/S		69,474	67,192
-	-	Minority interests		-	3
-	-	Holders of Additional Tier 1 capital		3,819	3,760
67,192	69,474	Total equity		73,293	70,955
67,199	69,483	Total liabilities and equity		1,390,219	1,400,611
					OFF-BALANCE SHEET ITEMS
-	-	Contingent liabilities	25	7,185	6,694
-	-	Other commitments		5,901	6,934
-	-	Total		13,085	13,628

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit A/S

	Share capital ¹	Statutory reserves ²	Retained earnings	Total equity
2017				
Equity, 1 January	1,327	49,013	16,852	67,192
Profit for the period	-	2,289	(2)	2,287
Total other comprehensive income	-	(1)	-	(1)
Total comprehensive income for the period	-	2,289	(2)	2,286
Adjustment relating to subsidiaries	-	(4)	-	(4)
Equity, 31 March	1,327	51,297	16,850	69,474
2016				
Equity, 1 January	1,327	43,505	16,876	61,708
Profit (loss) for the period	-	630	(2)	629
Total other comprehensive income	-	(1)	-	(1)
Total comprehensive income for the period	-	629	(2)	628
Adjustment relating to subsidiaries	-	(5)	-	(5)
Equity, 31 March	1,327	44,130	16,874	62,331

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit 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. The reserves are non-distributable. There is an ongoing dialogue with the Danish Financial Supervisory Authority concerning the accounting treatment of the non-distributable reserve fund in Nykredit A/S's and Nykredit Realkredit A/S's Financial Statements, as well as the inclusion of such in capital adequacy. Reference is made to note 2.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Shareholder of Nykredit A/S	Minority interests	Additional Tier 1 capital ²	Total equity
2017									
Equity, 1 January	1,327	26	979	35,198	29,662	67,192	3	3,760	70,955
Profit for the period	-	-	-	-	2,289	2,289	-	57	2,346
Total other comprehensive income	-	-	(2)	-	(1)	(3)	-	-	(3)
Total comprehensive income for the period	-	-	(2)	-	2,288	2,286	-	57	2,344
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(2)	(2)	-	2	-
Tax	-	-	-	-	(3)	(3)	-	-	(3)
Other adjustments	-	-	-	-	-	-	(3)	-	(3)
Equity, 31 March	1,327	26	976	35,198	31,946	69,474	-	3,819	73,293
2016									
Equity, 1 January	1,327	160	648	26,787	32,786	61,708	-	3,774	65,482
Profit for the period	-	-	-	-	645	645	-	58	703
Total other comprehensive income	-	-	(16)	-	(1)	(18)	-	-	(18)
Total comprehensive income for the period	-	-	(16)	-	644	628	-	58	685
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	6	6	-	(6)	-
Tax	-	-	-	-	(11)	(11)	-	-	(11)
Realised from the sale of properties	-	(4)	-	-	4	-	-	-	-
Equity, 31 March	1,327	156	631	26,787	33,429	62,331	-	3,826	66,157

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit 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 Group falls below 7.125%, the loan will be written down.

CASH FLOW STATEMENT

DKK million

Nykredit Group

	Q1/2017	Q1/2016
Profit for the period	2,346	703
Adjustments		
Interest income, net	(2,905)	(2,827)
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	46	48
Profit from investments in associates	(4)	0
Impairment losses on loans, advances and receivables	(21)	(51)
Prepayments/deferred income, net	(55)	(53)
Tax calculated on profit for the period	639	191
Other adjustments	(281)	97
Cash flows before change in working capital	(236)	(1,892)
Change in working capital		
Loans, advances and other receivables	(3,361)	(831)
Deposits and payables to credit institutions	(1,478)	10,776
Bonds in issue	(2,650)	(4,181)
Other working capital	(2,667)	7,391
Cash flows from working capital	(10,156)	13,155
Interest income received	8,090	9,829
Interest expenses paid	(5,993)	(8,694)
Corporation tax paid, net	(171)	(176)
Cash flows from operating activities	(8,465)	12,221
Cash flows from investing activities		
Purchase of associates	(5)	-
Dividend received from associates	3	-
Purchase and sale of bonds and equities, net	13,603	(6,598)
Purchase of intangible assets	(1)	(5)
Purchase of property, plant and equipment	(10)	(10)
Sale of property, plant and equipment	161	-
Total	13,751	(6,613)
Cash flows from financing activities		
Purchase and sale of self-issued subordinated debt instruments	(1)	(21)
Total	(1)	(21)
Total cash flows for the period	5,285	5,587
Cash and cash equivalents, beginning of period	34,829	23,253
Foreign currency translation adjustment of cash	126	(42)
Cash and cash equivalents, end of period	40,240	28,797
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	2,993	6,641
Receivables from credit institutions and central banks	37,248	22,157
Total	40,240	28,798

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NOTES

1. ACCOUNTING POLICIES

General

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

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

Consolidated Financial Statements now presented according to IFRS

From and including the Annual Report 2016 the Group will be presenting its financial statements according to the International Financial Reporting Standards (IFRS) compared with previously the Danish executive order on the presentation of financial reports. The transition only results in a reclassification of the Group's portfolio of strategic equities to "available for sale". The equities will still be measured at fair value, but changes in the fair value are now recognised until a potential sale in equity via other comprehensive income, previously recognised in the income statement. The Group's total comprehensive income, equity and total assets are unchanged. For Q1/2016 the net value adjustments mentioned came to a negative DKK 16m after tax against a negative DKK 2m in Q1/2017.

Comparative figures have been restated accordingly.

The change had no effect on the Parent Financial Statements.

Changed presentation of financial highlights and business areas

The income statement format for financial highlights on page 4 and the business areas (note 3) has been adjusted compared with the Q1 Interim Report 2016.

The presentation has been changed to the effect that interest rate swaps with special credit value adjustments are no longer presented as a separate item.

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

These are derivatives, including instruments with step-up interest rate structures and swaps, carrying an initial maturity over 15 years and entered into with eg housing cooperatives and agricultural customers. This item covers all net income from the relevant contracts and not merely credit value adjustments. A considerable part of the derivatives concerned relates to the portfolio previously separated out for which credit value adjustments have been made. Compared with previous practice, viewed separately, this change means that a negative DKK 61m is transferred to core income from business operations. Profit from core business is thus affected negatively. Comparative figures for Q1/2016 have been changed, and an expense of DKK 61m has now been included in profit from core business.

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

IFRS 9

IFRS 9 will be implemented for financial years beginning on 1 January 2018 or later. Where Nykredit is concerned, especially the new loan impairment rules will have a material impact on the Financial Statements. Reference is made to the accounting policies (note 1) of the Annual Report 2016.

New and amended standards, interpretations and reporting provisions

Reporting standards and interpretations expected to enter into force on 1 January 2017 are pending approval by the EU and have thus not been implemented. When implementing, these are not expected to impact profit or loss, comprehensive income, balance sheets or equity.

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

Other information

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

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

NOTES

DKK million

Nykredit A/S		Nykredit Group		
31.12.2016	31.03.2017		31.03.2017	31.12.2016
2. CAPITAL AND CAPITAL ADEQUACY				
67,192	69,474	Equity for accounting purposes	73,293	70,955
-	-	Minority interests not included	(1,646)	(1,649)
-	-	Carrying amount of Additional Tier 1 capital recognised in equity	(3,819)	(3,760)
-	(2,287)	Loss for the period not included	(2,227)	-
67,192	67,187	Equity excluding Additional Tier 1 capital and minority interests	65,601	65,546
-	-	Prudent valuation adjustment	(108)	(95)
-	-	Minority interests	819	988
-	-	Intangible assets excluding deferred tax liabilities	(177)	(199)
-	-	Provisions for expected losses in accordance with IRB approach	(190)	(329)
-	-	Other additions/deductions	(242)	(277)
-	-	Deduction for treasury shares	(279)	(279)
-	-	Transitional adjustment of deductions	86	228
-	-	Common Equity Tier 1 capital deductions	(91)	36
67,192	67,187	Common Equity Tier 1 capital	65,510	65,582
-	-	Additional Tier 1 capital	2,323	2,546
-	-	Additional Tier 1 capital deductions	(54)	(42)
-	-	Transitional adjustment of deductions	(8)	(49)
-	-	Total Additional Tier 1 capital after deductions	2,260	2,455
67,192	67,187	Tier 1 capital	67,770	68,037
-	-	Tier 2 capital	8,232	8,510
-	-	Tier 2 capital additions/deductions	67	25
-	-	Transitional adjustment of deductions	(19)	(66)
67,192	67,187	Own funds	76,050	76,507
248,618	257,069	Credit risk	292,826	303,243
-	-	Market risk	22,193	25,437
42	0	Operational risk	21,246	19,678
248,661	257,069	Total risk exposure amount	336,265	348,359
Financial ratios				
27.0	26.1	Common Equity Tier 1 capital ratio, %	19.4	18.8
27.0	26.1	Tier 1 capital ratio, %	20.1	19.5
27.0	26.1	Total capital ratio, %	22.6	21.9

The level of CET1 capital and the development since the beginning of the year should be seen in light of the fact it does not include the Q1/2017 results.

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.

In the Group's capital determination, a deduction has been made for parts of Totalcredit's non-distributable reserve fund. The deduction is based on the assessment of the Danish FSA that the non-distributable reserve fund cannot be recognised fully according to a decision made by the Danish FSA concerning the non-distributable reserve fund of another financial undertaking. Nykredit does not concur with the assessment of the Danish FSA and expects to discuss the issue with the FSA from a legal perspective in spring 2017 with a view to reaching a formal decision concerning the treatment of Totalcredit's non-distributable reserve fund for capital adequacy purposes. The deduction totals DKK 97m, consisting of a CET1 capital deduction of DKK 827m and additions to Tier 1 capital and own funds of DKK 120m and DKK 610m, respectively.

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS

The business areas reflect Nykredit'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. Reference is made to the Management Commentary.

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

	Personal Banking	Business Banking	Total Retail	Totalcredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS										
31 MARCH 2017										
Core income from										
- customer activities, gross	627	974	1,601	790	499	262	761	297	1	3,450
- payment for distribution	95	80	175	-	23	(115)	(92)	(83)	-	-
Total business operations	722	1,054	1,776	790	522	147	669	214	1	3,450
- senior and subordinated debt	(9)	(14)	(23)	(27)	(2)	-	(2)	0	(77)	(129)
- core income from securities	-	-	-	-	-	-	-	-	22	22
Income from core business	713	1,040	1,753	763	520	147	667	214	(54)	3,343
Operating costs and depreciation of equipment	490	286	776	151	94	41	135	109	11	1,181
Profit (loss) from core business before impairment losses	223	754	977	613	426	106	532	105	(65)	2,162
Impairment losses on loans and advances	(7)	57	50	11	(78)	-	(78)	(4)	0	(21)
Profit (loss) from core business	230	697	927	602	504	106	610	109	(65)	2,183
Legacy derivatives	-	162	162	-	151	24	175	0	-	337
Investment portfolio income ¹	-	-	-	-	-	-	-	-	465	465
Profit before tax	230	859	1,089	602	655	130	785	109	400	2,985
BALANCE SHEET										
Assets										
Mortgage loans at fair value	194,464	247,312	441,776	506,404	181,867	-	181,867	3,451	-	1,133,497
Reverse repurchase lending at fair value									23,449	23,449
Loans and advances at amortised cost	13,811	18,090	31,900	-	21,693	-	21,693	2,385	644	56,622
Assets by business area	208,275	265,401	473,676	506,404	203,560	-	203,560	5,836	24,093	1,213,568
Unallocated assets										176,650
Total assets										1,390,219
Liabilities and equity										
Bank deposits and other payables at amortised cost	27,949	19,059	47,008	-	11,905	-	11,905	7,714	1,105	67,733
Liabilities by business area	27,949	19,059	47,008	-	11,905	-	11,905	7,714	1,105	67,733
Unallocated liabilities										1,249,193
Equity										73,293
Total liabilities and equity										1,390,219

¹ Investment portfolio income includes profit from and gain on sale of investments in associates of DKK 4.

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

RESULTS 31 MARCH 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	612	767	1,379	672	359	158	517	233	30	2,831
- payment for distribution	76	50	126	-	20	(68)	(48)	(78)	-	-
Total business operations	688	817	1,505	672	379	90	469	155	30	2,831
- senior and subordinated debt	(10)	(15)	(25)	(34)	(2)	-	(2)	0	(57)	(118)
- core income from securities	-	-	-	-	-	-	-	-	11	11
Income from core business	678	802	1,480	638	377	90	467	155	(16)	2,724
Operating costs and depreciation of equipment	510	280	790	136	98	74	172	98	4	1,200
Profit (loss) from core business before impairment losses	168	522	690	502	279	16	295	57	(20)	1,524
Impairment losses on loans and advances	56	(83)	(27)	24	(73)	-	(73)	25	0	(51)
Profit from core business	112	605	717	478	352	16	368	32	(20)	1,575
Legacy derivatives	(2)	(367)	(369)	-	(372)	-	(372)	0	-	(741)
Investment portfolio income ¹	-	-	-	-	-	-	-	-	60	60
Profit (loss) before tax	110	238	348	478	(20)	16	(4)	32	40	894

BALANCE SHEET

Assets

Mortgage loans at fair value	192,529	244,851	437,380	501,365	180,057	-	180,057	3,416	-	1,122,218
Reverse repurchase lending at fair value									34,963	34,963
Loans and advances at amortised cost	12,017	15,741	27,758	-	18,876	-	18,876	2,075	560	49,270
Assets by business area	204,546	260,591	465,138	501,365	198,933	-	198,933	5,492	35,523	1,206,450
Unallocated assets										193,716
Total assets										1,400,166

Liabilities and equity

Bank deposits and other payables at amortised cost	24,581	16,762	41,344	-	10,471	-	10,471	6,785	972	59,571
Liabilities by business area	24,581	16,762	41,344	-	10,471	-	10,471	6,785	972	59,571
Unallocated liabilities										1,274,438
Equity										66,157
Total liabilities and equity										1,400,166

¹ Investment portfolio income includes profit from and gain on sale of investments in associates of DKK 0.

NOTES

DKK million

Nykredit Group

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1/2017			Q1/2016		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
Net interest income	2,808	97	2,905	2,585	242	2,827
Dividend on equities	9	23	32	0	23	23
Fee and commission income, net	(82)	(0)	(83)	(64)	(9)	(72)
Net interest and fee income	2,735	120	2,854	2,521	256	2,777
Value adjustments	564	678	1,242	163	(937)	(774)
Other operating income	44	-	44	40	-	40
Staff and administrative expenses	1,095	-	1,095	1,114	-	1,114
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	46	-	46	48	-	48
Other operating expenses	40	-	40	40	-	40
Impairment losses on loans and advances	(21)	-	(21)	(51)	-	(51)
Profit from investments in associates	-	4	4	0	-	0
Profit (loss) before tax	2,183	802	2,985	1,574	(680)	894

¹ Results from Other Activities comprise value adjustment of legacy derivatives of DKK 337m (2016: negative value adjustment of legacy derivatives of DKK 741m), goodwill impairment etc of DKK 0m (2016: DKK 0m) and investment portfolio income of DKK 465m (2016: DKK 60m).

The presentation of financial highlights and business areas in the Management Commentary lists some key alternative performance targets: income from core business, profit from core business before impairment losses and profit from core business. These targets are presented in the external Financial Statements in order to create consistency with Nykredit's internal reporting. The same applies to the presentation of business areas in note 3.

Profit (loss) before tax equals the corresponding performance target in the official income statement, as identical principles for recognition and measurement are applied. A reconciliation to the official income statement is shown above.

Income from core business was DKK 3,343 m against DKK 2,724m in 2016. In Q1/2017 "Income from core business" accounted for a proportion of the following items: Net interest and fee income by DKK 2,735m, value adjustments by DKK 564m and other operating income by DKK 44m.

Costs attributable to core business are also stated in the column "Core business" and accounted for DKK 1,181bn against DKK 1,200bn in 2016. This item comprises expenses for staff and administration, other operating expenses and depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets.

Impairment losses on loans and advances are fully recognised in "Profit from core business".

NOTES

DKK million

Nykredit A/S		Nykredit Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
	5. INTEREST INCOME		
-	- Receivables from credit institutions and central banks	(11)	1
-	- Loans, advances and other receivables	4,403	4,919
-	- Administration margin income	2,438	2,200
	Bonds		
-	- self-issued covered bonds (SDOs, ROs)	78	138
-	- other covered bonds	149	253
-	- government bonds	20	65
-	- other bonds	41	50
	Derivative financial instruments		
-	- foreign exchange contracts	17	78
-	- interest rate contracts	(108)	(168)
-	- equity contracts	(3)	(7)
-	- other contracts	(0)	3
-	- Other interest income	25	23
-	- Total	7,048	7,556
-	- Set-off of interest from self-issued covered bonds – note 6	(78)	(138)
-	- Set-off of interest from self-issued other bonds – note 6	(4)	(6)
-	- Total	6,966	7,412
	Of which interest income from reverse repurchase lending entered as:		
-	- Receivables from credit institutions and central banks	(2)	(2)
-	- Loans, advances and other receivables	(23)	(24)
	6. INTEREST EXPENSES		
-	0 Credit institutions and central banks	(3)	(2)
-	- Deposits and other payables	(21)	1
-	- Bonds in issue	4,062	4,630
-	- Subordinated debt	90	90
-	- Other interest expenses	14	9
-	0 Total	4,143	4,729
-	- Set-off of interest from self-issued covered bonds – note 5	(78)	(138)
-	- Set-off of interest from self-issued other bonds – note 5	(4)	(6)
-	0 Total	4,060	4,585
	Of which interest expenses from repo transactions entered as:		
-	- Credit institutions and central banks	(8)	(12)
-	- Deposits and other payables	(23)	(12)

NOTES

DKK million

Nykredit A/S		Nykredit Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
	7. VALUE ADJUSTMENTS		
	Assets measured at fair value through profit or loss		
-	- Mortgage loans, a)	2,625	7,750
-	- Other loans, advances and receivables at fair value, b)	-	2
-	- Bonds, b)	407	708
-	- Investment properties	(1)	-
-	- Equities, b)	91	(16)
-	- Foreign exchange	20	(18)
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments, b)	625	(1,457)
	Liabilities measured at fair value through profit or loss		
-	- Bonds in issue, a)	(2,525)	(7,743)
-	- Total	1,242	(774)
	a) Financial assets and liabilities classified at fair value on initial recognition. b) Financial assets and liabilities classified under the trading book.		
	8. STAFF AND ADMINISTRATIVE EXPENSES		
1	1 Remuneration of Board of Directors and Executive Board	15	14
-	- Staff expenses	664	699
1	2 Other administrative expenses	415	402
2	3 Total	1,095	1,114
	Remuneration of Board of Directors and Executive Board		
	Board of Directors		
1	1 Fees	2	2
	Executive Board		
-	- Base salaries	10	10
-	- Pensions	3	1
1	1 Total	15	14
	Staff expenses		
-	- Salaries	508	547
-	- Pensions	62	62
-	- Payroll tax	89	85
-	- Other social security expenses	6	6
-	- Total	664	699
	Number of staff		
-	- Average number of staff, full-time equivalents	3,560	3,660

NOTES

DKK million

Nykredit A/S		Nykredit Group	
Q1/2016	Q1/2017	Q1/2017	Q1/2016
	9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS		
	Intangible assets		
-	- amortisation	25	19
	Property, plant and equipment		
-	- depreciation	21	29
-	- Total	46	48
	10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
	10 a. Earnings impact		
-	- Change in individual impairment provisions for loans and advances	81	90
-	- Change in collective impairment provisions for loans and advances	13	(62)
-	- Write-offs for the period, not previously written down for impairment	34	35
-	- Recoveries on claims previously written off	(67)	(43)
-	- Provisions for guarantees, net	(2)	(2)
-	- Total impairment losses on loans, advances and receivables, and provisions for guarantees	58	18
-	- Value adjustment of assets in temporary possession	(4)	(7)
-	- Value adjustment of claims previously written off	(19)	(5)
-	- Write-offs offset against commission payments to partner banks	(57)	(56)
-	- Total	(21)	(51)
	10 b. Specification of impairment provisions for loans, advances and receivables		
-	- Individual impairment provisions	5,797	6,006
-	- Collective impairment provisions	2,298	2,262
-	- Total impairment provisions	8,094	8,268
	Impairment provisions have been offset against the following items:		
-	- Mortgage loans – note 14	5,285	5,214
-	- Arrears and outlays – note 14	292	257
-	- Bank loans and advances – note 15	2,473	2,753
-	- Receivables from credit institutions	44	44
-	- Total impairment provisions	8,094	8,268
	10 c. Individual impairment provisions for loans and advances		
-	- Impairment provisions, beginning of period	6,003	6,223
-	- Impairment provisions for the period	616	627
-	- Impairment provisions reversed	(535)	(537)
-	- Transferred to properties acquired by foreclosure – note 10 g.	(49)	(48)
-	- Impairment provisions written off	(282)	(302)
-	- Impairment provisions, end of period	5,753	5,962

NOTES

DKK million

Nykredit A/S		Nykredit Group		
Q1/2016	Q1/2017	Q1/2017	Q1/2016	
		10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)		
		10 d. Collective impairment provisions for loans and advances		
-	-	Impairment provisions, beginning of period	2,285	2,324
-	-	Impairment provisions for the period, net	13	(62)
-	-	Impairment provisions, end of period	2,298	2,262
		10 e. Individual impairment provisions for receivables from credit institutions		
-	-	Impairment provisions, beginning of period	44	44
-	-	Impairment provisions, end of period	44	44
		10 f. Specification of loans, advances and receivables from credit institutions with objective evidence of impairment		
-	-	Loans and advances subject to individual provisioning before impairment	20,482	20,673
-	-	Impairment provisions	5,753	5,962
-	-	Loans and advances after impairment	14,729	14,711
-	-	Loans and advances subject to collective provisioning before impairment	128,677	117,742
-	-	Impairment provisions	2,298	2,262
-	-	Loans and advances after impairment	126,380	115,480
-	-	Receivables from credit institutions subject to individual provisioning before impairment	54	54
-	-	Impairment provisions	44	44
-	-	Receivables after impairment	10	10
		10 g. Impairment provisions for properties acquired by foreclosure		
-	-	Impairment provisions, beginning of period	272	287
-	-	Transfer from impairment provisions for loans and advances – note 10 c.	49	48
-	-	Impairment provisions for the period	15	13
-	-	Impairment provisions reversed	(19)	(20)
-	-	Impairment provisions written off	(86)	(49)
-	-	Impairment provisions, end of period	232	278
		Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".		
		11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES		
-	-	Profit from investments in associates	4	-
630	2,289	Profit from investments in Group enterprises	-	-
630	2,289	Total	4	-
		12. TAX		
22.0	22.0	Current tax rates, %	22.0	22.0
3.5	22.0	Permanent deviations	0.6	0.7
18.5	(0.0)	Effective tax rate, %	21.4	21.3
		Permanent deviations are driven by investments in Group enterprises and associates as well as equities available for sale.		

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
	13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
-	- Receivables from central banks	20,619	21,400
1	- Receivables from credit institutions	12,079	10,064
-	- Reverse repurchase lending to credit institutions	4,550	1,279
1	- Total	37,248	32,742
	14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE		
-	- Mortgage loans	1,133,497	1,124,693
-	- Arrears and outlays	330	371
-	- Reverse repurchase lending to undertakings other than credit institutions and central banks	23,449	30,091
-	- Total	1,157,276	1,155,155
	14 a. Mortgage loans		
-	- Balance, beginning of period, nominal value	1,107,135	1,114,324
-	- New loans	46,370	199,973
-	- Indexation	78	113
-	- Foreign currency translation adjustment	98	(1,190)
-	- Ordinary principal payments	(5,408)	(21,470)
-	- Prepayments and extraordinary principal payments	(35,061)	(184,615)
-	- Balance, end of period, nominal value	1,113,212	1,107,135
-	- Loans transferred relating to properties in temporary possession	(72)	(134)
-	- Loans assumed by the Danish Agency for Governmental Management	161	160
-	- Total	1,113,301	1,107,161
-	- Adjustment for interest rate risk	25,481	22,969
	Adjustment for credit risk		
-	- Individual impairment provisions	(3,134)	(3,284)
-	- Collective impairment provisions	(2,152)	(2,153)
-	- Balance, end of period, fair value	1,133,497	1,124,693
	As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
-	- Supplementary guarantees totalling	59,189	51,219
-	- Interim loan guarantees totalling	17,164	15,686
-	- Mortgage registration guarantees totalling	18,502	20,192
	14 b. Arrears and outlays		
-	- Arrears before impairment provisions	348	411
-	- Outlays before impairment provisions	274	274
-	- Individual impairment provisions for arrears and outlays	(292)	(314)
-	- Total	330	371

NOTES

DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
	15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST		
-	- Bank lending	58,727	57,541
-	- Mortgage loans	16	16
-	- Other loans and advances	374	362
-	- Balance, end of period	59,117	57,919
	Adjustment for credit risk		
-	- Individual impairment provisions	(2,328)	(2,406)
-	- Collective impairment provisions	(146)	(132)
-	- Balance after impairment, end of period	56,644	55,382
-	- Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 21	(21)	(21)
-	- Total	56,622	55,361
	16. BONDS AT FAIR VALUE		
-	- Self-issued SDOs	78,155	81,077
-	- Self-issued ROs	17,819	21,099
-	- Self-issued corporate bonds	1,042	1,340
-	- Self-issued senior debt	252	206
-	- Other covered bonds	83,063	98,700
-	- Government bonds	11,074	8,142
-	- Other bonds	4,490	5,140
-	- Total	195,895	215,703
-	- Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 20	(78,138)	(81,061)
-	- Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 21	(16)	(16)
-	- Set-off of self-issued ROs against "Bonds in issue at fair value" – note 20	(17,819)	(21,099)
-	- Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 21	(1,042)	(1,340)
-	- Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 20	(252)	(206)
-	- Total	98,627	111,981
-	- As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	9,472	12,441
	Collateral security was provided on an arm's length basis.		
	17. OTHER ASSETS		
-	- Interest and commission receivable	4,234	4,851
-	- Receivables from Group enterprises	-	-
-	- Positive market value of derivative financial instruments	23,491	28,895
-	- Defined benefit plans	242	241
-	- Other	3,164	2,679
-	- Total	31,132	36,667
	18. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
-	2 Payables to credit institutions	4,300	13,913
-	- Payables to central banks	5,153	-
-	- Repo transactions with credit institutions	8,432	7,769
-	2 Total	17,885	21,681

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
	19. DEPOSITS AND OTHER PAYABLES		
-	- On demand	56,969	54,563
-	- At notice	1,923	2,096
-	- Time deposits	6,017	5,923
-	- Special deposits	2,823	2,832
-	- Total	67,733	65,414
	20. BONDS IN ISSUE AT FAIR VALUE		
-	- ROs	195,757	212,280
-	- SDOs	1,032,354	1,026,550
-	- Senior secured debt	11,273	11,613
-	- Senior unsecured debt	3,745	4,306
-	- Total	1,243,129	1,254,749
-	- Self-issued bonds transferred from "Bonds at fair value" – note 16	(96,210)	(102,366)
-	- Total	1,146,919	1,152,383
	20 a. ROs		
-	- ROs at nominal value	186,687	203,341
-	- Fair value adjustment	9,069	8,939
-	- ROs at fair value	195,757	212,280
-	- Self-issued ROs transferred from "Bonds at fair value" – note 16	(17,819)	(21,099)
-	- Total	177,937	191,181
-	- Of which pre-issuance	41	45
-	- ROs redeemed and maturing at next creditor payment date	11,132	29,541
	20 b. SDOs		
-	- SDOs at nominal value	1,015,940	1,012,517
-	- Fair value adjustment	16,414	14,033
-	- SDOs at fair value	1,032,354	1,026,550
-	- Self-issued SDOs transferred from "Bonds at fair value" – note 16	(78,138)	(81,061)
-	- Total	954,216	945,489
-	- Of which pre-issuance	5,295	4,655
-	- SDOs redeemed and maturing at next creditor payment date	56,861	54,885
	20 c. Senior secured debt		
-	- Senior secured debt at nominal value	10,894	11,146
-	- Fair value adjustment	379	467
-	- Senior secured debt at fair value	11,273	11,613
-	- Self-issued senior secured debt transferred from "Bonds at fair value" – note 16	(252)	(206)
-	- Total	11,021	11,407
-	- Senior secured debt maturing at next creditor payment date	630	-
	20 d. Senior unsecured debt		
-	- Senior unsecured debt at nominal value	3,719	4,282
-	- Fair value adjustment	26	24
-	- Total	3,745	4,306

NOTES

		DKK million	
Nykredit A/S		Nykredit Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
	21. BONDS IN ISSUE AT AMORTISED COST		
-	- Corporate bonds	10,320	11,498
-	- SDOs	17	17
-	- Senior secured debt	3,755	3,759
-	- Senior unsecured debt	11,066	7,367
-	- Other securities	28	28
-	- Total	25,186	22,669
-	- Self-issued corporate bonds transferred from "Bonds at fair value" – note 16	(1,042)	(1,340)
-	- Self-issued SDOs transferred from "Bonds at fair value" – note 16	(16)	(16)
-	- Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 15	(21)	(21)
-	- Total	24,106	21,292
	22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE		
-	- Repo transactions with undertakings other than credit institutions and central banks	6,021	14,562
-	- Negative securities portfolios	4,600	3,173
-	- Total	10,620	17,735
	23. OTHER LIABILITIES		
-	- Interest and commission payable	9,026	10,060
-	- Negative market value of derivative financial instruments	17,867	25,427
7	7 Other	10,696	3,920
7	7 Total	37,589	39,408

NOTES

DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	31.03.2017	31.03.2017	31.12.2016
	24. SUBORDINATED DEBT		
	Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 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 Group falls below 7%, the loan will be written down.	4,619	4,647
-	-		
	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.	6,019	6,058
-	-		
	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.	372	372
-	-		
-	- Total subordinate loan capital	11,011	11,078
-	-		
-	- Portfolio of self-issued bonds	(1)	-
-	- Total subordinated debt	11,010	11,078
-	-		
-	- Subordinated debt that may be included in own funds	10,785	8,510
-	-		
	25. OFF-BALANCE SHEET ITEMS		
	Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.		
-	- Contingent liabilities	7,185	6,694
-	- Other commitments	5,901	6,934
-	- Total	13,085	13,628
	25 a. Contingent liabilities		
-	- Financial guarantees	1,463	1,285
-	- Registration and refinancing guarantees	195	208
-	- Other contingent liabilities	5,527	5,201
-	- Total	7,185	6,694
	"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
	25 b. Other commitments		
-	- Irrevocable credit commitments	4,228	5,130
-	- Other	1,672	1,803
-	- Total	5,901	6,934

25. 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 make annual contributions 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 otherwise for reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice but a transitional scheme may apply.

Nykredit A/S is jointly taxed in Denmark with Forenet Kredit as the administration company. This company has unlimited liability and is jointly and severally liable for Danish corporation taxes and taxes at source payable on dividends, interest and royalties by the jointly taxed companies. The total known net liability with respect to corporation tax and tax at source payable by the jointly taxed companies appears from the financial statements of Forenet Kredit. As a result of any later corrections to the income subject to joint taxation, tax at source etc, the company may be liable for a larger amount.

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

26. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, the Parent Nykredit 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 Q1/2017.

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

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 Q1/2017 include:

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

As 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 when 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 9.9bn at 31 March 2017. 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 6.0bn 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. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

Nykredit Realkredit has contributed DKK 2.0bn to Nykredit Bank A/S in the form of Tier 2 capital.

27. FAIR VALUE DISCLOSURES

Listed prices

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

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

Observable inputs

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

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

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

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

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

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

FVA may involve both funding benefit and funding costs, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debt Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment. Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 360m at 31 March 2017 against a negative DKK 568m at end-2016.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 31 March 2017, the non-amortised minimum margin amounted to DKK 398m against DKK 403m at end-2016. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, 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, and valuation takes place pursuant to the IPEV Valuation Guidelines.

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.

Fair value amounted to DKK 591m at 31 March 2017. Following credit value adjustments, the fair value came to DKK 3,579m at 31 March 2017 (2016: DKK 3,926m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 134m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 31 March 2017, the proportion was thus 0.3% compared with 0.3% at end-2016. The share of financial liabilities was 0.0%, which was unchanged on 31 December 2016.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3.8bn (2016: DKK 4.0bn) and DKK 0.0bn (2016: DKK 0.0bn), respectively, belonged in this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 378m at 31 March 2017 (0.5% of equity at 31 December 2017). The earnings impact for 2016 was estimated at DKK 399m (0.6% of equity at 31 December 2016).

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Nykredit Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

Transfers between categories

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

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

Transfers between the categories Listed prices and Observable inputs mainly resulted from bonds that were reclassified either due to traded volume or the number of days between last transaction and the time of determination.

In Q1/2017, DKK 5.6bn was transferred from Listed prices to Observable inputs, and DKK 4.6bn was transferred from Observable inputs to Listed prices.

Financial liabilities of DKK 0.8bn were transferred from Listed prices to Observable inputs and DKK 0.7bn were transferred from Observable inputs to Listed prices.

NOTES

DKK million

Nykredit Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

31 March 2017

Assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
Recognised in the trading book:					
- bonds at fair value	48,291	50,129	207	98,627	
- equities measured at fair value through profit or loss	443	-	1,522	1,965	
- positive fair value of derivative financial instruments	57	22,843	591	23,491	
Recognised through the fair value option:					
- reverse repurchase lending to credit institutions and central banks	-	4,550	-	4,550	
- other reverse repurchase lending	-	23,449	-	23,449	
- mortgage loans, arrears and outlays	-	1,133,827	-	1,133,827	
Recognised as available for sale:					
- equities available for sale	1,491	-	960	2,451	
Other assets recognised at fair value:				-	
- owner-occupied properties	-	-	432	432	
- investment properties	-	-	71	71	
Total	50,282	1,234,798	3,783	1,288,863	
Percentage	3.9	95.8	0.3	100	
Liabilities:					
Recognised in the trading book:					
- other non-derivative financial liabilities at fair value including negative securities portfolios	3,293	7,327	-	10,620	
- negative fair value of derivative financial instruments	32	17,835	-	17,867	
Recognised through the fair value option:					
- repo transactions with credit institutions and central banks	-	8,432	-	8,432	
- other repo transactions					
- bonds in issue at fair value	1,134,501	12,418	-	1,146,919	
Total	1,137,826	46,012	-	1,183,838	
Percentage	96.1	3.9	-	100	
Assets and liabilities measured on the basis of unobservable inputs	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	664	242	2,492	587	3,986
Value adjustment recognised in the income statement	(0)	-	69	56	124
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	17	-	17
Purchases for the period	-	-	10	-	10
Sales for the period	(161)	(31)	(106)	(3)	(301)
Transferred from Listed prices and Observable inputs ¹	-	-	-	22	22
Transferred to Listed prices and Observable inputs ²	-	(4)	-	(70)	(75)
Fair value, end of period, assets	503	207	2,482	591	3,783

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 Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

Fair value of assets and liabilities recognised at fair value (IFRS hierarchy)

31 December 2016

Assets:

Recognised in the trading book:

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- bonds at fair value	40,010	71,729	242	111,981
- equities measured at fair value through profit or loss	580	-	1,549	2,129
- positive fair value of derivative financial instruments	59	28,248	587	28,895

Recognised through the fair value option:

- reverse repurchase lending to credit institutions and central banks	-	1,279	-	1,279
- other reverse repurchase lending	-	30,091	-	30,091
- mortgage loans, arrears and outlays	-	1,125,064	-	1,125,064

Recognised as available for sale:

- equities available for sale	1,502	-	943	2,445
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Other assets recognised at fair value:

- owner-occupied properties	-	-	432	432
- investment properties	-	-	232	232

Total	42,151	1,256,411	3,986	1,302,548
Percentage	3.2	96.5	0.3	100

Liabilities:

Recognised in the trading book:

- other non-derivative financial liabilities at fair value including negative securities portfolios	554	2,758	-	3,313
- negative fair value of derivative financial instruments	95	25,332	-	25,427

Recognised through the fair value option:

- repo transactions with credit institutions and central banks	-	7,769	-	7,769
- other repo transactions	-	14,422	-	14,422
- bonds in issue at fair value	1,139,738	12,645	-	1,152,383

Total	1,140,387	62,926	-	1,203,313
Percentage	94.8	5.2	-	100

Assets and liabilities measured on the basis of unobservable inputs

	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	1,704	287	2,315	621	4,927
Value adjustment recognised in the income statement	527	(8)	119	(70)	568
Unrealised capital gains and losses recognised in "Other comprehensive income"	3	-	63	-	66
Purchases for the period	-	6	159	-	165
Sales for the period	(1,570)	(47)	(164)	(33)	(1,814)
Transferred from Listed prices and Observable inputs ¹	-	4	-	239	243
Transferred to Listed prices and Observable inputs ²	-	-	-	(170)	(170)
Fair value, end of period, assets	664	242	2,492	587	3,986

Fair value, beginning of period, liabilities

Transferred to Listed prices and Observable inputs ²	(31)	-	-	-	(31)
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Fair value, end of period, liabilities	-	-	-	-	-
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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 A/S	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014	Q1/ 2013
28. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	-	-	-	0
Net fee income	-	-	-	-	20
Net interest and fee income	(0)	-	-	-	20
Staff and administrative expenses	3	2	1	1	1
Profit from investments in associates	2,289	630	821	834	418
Profit before tax	2,286	629	819	833	437
Tax	(0)	(0)	(0)	(0)	5
Profit for the period	2,287	629	820	834	432
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Assets					
Cash balances and receivables from credit institutions and central banks	-	12	17	23	86
Remaining assets	5	9	8	5	1
Investments in Group enterprises	69,478	62,311	59,446	59,553	57,825
Total assets	69,483	62,331	59,471	59,581	57,912
Liabilities and equity					
Remaining liabilities	7	0	1	1	92
Equity	69,474	62,331	59,470	59,581	57,820
Total liabilities and equity	69,483	62,331	59,471	59,581	57,912
OFF-BALANCE SHEET ITEMS					
Other commitments	-	-	-	-	-
FINANCIAL RATIOS¹					
Total capital ratio, %	26.1	27.0	27.0	26.9	23.6
Tier 1 capital ratio, %	26.1	27.0	27.0	26.9	23.6
Return on equity before tax, %	3.3	1.0	1.4	1.4	0.8
Return on equity after tax, %	3.3	0.9	1.4	1.4	0.7
Income:cost ratio	809.98	407.33	679.53	800.52	439.70
Return on capital employed, %	3.29	1.01	1.38	1.40	0.75

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2016.

NOTES

DKK million

Nykredit Group	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014	Q1/ 2013
28. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	2,905	2,827	3,054	2,859	2,487
Net fee income	(51)	(50)	57	(81)	(21)
Net interest and fee income	2,855	2,777	3,111	2,778	2,466
Value adjustments	1,242	(774)	(724)	(153)	543
Other operating income	44	40	47	43	56
Staff and administrative expenses	1,095	1,114	1,140	1,195	1,234
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	46	48	66	53	193
Other operating expenses	40	40	18	27	27
Impairment losses on loans, advances and receivables	(21)	(51)	329	515	687
Profit (loss) from investments in associates and Group enterprises	4	(0)	(0)	(0)	18
Profit before tax	2,985	894	881	881	943
Tax	639	191	196	198	37
Profit for the period	2,346	703	685	683	906
Value adjustment and reclassification of strategic equities against equity	(2)	(16)	157	157	(474)
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Assets					
Cash balances and receivables from credit institutions and central banks	40,240	28,798	70,932	38,690	39,997
Mortgage loans at fair value	1,133,497	1,122,218	1,137,833	1,142,380	1,136,605
Bank loans, excluding reverse repurchase lending	56,254	48,972	49,404	48,078	50,192
Bonds and equities	103,043	116,892	104,795	110,300	73,391
Remaining assets	57,185	83,287	97,691	88,307	111,828
Total assets	1,390,219	1,400,166	1,460,655	1,427,755	1,412,013
Liabilities and equity					
Payables to credit institutions and central banks	17,885	44,015	38,860	49,174	49,486
Deposits and other payables	67,733	59,571	67,716	68,575	64,909
Bonds in issue at fair value	1,146,919	1,135,251	1,181,483	1,130,708	1,101,262
Subordinated debt	11,010	11,240	11,417	10,913	11,184
Remaining liabilities	73,379	83,932	97,953	108,805	127,352
Equity	73,293	66,157	63,227	59,581	57,820
Total liabilities and equity	1,390,219	1,400,166	1,460,655	1,427,755	1,412,013
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	7,185	6,391	8,768	7,420	5,631
Other commitments	5,901	6,969	5,580	7,847	9,888
FINANCIAL RATIOS¹					
Total capital ratio, %	23.9	24.0	18.9	18.3	19.1
Tier 1 capital ratio, %	20.6	20.6	17.6	18.3	19.1
Return on equity before tax, %	4.1	1.4	1.7	1.8	0.9
Return on equity after tax, %	3.3	1.1	1.4	1.4	0.7
Income:cost ratio	3.57	1.75	1.68	1.58	1.24
Foreign exchange position, %	0.2	0.6	0.1	1.8	0.8
Loans and advances:equity (loan gearing)	16.6	18.2	19.3	20.7	21.3
Growth in loans and advances for the period, %	0.1	(0.6)	(0.7)	(1.3)	0.7
Total impairment provisions, %	0.66	0.68	0.75	0.68	0.59
Impairment losses for the period, %	0.00	0.00	0.03	0.04	0.06
Return on capital employed, %	0.17	0.05	0.05	0.05	0.06

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2016.

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DKK million

Nykredit Realkredit Group

29. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 31 March 2017	Profit (loss) for the period	Equity, 31 March 2017	Profit (loss) for 2016	Equity, 31 December 2016
Nykredit A/S	-	2,287	69,474	5,405	67,192
Nykredit Realkredit A/S (Parent), Copenhagen, a)	100	2,347	73,297	5,660	70,954
Totalkredit A/S, Copenhagen, a)	100	574	21,235	2,048	20,661
Nykredit Bank A/S, Copenhagen, b)	100	940	17,684	627	16,744
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	30	618	106	588
Nykredit Leasing A/S, Gladsaxe, e)	100	22	615	71	593
Nykredit Mægler A/S, Copenhagen, c)	100	17	85	64	138
Nykredit Ejendomme A/S, Copenhagen, d)	100	3	459	543	1,055
Ejendomselskabet Kalvebod A/S, Copenhagen, h)	100	(3)	231	24	234
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	1	118	(0)	118
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	(3)	112	24	112
Nykredit Adm. V A/S, Copenhagen, f)	100	-	1	-	1

The Group structure only includes significant subsidiaries. Financial information is provided in such order as the subsidiaries are recognised in the Consolidated Financial Statements. Bolighed A/S is no longer consolidated with the Nykredit Realkredit Group as Nykredit ceased having control in 2017.

Geographical distribution of activities	Number of staff	Revenue ²	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,548	7,634	2,983	639	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	3	2	-	-
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.

² 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 A/S is consolidated with Forenet Kredit. The financial statements of Nykredit Realkredit A/S and Forenet Kredit are available from:

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

MANAGEMENT COMMENTARY (CONTINUED)

DKK million

Nykredit Group	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015
SIX-QUARTER FINANCIAL HIGHLIGHTS						
Core income from						
Business operations	3,450	3,285	3,110	2,933	2,831	2,892
Senior and subordinated debt	(129)	(98)	(164)	(114)	(118)	(127)
Securities	22	13	12	10	11	10
Income from core business	3,343	3,200	2,958	2,829	2,724	2,774
Operating costs, depreciation and amortisation	1,181	1,578	1,258	1,248	1,200	1,416
Profit from core business before impairment losses	2,162	1,622	1,700	1,581	1,524	1,358
Impairment losses on loans and advances	(21)	295	260	176	(51)	227
Profit from core business	2,183	1,327	1,440	1,404	1,575	1,131
Legacy derivatives	337	422	66	(510)	(741)	129
Gain on owner-occupied properties	-	369	-	-	-	-
Impairment of goodwill and customer relationships	-	-	-	-	-	58
Investment portfolio income	465	218	580	473	60	372
Profit before tax	2,985	2,336	2,085	1,368	894	1,574
Tax	639	470	438	278	191	374
Profit for the period	2,346	1,866	1,647	1,089	703	1,200
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	(1)	(16)	14	2	(1)	(0)
Value adjustment of strategic equities	(2)	293	195	(141)	(16)	(247)
Fair value adjustment including tax on owner-occupied properties	-	-	-	-	-	15
Total other comprehensive income	(3)	278	209	(139)	(18)	(233)
Comprehensive income for the period	2,344	2,144	1,856	950	685	967
SUMMARY BALANCE SHEET						
	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016	31.12.2015
Assets						
Cash balances and receivables from credit institutions and central banks	40,240	34,829	41,685	43,707	28,798	23,253
Mortgage loans at fair value	1,133,497	1,124,693	1,127,516	1,127,725	1,122,218	1,119,101
Bank loans, excluding reverse repurchase lending	56,256	55,003	53,115	49,554	48,972	46,747
Bonds and equities	103,043	116,555	108,574	106,387	116,892	110,294
Remaining assets	57,183	69,530	74,919	79,934	83,286	84,401
Total assets	1,390,219	1,400,611	1,405,810	1,407,306	1,400,166	1,383,796
Liabilities and equity						
Payables to credit institutions and central banks	17,885	21,681	19,362	28,131	44,015	30,226
Deposits and other payables	67,733	65,414	64,895	69,537	59,571	62,584
Bonds in issue at fair value	1,146,919	1,152,383	1,151,669	1,142,561	1,135,251	1,137,314
Subordinated debt	11,010	11,078	11,276	11,260	11,240	11,006
Remaining liabilities	73,379	79,099	89,732	88,790	83,932	77,184
Equity	73,293	70,955	68,876	67,027	66,157	65,482
Total liabilities and equity	1,390,219	1,400,611	1,405,810	1,407,306	1,400,166	1,383,796

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.