

7 November 2017

INTERIM REPORT – NYKREDIT GROUP 1 JANUARY – 30 SEPTEMBER 2017

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

Michael Rasmussen, Group Chief Executive, comments on the Interim Report

– Nykredit continues to make good progress, delivering a record-high financial performance for Q3. This underlines recent years' efforts to reshape Nykredit into a more customer-centric, efficient and profitable business. We have recorded growth and higher earnings in all business areas, and we have consolidated our market positions. We have therefore raised our outlook for profit for 2017.

– In partnership with the banks of the Totalkredit alliance, we have grown mortgage lending in all regions of Denmark from Bornholm to North Jutland in Q1-Q3/2017. This is highly satisfactory. The Nykredit Group wants to be an active lender in all of Denmark and help promote activity across Denmark.

– Nykredit Bank continues to grow. In particular, I am pleased that more and more Danes make use of our Private Banking propositions. Today's Financial Statements show growth in assets under management for the seventh consecutive quarter.

Nykredit Group, Q1-Q3 results			
DKK million	Q1-Q3/2017	Q1-Q3/2016	Change
Income	11,048	9,623	1,425
Costs	3,590	3,707	117
Impairment charges for loans and advances	(550)	385	935
Business profit	8,009	5,531	2,478
Legacy derivatives	1,488	(1,185)	2,673
Profit before tax	9,497	4,347	5,151
Tax	1,942	906	(1,036)
Profit	7,555	3,441	4,115

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GROUP CHIEF EXECUTIVE'S STATEMENT

Nykredit is undergoing transformation. Every day over the past few years, we have striven to make the Group more efficient, more profitable and more customer-centric. Today's Financial Statements once again show that our work is paying off. We are presenting Financial Statements for Q3/2017 that demonstrate growth across all business areas, but we are also delivering the Group's strongest nine-month financial performance ever.

Our record-high performance is attributable to declining costs and rising lending of both Nykredit Bank and Totalkredit. The continued growth in customer activity is mainly reflected by increased wealth management income. Results also benefited from high investment portfolio income, reversal of loan impairments and positive value adjustments of swaps currently offered and legacy derivatives.

Nykredit promotes activity across Denmark

At Nykredit, we consider it our special task to provide loans to homeowners, agricultural customers and businesses in urban and rural districts – at all times. This is clearly reflected in today's Financial Statements. Totalkredit is recording lending growth across the country from North Jutland to Bornholm – which testifies to a strong alliance with our partner banks.

In Q3, Nykredit's status as a financial mutual was felt by our customers, as KundeKroner loyalty bonuses were paid out to more than 700,000 homeowners, who have taken out a Totalkredit loan through our partner banks. About DKK 150m has been returned to customers this quarter. And more bonuses will find their way to our customers in the coming quarters – initially up to and including Q2/2019.

Award-winning Private Banking

Nykredit Bank continues to record growth in lending to all customer segments. However, growth is particularly pronounced in savings products, where strong investment results combined with competitive concepts are attracting customers. Total assets under management have risen 17% compared with the same period last year. The number of homeowners, business customers and Private Banking clients entrusting their finances to Nykredit Bank is growing.

Only a few years ago, Nykredit Private Banking was a minor participant in the market. Today, we are growing our market position, and we are gaining external recognition for our efforts. Over the past year, we have thus received several awards for our investment funds and our Private Banking propositions.

Sound Danish economy creates progress – also in the housing market

The Danish economy is thriving. An economic upswing is unfolding, implying rising employment and incomes. This also affects Nykredit where loan impairments are low. And it is also felt in the housing market. Prices are picking up, and more homes are changing hands. This is boosting optimism

in the housing market, which has a self-reinforcing effect, as it fuels the appetite for housing transactions across the country.

Housing price rises in the cities are accelerating, and there may be good reason to curb the current rate of housing price growth, particularly in Aarhus and Copenhagen. This is also why the guidance launched recently by the Danish government makes good sense. The objective of the guidance is to make highly indebted homeowners less vulnerable to future interest rate rises, particularly in areas in and around the major Danish cities where housing prices are high.

This is a sensible objective because it increases housing market stability – not least in and around the major cities. We therefore believe that this guidance is a step in the right direction and that it will increase the financial and economic stability of the Danish economy.

Full-year outlook raised

Based on these Interim Financial Statements, we have already announced that we are raising our outlook for the full year 2017.

Business profit for the full year 2017 is expected to be around DKK 9.5bn-10.0bn. At end-Q2/2017, business profit would have been forecast at around DKK 8.0bn-9.0bn. We mention two intervals because we have introduced a new earnings presentation in these Financial Statements. This means that "Profit from core business" is no longer a reported item. Instead a new item, "Business profit", has been introduced.

The most significant uncertainty factors in respect of our outlook for the full year 2017 relate mainly to movements in interest rate markets but also to uncertainty about loan impairment charges.

Yours sincerely


Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

Nykredit Group	Q1-Q3/ 2017	Q1-Q3/ 2016	Q3/ 2017	Q3/ 2016	FY 2016
DKK million					
BUSINESS PROFIT AND PROFIT FOR THE PERIOD					
Net interest income	6,774	6,475	2,276	2,240	8,747
Net fee income	1,806	1,633	640	672	2,251
Wealth management income	1,047	856	356	283	1,184
Net interest from capitalisation	(273)	(363)	(70)	(152)	(448)
Trading, investment portfolio and other income	1,694	1,021	425	495	1,676
Income	11,048	9,623	3,628	3,539	13,410
Costs	3,590	3,707	1,216	1,258	5,285
Business profit before impairment charges	7,459	5,916	2,413	2,280	8,126
Impairment charges for loans and advances	(550)	385	(102)	261	680
Business profit	8,009	5,531	2,515	2,019	7,446
Legacy derivatives	1,488	(1,185)	122	66	(763)
Profit before tax	9,497	4,346	2,637	2,085	6,683
Tax	1,942	906	509	437	1,377
Profit for the period	7,555	3,440	2,128	1,648	5,306
Minority interests	-	1	-	-	-
Profit for the period, excluding minority interests	7,555	3,439	2,128	1,648	5,306
Other comprehensive income, value adjustment of strategic equities	72	38	(53)	195	331
Other comprehensive income, remaining items	(3)	14	7	14	12
Comprehensive income for the period	7,625	3,493	2,082	1,858	5,649
Interest on Additional Tier 1 capital charged against equity	174	174	58	58	233
SUMMARY BALANCE SHEET					
	30.09.2017	30.09.2016	30.09.2017	30.09.2016	31.12.2016
Assets					
Receivables from credit institutions and central banks	40,064	41,685	40,064	41,685	34,829
Mortgage loans at fair value	1,155,047	1,127,516	1,155,047	1,127,516	1,124,693
Bank loans excluding reverse repurchase lending	57,257	53,115	57,257	53,115	55,003
Bonds and equities	95,531	108,574	95,531	108,574	116,555
Remaining assets	51,635	74,920	51,635	74,920	69,531
Total assets	1,399,534	1,405,810	1,399,534	1,405,810	1,400,611
Liabilities and equity					
Payables to credit institutions and central banks	13,233	19,362	13,233	19,362	21,681
Deposits	69,001	64,895	69,001	64,895	65,414
Bonds in issue at fair value	1,161,855	1,151,669	1,161,855	1,151,669	1,152,383
Subordinated debt	10,985	11,276	10,985	11,276	11,078
Remaining liabilities	65,976	89,732	65,976	89,732	79,100
Equity	78,484	68,876	78,484	68,876	70,955
Total liabilities and equity	1,399,534	1,405,810	1,399,534	1,405,810	1,400,611
FINANCIAL RATIOS					
Profit for the period (after tax) as % pa of average equity ¹	13.9	7.0	11.3	10.0	8.0
Business profit before impairment charges as % pa of average equity ¹	13.7	12.1	12.8	13.9	12.4
Business profit as % pa of average equity ¹	14.7	11.3	13.3	12.2	11.3
Costs as % of income	32.5	38.5	33.5	35.6	39.4
Total provisions for loan impairment – mortgage lending	4,981	5,605	4,981	5,605	5,751
Total provisions for loan impairment and guarantees – bank lending	2,232	2,661	2,232	2,661	2,590
Impairment charges for the period, % – mortgage lending	(0.02)	0.04	(0.00)	0.02	0.07
Impairment charges for the period, % – bank lending	(0.28)	(0.07)	(0.04)	0.03	(0.15)
Total capital ratio, %	24.4	19.6	24.4	19.6	21.9
Common Equity Tier 1 capital ratio, %	21.4	17.9	21.4	17.9	18.8
Internal capital adequacy requirement, %	10.2	10.5	10.2	10.5	10.2
Average number of staff, full-time equivalent	3,517	3,609	3,477	3,531	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.

This presentation has changed in some areas. The former income statement item "Income from core business" has been replaced by a new principal item "Income", which will also include the former item "Investment portfolio income" going forward. The income statement item "Profit from core business" has moreover been replaced by a new principal item "Business profit". "Legacy derivatives" is still presented as a separate item. Reference is made to page 8 and note 1, accounting policies. The changes have not impacted results, comprehensive income, balance sheet or equity. Comparative figures for previous periods have been restated.

Q1-Q3/2017 – SUMMARY

Q1-Q3/2017

The Nykredit Group delivered a positive and highly satisfactory performance in Q1-Q3/2017 driven by good customer activity, decent investment portfolio income and positive macroeconomic trends, which led to for example low impairment charges for loans and advances. On top of this, the Group received one-off income from the settlement of two large housing cooperative exposures. Overall, we have therefore decided to revise up our outlook for the full year 2017.

Nykredit's customer concepts generated satisfactory growth in the number of full-service BoligBank customers and increasing business volumes within especially banking, investment and pension products. Private Banking, which is one of the Group's focus areas, saw good customer activity, and Wealth Management activities delivered a good performance in the period.

Activity levels in business banking and Nykredit Markets were high, and growth in the customer base and business volumes was satisfactory.

Costs dropped as a result of the Group's cost discipline. Impairment provisions produced a large gain, as impairments from previous years relating to two large housing cooperative exposures were reversed in Q2, and impairment levels were generally low in Q1-Q3. The low impairment level was driven by particularly positive trends in most of Nykredit's customer segments at the same time. We also expect relatively low impairments in the coming year, albeit not at the same level as in 2017.

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

Growth in business profit totalled DKK 2,478m, up from DKK 5,531m to DKK 8,009m, including the one-off income of DKK 266m relating to loan impairment charges for the above-mentioned two large housing cooperatives.

Legacy derivatives which are excluded from business profit saw a positive change of DKK 2,673m, inclusive of the one-off income of DKK 739m in connection with the above-mentioned two large housing cooperatives.

The Nykredit Group's profit before tax thus rose from DKK 4,346m in Q1-Q3/2016 to DKK 9,497m in Q1-Q3/2017. Of the total earnings growth of DKK 5,151m, DKK 1,005m was attributable to the settlement of two large housing coopera-

tive exposures in Q2, where the trustee's property sale generated one-off income in the form of reversed loan impairment of DKK 266m and recoveries of losses on swap transactions of DKK 739m.

Profit after tax was DKK 7,555m, up from DKK 3,440m in Q1-Q3/2016. This represented a return on equity of 13.9% pa compared with 7.0% pa in the same period last year.

Income

The Group's overall income rose by DKK 1,425m from DKK 9,623m to DKK 11,048m in Q1-Q3/2017, primarily driven by increased income from the Bank.

Net interest income, which relates to lending activity and the Bank's deposits in the presentation given in the Management Commentary, rose by DKK 299m to DKK 6,774m in Q1-Q3/2017. The rise was notably driven by increased income in Totalkredit as a result of higher activity levels and a changed pricing structure from mid-2016.

KundeKroner loyalty bonuses in the form of a discount on the administration margin payments on the mortgage loans were paid out to Nykredit's customers for the first time for Q3/2017, totalling DKK 151m. Expenses for KundeKroner and a contribution of DKK 150m from Nykredit's majority shareholder, Forenet Kredit, were included in net interest income.

Net fee income, which chiefly relates to lending activity, including the refinancing of mortgage lending and various services, saw a total increase of DKK 173m to DKK 1,806m in Q1-Q3/2017. The upturn was especially driven by Wholesale Clients.

Wealth management income went up by DKK 191m to DKK 1,047m, comprising activity carried out by the Group's entities Nykredit Markets, Nykredit Asset Management and Nykredit Portefølje Administration A/S. Income is subsequently allocated to the business divisions serving the customers.

Net interest from capitalisation, which includes interest on subordinated debt, totalled DKK 273m against DKK 363m in Q1-Q3/2016.

Nykredit's senior debt issues, including bail-inable bonds, came to DKK 25.6bn at end-Q3/2017 against DKK 26.8bn at the beginning of the year, and net interest expenses amounted to DKK 152m against DKK 205m in Q1-Q3/2016. 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-Q3/2017 compared with DKK 11.1bn at the beginning of the year. Net interest expenses came to DKK 202m against DKK 191m in Q1-Q3/2016.

Trading, investment portfolio and other income, including value adjustments of swaps currently offered, was up by DKK 673m to DKK 1,694m from DKK 1,021m in the previous year. The upturn was primarily driven by Retail and Group Items.

Nominal mortgage lending grew by DKK 21bn to DKK 1,128bn against DKK 1,107bn at end-2016. Totalkredit Partners and the Wholesale Clients and Wealth Management divisions recorded lending growth of DKK 21.0bn, DKK 4.7bn and DKK 1.8bn, respectively, whereas Retail lending dropped by DKK 6.1bn following run-off of customers exclusively having mortgage products and no banking relationship with Nykredit. However, Nykredit recorded net growth in the customer base in the period. Lending growth totalled DKK 21.3bn, of which DKK 15.7bn related to personal customers and DKK 5.6bn to business customers. Nykredit's lending growth was recorded across the country.

The Group's market share of total Danish private residential mortgage lending was 43.4% against 42.8% 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 36.1%. The total market share, excluding loans arranged by banks that were previously part of the Totalkredit alliance, was 40.0%. Unlike previously, the market shares have, as of H1/2017, been determined on the basis of the Danish central bank's MFI statistics.

Bank lending rose by DKK 2.3bn to DKK 57.3bn from DKK 55.0bn at end-2016, while deposits increased by DKK 3.6bn to DKK 69.0bn from DKK 65.4bn at end-2016.

Nykredit Bank's customer deposits exceeded lending by DKK 11.7bn at end-Q3/2017 compared with DKK 10.4bn at the beginning of the year.

Costs

Total costs went down by 3% from DKK 3,707m in Q1-Q3/2016 to DKK 3,590m, and costs as a percentage of income consequently dropped to 32.5%.

The average staff number declined by 131 persons, or 4%, from 3,648 in 2016 to 3,517.

Costs	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million		
Costs	3,590	3,707
Costs as % of income	32.5	38.5

Impairment charges for loans and advances

Impairment charges for loans and advances equalled a gain of DKK 550m in Q1-Q3/2017 against a charge of DKK 385m in Q1-Q3/2016. Impairment charges represented negative 0.02% of total mortgage lending and negative 0.28% of total bank lending.

The positive change of DKK 935m primarily reflected extensive reversal of previous impairment provisions as a result of

generally improved credit quality and favourable economic trends benefitting most of Nykredit's customer segments in the period under review. To this should be added the recovery of a loss of DKK 266m resulting from the trustee's winding up of two large housing cooperatives, of which DKK 83m was attributable to mortgage lending and DKK 183m to bank lending.

Impairment charges for mortgage lending thus developed from a charge of DKK 443m in Q1-Q3/2016 to a gain of DKK 283m.

For bank lending and guarantees, impairment charges developed positively from a gain of DKK 58m in Q1-Q3/2016 to a gain of DKK 267m.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 7.2bn at end-Q3/2017 against DKK 8.3bn at the beginning of the year. In addition, value adjustment of interest rate swaps of DKK 3.8bn was made, of which credit value adjustments amounted to DKK 3.2bn, comprising DKK 2.5bn relating to legacy derivatives and DKK 0.7bn relating to other items. To this should be added other market value adjustment of DKK 0.6bn.

Write-offs on mortgage and bank lending for the period were DKK 853m against DKK 948m in Q1-Q3/2016.

Legacy derivatives

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

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

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

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

Tax

Tax calculated on profit for the period was DKK 1,942m, corresponding to 20.4% of profit before tax.

Equity

The Nykredit Group's equity stood at DKK 78.5bn at end-Q3/2017 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-Q3/2017 totalled DKK 174m, 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, is determined exclusive of Additional Tier 1 (AT1) capital and profit for Q3, cf note 2 of the Financial Statements. CET1 capital totalled DKK 71.3bn at end-Q3/2017 compared with DKK 65.6bn at end-2016.

RESULTS FOR Q3/2017

Results relative to Q3/2016

The Group recorded a profit before tax of DKK 2,637m in Q3/2017 against DKK 2,086m in Q3/2016.

Business profit grew by DKK 496m to DKK 2,515m from DKK 2,019m in Q3/2016.

Income went up DKK 89m, or 3%, on Q3/2016 to DKK 3,628m, mainly driven by increasing wealth management income and decreasing interest expenses relating to capitalisation as well as lower trading, investment portfolio and other income.

Costs totalled DKK 1,216m in Q3/2017, down DKK 42m, or 3%, on Q3/2016, which should be seen in light of the Group's focus on cutting costs.

Impairment charges for loans and advances developed positively to a gain of DKK 102m compared with a charge of DKK 261m in Q3/2016.

Legacy derivatives generated a gain of DKK 122m in Q3/2017 against a gain of DKK 66m in Q3/2016.

Results relative to Q2/2017

The Group recorded a profit before tax of DKK 2,637m in Q3/2017 against DKK 3,875m in Q2/2017. This decline mainly reflected the impact in Q2/2017 of one-off income of DKK 1,005m relating to two large housing cooperatives as referred to above, of which DKK 266m resulted from loan impairment charges and DKK 739m from swaps (legacy derivatives).

Business profit declined by DKK 331m to DKK 2,515m compared with DKK 2,846m in Q2/2017, mainly reflecting a DKK 325m reduction in the gain on impairment charges for loans and advances.

Income went up DKK 16m, or 0.4%, on Q2/2017 to DKK 3,628m, mainly driven by increasing fee income and lower trading, investment portfolio and other income.

Costs totalled DKK 1,216m in Q3/2017, equal to a DKK 23m, or 2%, rise on Q2.

Impairment charges for loans and advances came to a gain of DKK 102m compared with a gain of DKK 427m in Q2/2017, resulting partly from one-off income of DKK 266m, see above.

Legacy derivatives generated a gain of DKK 122m in Q3/2017 against a gain of DKK 1,029m in Q2. The decline was partly driven by one-off income of DKK 739m in Q2 as referred to above.

OUTLOOK FOR 2017

We have raised our outlook for the full year 2017.

Our recent outlook for profit from core business for the full year 2017 was DKK 7bn-8bn. Driven by the continued strong growth in business income and impairments, we are raising our outlook for the full year 2017 to profit from core business being at around DKK 8.2bn-8.5bn.

In Q3/2017, Nykredit introduced a new income statement format no longer including the item profit from core business. As a consequence, Nykredit will no longer provide an outlook for and follow up on profit from core business, but will instead provide an outlook based on business profit. Following the raised outlook in Q3/2017, business profit for the full year 2017 is expected to be around DKK 9.5bn-10.0bn. At end-Q2/2017, business profit would have been forecast at around DKK 8.0bn-9.0bn.

The Nykredit Group recorded a business profit of DKK 8.0bn for Q1-Q3/2017 and DKK 5.5bn for the same period in 2016.

The most significant uncertainty factors in respect of our outlook for the full year 2017 relate mainly to movements in interest rate markets but also to uncertainty about loan impairment charges.

SPECIAL ACCOUNTING CIRCUMSTANCES

New earnings presentation in Management Commentary

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

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

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

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

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

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

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

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

Change to valuation of derivatives

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

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

OTHER

Nykredit's efforts to secure funding

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for an initial public offering of Nykredit A/S (formerly Nykredit Holding A/S) in order to ensure greater funding flexibility in the Group.

This should be seen against the backdrop that Nykredit currently has more restricted access to capital markets than listed companies, as Nykredit's majority shareholder, Forenet Kredit, is unable to contribute capital today if required due to general economic conditions, new regulation or other circumstances.

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

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

Customer loyalty bonuses

KundeKroner is Nykredit's customer loyalty programme. The programme is initially introduced to customers of Totalkredit, and the first bonuses have just been distributed as discounts on customers' administration margin payments for Q3/2017.

Under the programme, customers will receive quarterly cash discounts amounting to 0.1% pa of their debt outstanding. The amount will be offset against their administration margin payments, beginning with the payments for Q3/2017. We aim to pay out KundeKroner to our customers each year and have thus already at this point decided to maintain KundeKroner at the same level up to and including Q2/2019.

Issuance of bail-inable senior notes

Nykredit launched its first issue of bail-inable senior notes in 2016 and continued issuance in H1/2017, the amount in issue totalling DKK 13.3bn at end-Q3.

Recoveries on claims on housing cooperatives previously written off

The trustees of the estates in bankruptcy AB Hostrups Have and AB Duegård sold the properties of the housing cooperatives in Q2/2017. In continuation thereof, being principal creditor of the estates in bankruptcy, Nykredit was able to recognise DKK 1.0bn as income in its Consolidated H1 Financial Statements. This income relates to losses on loans, advances and swaps previously recognised.

Sale of Nybolig Erhverv

Nykredit Mægler sold the commercial division of its estate agency business in Q2/2017. The transaction generated an income, which was recognised in the H1 Financial Statements.

Sale of headquarters building

Nykredit has concluded a sales agreement for the headquarters building at Otto Mønsted's Plads/Anker Heegaards Gade. The property will be conveyed to the buyer in Q4/2017. The Financial Statements for Q1-Q3 were not affected by the sale, but a minor income will be recognised in Q4 as a result of the transaction.

Effect of new IFRS 9 accounting standard

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

Nykredit's processes of preparing models and implementing the standard have not yet been concluded, but the implementation is currently expected to result in an increase in total impairment provisions of DKK 1.0bn-1.5bn, inclusive of the tax effect. Determination of the level still involves some uncertainty.

Change in Nykredit's Board of Directors

At Nykredit A/S'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 the 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

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

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

Nykredit A/S		
Composition of shareholders at 30 September 2017		
	Share capital, DKK	Share capital, %
Forenet Kredit f.m.b.a.	1,191,622,100	89.80
Østifterne f.m.b.a.	43,179,700	3.25
PRAS A/S	29,852,600	2.25
Industriens Fond	62,326,300	4.70
Total	1,326,980,700	100.00

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.

In the following, secured homeowner loans are recognised under business areas as a separate loan portfolio. In the Consolidated Financial Statements, secured homeowner loans are included under mortgage lending and bank lending, respectively.

Adjustment of income statement format

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

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

The presentation of business areas includes "Net interest income from deposits and lending activities". The corresponding item in the income statement (page 29) includes all interest.

The distribution of certain costs which were previously recognised in "Group Items" has been subject to a minor adjustment.

Comparative figures for previous periods have been restated.

Earnings

The Nykredit Group's business profit was up DKK 2,478m, or 45%, to DKK 8,009m in Q1-Q3/2017 against DKK 5,531m in Q1-Q3/2016. 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-Q3/2017						
Net interest income	3,605	2,005	1,089	73	2	6,774
Net fee income	988	374	440	15	(11)	1,806
Wealth management income	408	-	69	554	16	1,047
Net interest from capitalisation	(190)	(135)	(66)	(4)	122	(273)
Trading, investment portfolio and other income	319	(10)	405	11	970	1,694
Income	5,130	2,233	1,937	648	1,100	11,048
Costs	2,287	452	460	323	68	3,590
Business profit before impairment charges	2,844	1,780	1,477	326	1,032	7,459
Impairment charges for mortgage lending	(203)	111	(175)	6	(21)	(283)
Impairment charges for bank lending	(4)	-	(246)	5	(22)	(267)
Business profit	3,051	1,670	1,899	315	1,075	8,009
Legacy derivatives	358	-	1,130	0	-	1,488
Profit before tax	3,409	1,670	3,028	315	1,075	9,497

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

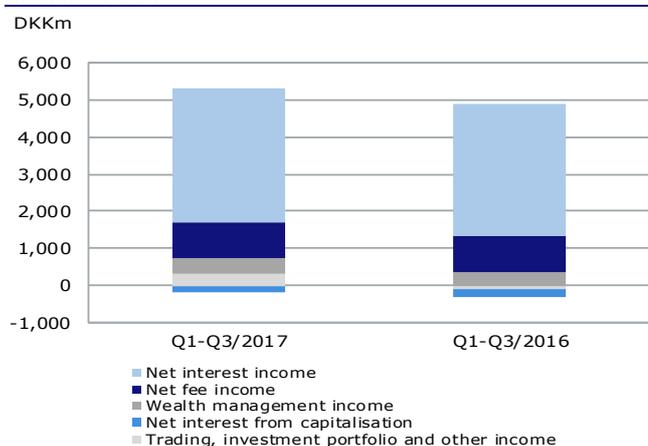
Results – Retail	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million		
Net interest income	3,605	3,560
Net fee income	988	955
Wealth management income	408	377
Net interest from capitalisation	(190)	(222)
Trading, investment portfolio and other income	319	(86)
Income	5,130	4,584
Costs	2,287	2,421
Business profit before impairment charges	2,844	2,164
Impairment charges for mortgage lending	(203)	481
Impairment charges for bank lending	(4)	69
Business profit	3,051	1,614
Legacy derivatives	358	(481)
Profit before tax	3,409	1,132

Selected balance sheet items and financial ratios, Retail

DKK million	30.09.2017	2016
Personal Banking		
Loans and advances	191,073	195,304
- of which mortgage lending, nominal value	176,002	182,278
- of which secured homeowner loans	4,862	2,824
- of which bank lending	10,209	10,202
Deposits	26,843	25,760
Gross new mortgage lending*	16,744	16,983
Impairment charges for the period as % of loans and advances*	0.01	0.20
Business Banking		
Loans and advances	256,197	256,376
- of which mortgage lending, nominal value	236,278	238,249
- of which bank lending	19,919	18,127
Deposits	18,119	17,277
Gross new mortgage lending*	22,391	21,413
Impairment charges for the period as % of loans and advances*	(0.09)	0.06
Total impairment provisions, end of period		
Total impairment provisions	5,319	6,063
Total impairment provisions as % of loans and advances	1.18	1.34
Provisions for guarantees	52	43

* Activity determined for Q1-Q3/2017 and Q1-Q3/2016. Other data from end-Q3/2017 and end-2016.

Income – 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's wealth clients. Mortgage loans granted via To-talkredit 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 Gjen-sidige Forsikring.

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

Q1-Q3/2017 – summary

Since early 2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBanken. Specialist teams are responsible for all wealth management services to Retail customers at ten customer centres. We recorded satisfactory growth in Private Banking clients over the year as well as an increase in the number of full-service BoligBanken customers, resulting in increased business volumes within especially banking, investment and pension products.

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

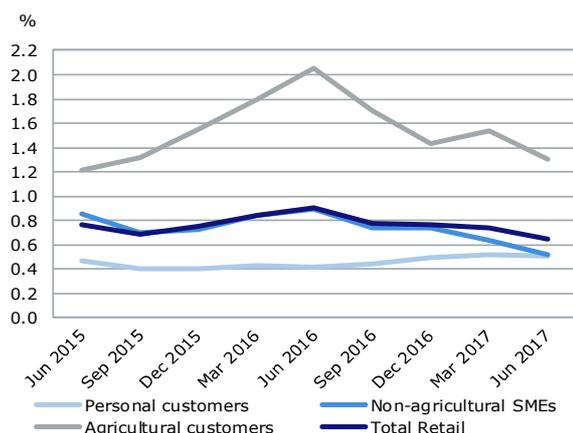
In Q2 the commercial estate agency activities of Nybolig Erhverv were sold off to a group of investors comprising former franchisees. The sale was part of the refocusing of Nykredit.

Activities

Retail Personal Banking's activity level was lower than in the same period last year. Compared with the previous year, gross new lending fell by DKK 0.2bn to DKK 16.7bn.

Nominal mortgage lending in Retail Personal Banking came to DKK 176.0bn against DKK 182.3bn at the beginning of the year. The decline was driven by run-off of customers with a single mortgage facility and no banking relationship with Nykredit.

Arrears ratio, mortgage lending – Retail
75 days past due



Secured homeowner loans (lending) amounted to DKK 4.8bn against DKK 2.8bn at the beginning of the year. This increase was attributable to continued strong sales of mortgage loans.

Bank lending in Retail Personal Banking was unchanged at DKK 10.2bn compared with the beginning of the year.

Bank deposits rose by DKK 1.1bn in the same period to DKK 26.8bn.

Gross new lending in Retail Business Banking was DKK 22.4bn, which was higher than in the previous year, while nominal mortgage lending came to DKK 236.3bn.

Bank lending in Retail Business Banking increased by DKK 1.8bn to DKK 19.9bn, and deposits grew by DKK 0.8bn to DKK 18.1bn.

Results

Retail's business profit went up by DKK 1,437m year-on-year to DKK 3,051m in Q1-Q3/2017.

Income increased by a total of DKK 546m to DKK 5,130m, primarily driven by value adjustments of swaps, which increased by DKK 375m to DKK 283m on top of general business growth.

Costs declined by DKK 134m, or 6%, to DKK 2,287m year-on-year.

Impairment charges for Retail mortgage lending changed from a charge of DKK 481m the year before to a gain of DKK 203m, while impairment charges for bank lending changed from a charge of DKK 69m to a gain of DKK 4m.

Impairment charges for loans to Retail personal customers declined by a total of DKK 372m, of which DKK 307m related to mortgage lending and DKK 64m to bank lending. Impairment charges for loans to business customers declined by a total of DKK 385m, of which DKK 377m related to mortgage lending and DKK 9m to bank lending.

At end-Q3/2017, impairment provisions totalled DKK 5,319m against DKK 6,063m at the beginning of the year.

Legacy derivatives were a gain of DKK 358m, equal to a positive change of DKK 839m compared with the year before. In both years, the value adjustment was driven by business customers, including small housing cooperatives.

Arrears

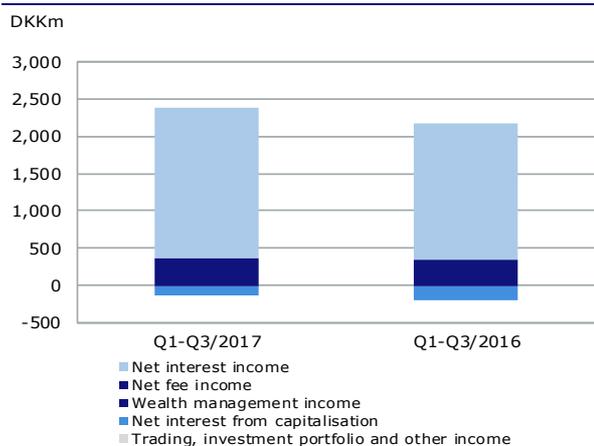
At the June due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.65% against 0.90% at the same date in 2016.

Results – Totalkredit Partners	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million		
Net interest income	2,005	1,820
Net fee income	374	355
Net interest from capitalisation	(135)	(182)
Trading, investment portfolio and other income	(10)	(14)
Income	2,233	1,979
Costs	452	419
Business profit before impairment charges	1,780	1,560
Impairment charges for mortgage lending	111	24
Business profit	1,670	1,536

Selected balance sheet and financial ratios, Totalkredit Partners		
DKK million	30.09.2017	2016
Personal Banking		
Loans and advances	523,031	503,192
- of which mortgage lending, nominal value	513,772	497,427
- of which secured homeowner loans	9,259	5,765
Gross new mortgage lending*	77,830	79,578
Impairment charges for the period as % of loans and advances*	0.02	0.00
Business Banking		
Loans and advances	1,691	575
- of which mortgage lending, nominal value	1,691	575
Gross new mortgage lending*	1,174	213
Impairment charges for the period as % of loans and advances*	0.00	0.00
Total impairment provisions, end of period		
Total impairment provisions	945	987
Total impairment provisions as % of loans and advances	0.18	0.20

* Activity determined for Q1-Q3/2017 and Q1-Q3/2016.
Other data from end-Q3/2017 and end-2016.

Income – Totalkredit Partners



TOTALKREDIT PARTNERS

Under the Totalkredit brand, Totalkredit Partners provides mortgage loans to personal and business customers arranged via 57 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 a reduction in impairment charges for loans and advances.

Q1-Q3/2017 – summary

The Totalkredit alliance is developing a joint IT platform, which will ensure that the alliance as a whole is better positioned to offer customers the best home financing options in the coming years. This is a large and complex project, which involves numerous stakeholders. Two of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, now also including Totalkredit mortgage loans.

Totalkredit's partnership with 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.

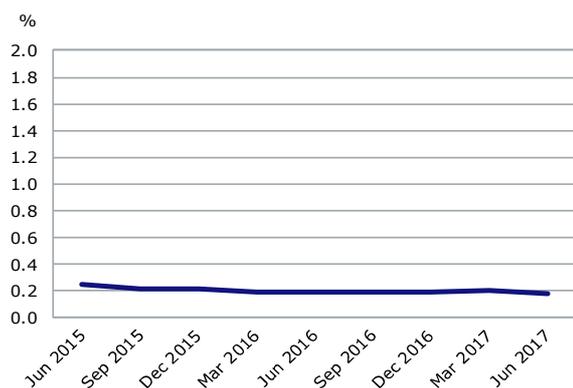
KundeKroner is Nykredit's customer loyalty programme. The programme is initially introduced to customers of Totalkredit, and the first bonuses have just been distributed as discounts on customers' administration margin payments for Q3/2017. Under the programme, customers will receive quarterly cash discounts amounting to 0.1% pa of their debt outstanding. The amount will be offset against their administration margin payments, beginning with the payments for Q3/2017. We aim to pay out KundeKroner to our customers each year and have thus already at this point decided to maintain KundeKroner at the same level up to and including Q2/2019.

Activities

The Totalkredit Partners loan portfolio continued to grow, from nominally DKK 503.8bn at end-2016 to DKK 524.7bn at end-Q3/2017. Lending growth was recorded across Denmark, which testifies to the strength of the alliance with our business partners and to Totalkredit honouring the Group's pledge to communities.

Totalkredit Partners recorded gross new lending at DKK 77.8bn against DKK 79.6bn in Q1-Q3/2016.

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



Mortgage lending to personal customers increased by DKK 16.3bn to DKK 513.8bn, and secured homeowner loans grew by DKK 3.5bn to DKK 9.3bn.

Business loans rose by DKK 1.1bn to DKK 1.7bn.

Loans distributed through former business partners, which are now managed directly by Totalkredit, amounted to DKK 28bn at end-Q3/2017 against DKK 34bn at end-2016.

Results

Compared with the previous year, business profit rose by DKK 134m to DKK 1,670m in Q1-Q3/2017.

Income grew by DKK 254m to DKK 2,233m, mainly driven by net interest income, which increased by DKK 185m to DKK 2,005m caused by increased lending and changed pricing.

KundeKroner loyalty bonuses in the form of a discount on the administration margin payments on the mortgage loans were paid out to Nykredit's customers for the first time for Q3/2017, totalling DKK 151m. Expenses for KundeKroner and a contribution of DKK 150m from Nykredit's majority shareholder, Forenet Kredit, were included in net interest income.

Compared with the previous year, costs increased by DKK 33m, or 8%, to DKK 452m. The rise was attributable to the development of a new mortgage lending platform.

Totalkredit Partners's loan impairment charges rose by DKK 87m to DKK 111m net of the partner banks' share of realised losses.

At end-Q3/2017, impairment provisions totalled DKK 945m against DKK 987m at the beginning of the year.

Arrears

At the June due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.18% against 0.19% at the same date in 2016.

Results – Wholesale Clients	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million	2017	2016
Net interest income	1,089	1,043
Net fee income	440	344
Wealth management income	69	30
Net interest from capitalisation	(66)	(68)
Trading, investment portfolio and other income	405	293
Income	1,937	1,642
Costs	460	491
Business profit before impairment charges	1,477	1,151
Impairment charges for mortgage lending	(175)	(61)
Impairment charges for bank lending	(246)	(142)
Business profit	1,899	1,353
Legacy derivatives	1,130	(703)
Profit before tax	3,028	650

Selected balance sheet and financial ratios, Wholesale Clients

DKK million	30.09.2017	2016
Lending/deposits		
Loans and advances	203,123	197,959
- of which mortgage lending, nominal value	181,076	176,405
- of which bank lending	22,047	21,554
Deposits	10,797	12,207
Gross new mortgage lending*	25,172	17,287
Impairment charges for the period as % of loans and advances*	(0.20)	(0.08)
Total impairment provisions, end of period		
Total impairment provisions	862	1,220
Total impairment provisions as % of loans and advances	0.42	0.61
Provisions for guarantees	3	9

* Activity determined for Q1-Q3/2017 and Q1-Q3/2016.
Other data from end-Q3/2017 and end-2016.

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-Q3/2017 – summary

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

Income in Nykredit Markets was driven by high customer activity across all customer segments in Q1-Q3/2017, including growth in customers and assets under management per client.

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to strengthen their 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-Q3/2017 than in the same period in 2016, and gross new lending went up by DKK 7.9bn to DKK 25.2bn.

Mortgage lending amounted to DKK 181.1bn at end-Q3/2017, up DKK 4.7bn on the beginning of the year.

Bank lending was up DKK 0.5bn on the beginning of the year to DKK 22.0bn. Bank deposits dropped by DKK 1.4bn to DKK 10.8bn.

Activity in Nykredit Markets was high in Q1-Q3/2017, driven by customers' and market participants' focus on risk profiling and positioning. In general, there was an increased demand for corporate bonds.

Results

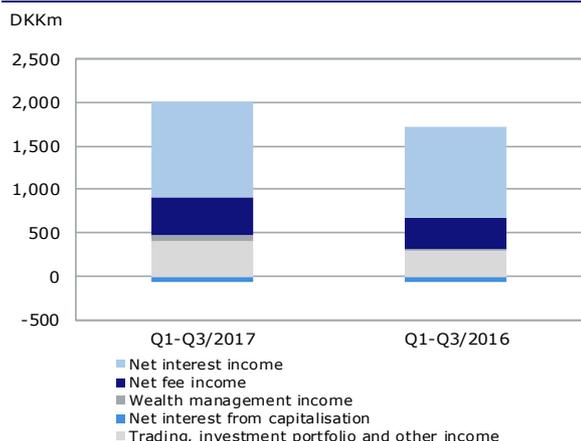
Compared with the previous year, Wholesale Clients's business profit rose by DKK 546m to DKK 1,899m in Q1-Q3/2017.

Income grew by a total of DKK 295m to DKK 1,937m, primarily driven by net fee income, which grew by DKK 96m, and trading, investment portfolio and other income, which increased by DKK 112m.

Of total income, DKK 1,630m was attributable to Corporate & Institutional Banking, up DKK 312m year-on-year. Nykredit Markets's income amounted to DKK 307m, down DKK 17m on last year.

Costs fell by DKK 31m, or 6%, to DKK 460m.

Activities – Wholesale Clients



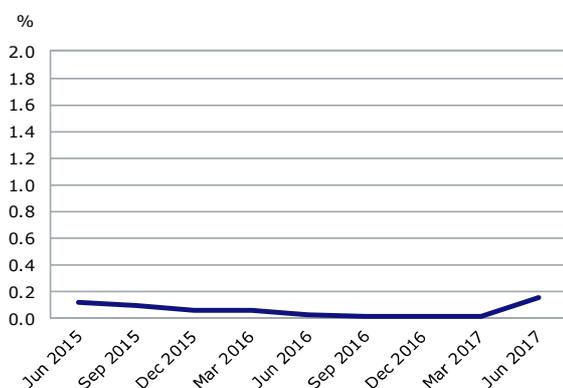
Impairment charges for lending reduced by DKK 218m net compared with the previous year. This included one-off income of DKK 266m resulting from the trustee's winding up of two large housing cooperatives, of which DKK 83m was attributable to mortgage lending and DKK 183m to bank lending.

Impairment charges for mortgage lending in Wholesale Clients changed from a gain of DKK 61m in Q1-Q3/2016 to a gain of DKK 175m, while impairments on bank lending changed from a gain of DKK 142m to a gain of DKK 246m.

At end-Q3/2017, impairment provisions totalled DKK 862m against DKK 1,220m at the beginning of the year.

Legacy derivatives produced a gain of DKK 1,130m, equal to a positive change of DKK 1,833m year-on-year. For both years, value adjustment concerns swaps with housing cooperatives, including one-off income of DKK 739m in Q2/2017 concerning two large housing cooperatives.

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



Arrears

At the June due date, Wholesale Clients's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.16%. The arrears ratio was 0.03% at the same date in 2016. This increase was attributable to two specific exposures in arrears and does thus not reflect a general trend.

Results – Wealth Management	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million		
Net interest income	73	53
Net fee income	15	9
Wealth management income	554	439
Net interest from capitalisation	(4)	(3)
Trading, investment portfolio and other income	11	8
Income	648	507
Costs	323	292
Business profit before impairment charges	326	215
Impairment charges for mortgage lending	6	(1)
Impairment charges for bank lending	5	20
Business profit	315	196
Legacy derivatives	0	(0)
Profit before tax	315	196

Selected balance sheet and financial ratios, Wealth Management		
DKK million	30.09.2017	2016
Lending/deposits		
Loans and advances	10,138	7,965
- of which mortgage lending, nominal value	6,771	5,268
- of which secured homeowner loans	706	344
- of which bank lending	2,661	2,353
Deposits	11,482	9,522
Gross new mortgage lending*	1,337	800
Impairment charges for the period as % of loans and advances*	0.11	0.28
Total impairment provisions, end of period		
Total impairment provisions	33	19
Total impairment provisions as % of loans and advances	0.32	0.24
Provisions for guarantees	0	-
Assets under management	157,391	136,515
- of which Nykredit Group investment funds	59,878	55,172
Assets under administration	809,811	786,549

* Activity determined for Q1-Q3/2017 and Q1-Q3/2016.
Other data from end-Q3/2017 and end-2016.

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.

Private Banking Awards

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

Q1-Q3/2017 – summary

Private Banking Elite continued to deliver satisfactory client growth and financial performance in Q1-Q3.

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

Nykredit Asset Management saw a rise in assets under management and delivered good investment results in Q1-Q3/2017.

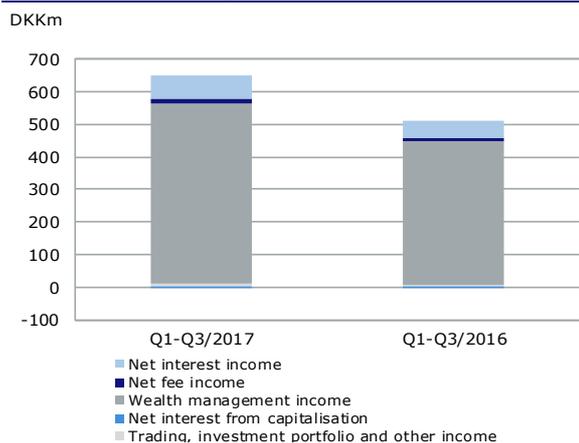
86% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in Q1-Q3/2017, and 94% have generated above-benchmark returns over the past three years. This is considered satisfactory. In Q1-Q3/2017, especially investments in Danish government and covered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

Activities

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

Total assets under management went up by DKK 20.9bn to DKK 157.4bn at end-Q3/2017. The increase was attributable to positive net sales of DKK 18.0bn as well as positive value adjustments and other returns of DKK 2.9bn. Total assets under management were determined according to the rules of MiFID II.

Income – Wealth Management



Total assets under administration went up by DKK 23.3bn to DKK 809.8bn at end-Q3/2017. The increase comprised net outflows of DKK 10.9bn and positive value adjustments as well as other returns of DKK 34.1bn.

Results

Wealth Management's business profit rose by DKK 119m year-on-year to DKK 315m in Q1-Q3/2017.

Income grew by a total of DKK 141m, or 28%, to DKK 648m due to increased customer activities. This was mainly a result of an earnings increase in Private Banking Elite as well as Nykredit Asset Management.

Compared with the previous year, costs increased by DKK 31m, or 11%, to DKK 323m. This should be seen against the backdrop of Nykredit's intense focus on this business area.

Results – Group Items	Q1-Q3/ 2017	Q1-Q3/ 2016
DKK million		
Net interest income	2	(2)
Net fee income	(11)	(31)
Wealth management income	16	10
Net interest from capitalisation	122	113
Trading, investment portfolio and other income	970	821
Income	1,100	911
Costs	68	84
Business profit before impairment charges	1,032	827
Impairment charges for mortgage lending	(21)	-
Impairment charges for bank lending	(22)	(6)
Business profit	1,075	832

Selected balance sheet and financial ratios, Group Items	30.09.2017	2016
DKK million		
Lending/deposits		
Loans and advances	452	767
- of which bank lending	452	767
Deposits	1,761	648
Total impairment provisions, end of period		
Total impairment provisions	-	-
Total impairment provisions as % of loans and advances	-	-
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.

Group Items also includes Nykredit's total return on the securities portfolio. The activities of the companies Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S also form part of Group Items.

Results

The business profit of Group Items went up by DKK 243m year-on-year to DKK 1,075m in Q1-Q3/2017.

Income grew by a total of DKK 189m to DKK 1,100m, primarily driven by an increase in trading, investment portfolio and other income of DKK 149m to DKK 970m of which investment portfolio income accounted for a rise of DKK 173m to DKK 931m.

Unallocated costs reduced by DKK 16m to DKK 68m.

Loan impairment charges were a gain of DKK 44m compared with DKK 6m the year before.

CAPITAL, LIQUIDITY AND FUNDING

Nykredit Group		
Equity (incl AT1 capital)	Q1-Q3/ DKK million	FY 2016
Equity, beginning of period	70,955	65,482
Profit for the period	7,555	5,306
Fair value adjustment of equities available for sale	72	331
Other adjustments	(98)	(164)
Equity, end of period	78,484	70,955

Nykredit Group			
Capital and capital adequacy			
DKK million	30.09.2017	31.12.2016	30.09.2016
Credit risk	287,864	303,243	309,592
Market risk	23,282	25,437	26,057
Operational risk	21,246	19,679	19,678
Total REA¹	332,392	348,359	355,328
Equity (incl AT1 capital)	78,484	70,955	68,876
AT1 capital	(5,467)	(5,409)	(3,831)
Deduction, profit for Q3 (excluding AT1 interest) ²	(1,423)	-	-
CET1 capital additions/ deductions	(246)	36	(1,339)
CET1 capital	71,348	65,582	63,706
AT1 capital	2,214	2,546	1,457
AT 1 capital deductions	(182)	(91)	(59)
Tier 1 capital	73,380	68,037	65,104
Tier 2 capital	7,854	8,510	4,628
Tier 2 capital additions/ deductions	(46)	(40)	(41)
Own funds	81,188	76,507	69,691
CET1 capital ratio, %	21.4	18.8	17.9
Tier 1 capital ratio, %	22.0	19.5	18.3
Total capital ratio, %	24.4	21.9	19.6
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.2	10.2	10.5

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 598bn at end-Q3/2017, equal to a minimum total capital ratio of 14.4%.

² Capital in Q3/2017 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 144m, 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 78.5bn at end-Q3/2017, up DKK 7.5bn on the beginning of the year. The increase in equity was mainly attributable to profit for the period of DKK 7.6bn.

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 at end-Q3/2017 excludes profit for Q3.

The risk exposure amount (REA) totalled DKK 332bn at end-Q3/2017, which was lower than at end-2016. 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 24.4% at end-Q3/2017 against 21.9% at end-2016. The Tier 1 capital ratio was 22.0% compared with 19.5% at end-2016, and the CET1 capital ratio was 21.4% compared with 18.8% at end-2016.

Nykredit's internal capital adequacy requirement was 10.2% at end-Q3/2017, the same as at end-2016.

Capital target

The Board of Directors has thus far set a CET1 capital ratio target of 17.5% for Nykredit.

The capital target reflects Nykredit's special characteristics as one of the largest bond issuers in Europe with inherent long-term liabilities and an unflexible balance sheet structure.

The capital target also reflects Nykredit's current status as an unlisted company with more restricted access to capital markets than listed companies. An additional capital buffer is thus required to be able to handle movements in REA as a result of trends in property prices, interest rates, impairments, amended regulation, etc.

The capital target must ensure that authorities, credit rating agencies and markets at all times – also in times of crisis – remain confident that Nykredit can issue bonds and maintain its lending capacity.

In mid-2017, however, the Danish Financial Supervisory Authority voiced a need for Nykredit either to increase its capital target or to obtain increased flexibility of funding. The Danish FSA has thus stated that as a SIFI, Nykredit must meet all regulatory requirements inclusive of capital buffers – also including stress test effects, reflecting a severe recession with high unemployment, large property price drops etc.

Due to the stricter requirements, Nykredit, being a financial institution without direct access to raise capital, must have a higher capital target than today. The Danish FSA requirements specifically imply a formal CET1 capital ratio target of at least 18%. Against that backdrop, Nykredit's targeted CET 1 capital ratio is 18.5-19.5% in order to keep an adequate buffer against the FSA requirements.

To ensure a high level of certainty that Nykredit can maintain its current lending capacity, irrespective of economic trends, additional capital is required relative to the Danish FSA requirement.

The tighter FSA requirements illustrate Nykredit's need for greater capital flexibility in order to efficiently manage the ongoing changes to Nykredit's regulatory conditions. This is also the rationale behind Nykredit's decision to launch a process ensuring access to new capital when required. As a SIFI and having greater capital flexibility, Nykredit is expected to be able to reduce its capital need considerably.

Nykredit's future capital flexibility is expected to reduce the need for CET1 capital to around 16% of REA. Nykredit's future funding flexibility is expected to reduce the need for CET1 capital to around 16% of REA. However, we will need to discuss with the Danish FSA how the expected future tighter capital requirements, cf below, will affect Nykredit's capital target and need.

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 70-75% of the standardised approach, which will increase Nykredit's REA markedly compared with today. The capital floor requirement 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% 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 and the Danish FSA's assumptions of calculation, Nykredit finds that the increased capital requirements may potentially increase Nykredit's REA by around DKK 100bn.

Against this backdrop, it is very satisfactory that with the increase in earnings in 2016 and 2017 together with decreasing REA driven by higher property prices, the Common Equity Tier 1 capital ratio stood at 21.4% at end-Q3/2017 exclusive of the profit for Q3/2017.

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. 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-Q3/2017, Nykredit Bank's deposits exceeded lending by 121%. At end-2016, deposits exceeded lending by 119%.

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 84bn at end-Q3/2017 against DKK 88bn at end-2016.

At end-Q3/2017, the Nykredit Realkredit Group's Liquidity Coverage Ratio (LCR) was 325%. The aggregate LCR of Nykredit's mortgage banks was 1,549%, and 194% including the minimum liquidity requirement. The LCR of Nykredit Bank was 148%. At end-Q3/2017, the Nykredit Realkredit Group's LCR in EUR was 329%.

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 about DKK 29bn 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 56bn at end-Q3/2017.

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 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. Nykredit's mortgage loan margin is 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 and primary dealership arrangements between members of Nasdaq Copenhagen.

With the introduction of the LCR, investors 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, the refinancing of ARMs on 1 April and 1 October will be phased out as the loan portfolio is refinanced. This will take place over a number of years to ensure an even distribution of refinancing volumes. In the longer term, Nykredit plans to refinance ARMs on 1 January and 1 July. The Nykredit Group will continue refinancing other products on 1 April and 1 October, which will serve to deconcentrate the aggregate amount of bonds maturing on the individual payment dates.

Another initiative is transferring business loans in Capital Centre D to Capital Centre G as the loans are refinanced.

In Q3/2017, Nykredit sold EUR 500m of 5-year EUR-denominated covered bonds (SDOs) by syndication. The bonds were issued carrying a coupon rate linked to Euribor with a 0% interest rate floor. The bonds are used for match funding mortgage lending in the same currency. It is the first time that Nykredit has sold EUR-denominated SDOs by syndication.

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-Q3/2017, Nykredit issued Senior Resolution Notes (SRNs) – a special form of bail-inable debt – of about DKK 6bn. At end-Q3, SRNs in issue thus totalled DKK 13.3bn.

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.

Nykredit Group		
Bonds in issue – nominal value		
DKK million	30.09.2017	31.12.2016
Covered bonds (ROs), cf note 20 a	175,961	203,341
Covered bonds (SDOs), cf note 20 b	1,050,861	1,012,517
Senior secured debt, cf notes 20 c and 21	8,431	14,905
Senior unsecured debt, cf note 20 d	3,721	4,282
Senior Resolution Notes (SRN), cf note 21	13,337	7,367
Subordinate loan capital, cf note 24	10,791	10,780
AT1 capital	3,721	3,717

CREDIT RATINGS

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

S&P Global Ratings

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

Senior Resolution Notes (SRN) have a BBB+ rating with S&P.

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.

Senior Resolution Notes (SRN) have an A rating with Fitch.

Moody's Investors Service

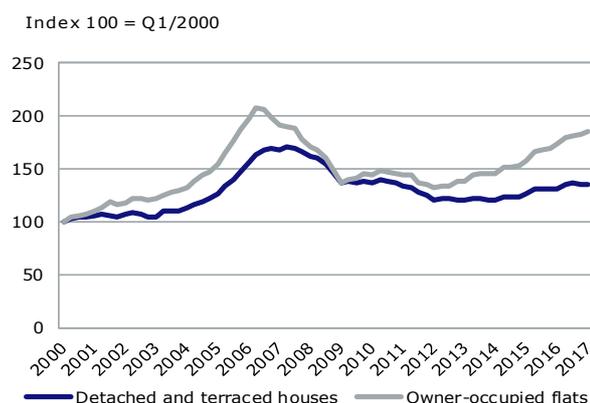
Moody's Investors Service continues to publish unsolicited ratings for some companies of the Nykredit Group.

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: Finans Danmark

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of a nominal amount of DKK 1,186bn against DKK 1,162bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,155bn compared with DKK 1,125bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,128bn against DKK 1,107bn at end-2016.

Bank lending totalled DKK 57.3bn against DKK 55.0bn at the beginning of the year, up DKK 2.3bn. Reverse repurchase lending came to DKK 20.2bn against DKK 30.1bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 7.2bn against DKK 8.3bn at the beginning of the year.

At end-Q3/2017, guarantees were DKK 7.5bn against DKK 6.7bn at the beginning of the year.

Incurred losses totalled DKK 853m in Q1-Q3/2017, of which DKK 668m on mortgage lending and DKK 184m on bank lending.

Nykredit Group

Loans, advances, guarantees and impairment charges for loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment charges for loans and advances, earnings impact	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016	Q1-Q3/2017	FY 2016
Mortgage lending, nominal value						
Nykredit Realkredit	510,580	516,176	3,912	4,620	(363)	770
Totalkredit	617,869	590,959	1,069	1,130	101	51
Total	1,128,448	1,107,135	4,981	5,751	(262)	821
Bank lending						
Nykredit Bank	57,257	55,003	2,177	2,538	(248)	(93)
Total	57,257	55,003	2,177	2,538	(248)	(93)
Receivables from credit institutions	-	-	-	44	(44)	-
Total	-	-	-	44	(44)	-
Reverse repurchase lending	20,168	30,091				
Guarantees	7,488	6,694	55	52	4	(48)
Loan impairment, % ¹						
Nykredit Realkredit	-	-	0.77	0.89	(0.07)	0.15
Totalkredit	-	-	0.17	0.19	0.02	0.01
Total	-	-	0.44	0.52	(0.02)	0.07
Nykredit Bank	-	-	3.66	4.41	(0.41)	(0.16)
Total	-	-	3.66	4.41	(0.41)	(0.16)

¹ Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.

MORTGAGE LENDING

At end-Q3/2017, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,128bn, up DKK 21bn 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-Q3/2017.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment decreased by DKK 770m from the beginning of the year to DKK 4,981m at end-Q3/2017. Of this decline, DKK 98m was attributable to owner-occupied dwellings, DKK 430m to private rental property, DKK 88m to industry and trades, DKK 46m to office and retail and DKK 110m to agricultural property.

Of the reduction in Q3/2017, DKK 98m stemmed from owner-occupied dwellings and DKK 672m from business property.

Total impairment provisions equalled 0.44% of total mortgage lending against 0.52% at the beginning of the year.

Earnings impact

Impairment charges for mortgage lending for the period equalled a gain of DKK 262m against a charge of DKK 443m in Q1-Q3/2016. Of impairment charges for loans and advances for the period, DKK 123m was attributable to owner-occupied dwellings and DKK 43m related to agricultural property. Private rental and industry and trades showed a reversal of DKK 390m and DKK 46m, respectively.

To this should be added reversals relating to credit institutions of DKK 21m in Q1-Q3/2017 compared with DKK 0m in Q1-Q3/2016.

Profit for the period of DKK 283m included a one-off gain of DKK 83m resulting from the settlement of two large housing cooperative exposures in H1/2017.

Nykredit Group

Debt outstanding relative to estimated property values

Total DKK million/%	LTV (loan-to-value)						Total	LTV average, % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	439,586	166,615	95,189	9,624	3,537	2,746	717,296	69
Private rental	80,617	27,280	12,061	1,550	823	762	123,092	64
Industry and trades	16,870	2,764	269	54	36	139	20,132	47
Office and retail	88,325	20,200	2,741	446	258	401	112,370	51
Agriculture	68,454	17,969	6,189	888	367	428	94,295	57
Public housing	-	-	-	-	-	-	72,208	-
Other	12,603	2,328	628	38	21	35	15,653	48
Total, end-Q1-Q3/2017	706,456	237,156	117,077	12,599	5,041	4,511	1,155,047	63
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

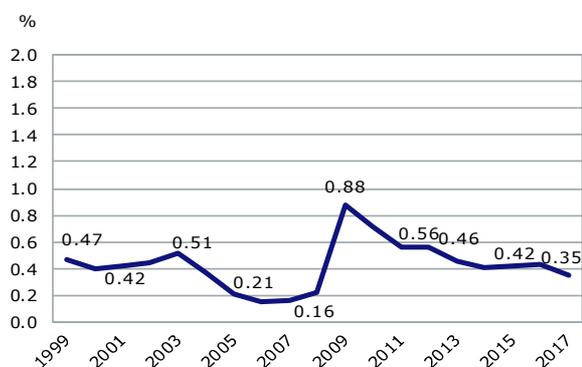
DKK million	Q1-Q3/2017		31.12.2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Owner-occupied dwellings	2,022	123	2,120	247
Private rental ²	903	(390)	1,333	(96)
Industry and trades	100	(46)	188	(23)
Office and retail	483	(8)	529	82
Agriculture	1,337	43	1,447	628
Public housing	29	(7)	35	(11)
Other	107	22	99	(6)
Total	4,981	(262)	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
2017			
- June	0.35	0.33	3.80
- March	0.38	0.39	4.40
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

Nykredit Group**Arrears ratio, mortgage lending – 75 days past due**

**Arrears**

At the June due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.35% against 0.43% at the same date in 2016.

The Group's mortgage lending affected by arrears was 0.33% of total mortgage lending (bond debt outstanding) compared with 0.48% at the same time the previous year.

Properties acquired by foreclosure

In Q1-Q3/2017, the Group acquired 80 properties and sold 114. At end-Q3/2017, the property portfolio stood at 80 against 114 at the beginning of the year of which 34 were owner-occupied dwellings against 66 at end-2016.

BANK LENDING

Bank lending amounted to DKK 57.3bn against DKK 55.0bn at the beginning of the year. Before provisions for loan impairment, loans and advances amounted to DKK 59.4bn against DKK 57.5bn at the beginning of the year.

Reverse repurchase lending amounted to DKK 20.2bn against DKK 30.1bn at the beginning of the year. Guarantees issued totalled DKK 7.5bn against DKK 6.7bn at the beginning of the year.

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

Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 2,177m against DKK 2,538m at the beginning of the year.

Impairment provisions for receivables from credit institutions were reversed at end-Q3/2017 and totalled DKK 0m against DKK 23m at the beginning of the year.

Guarantees

Guarantees issued totalled DKK 7.5bn against DKK 6.7bn at the beginning of the year.

At-end-Q3/2017, provisions for guarantees amounted to DKK 55m 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 248m compared with a gain of DKK 58m in Q1-Q3/2016.

To this should be added reversals relating to credit institutions of DKK 23m in Q1-Q3/2017 compared with DKK 0m in Q1-Q3/2016.

Profit for the period came to DKK 267m including a one-off gain of DKK 183m resulting from the settlement of two large housing cooperative exposures in H1/2017.

Nykredit Group

Provisions for bank loan impairment and guarantees by sector¹

DKK million	Q1-Q3/2017		FY 2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	-	-	-	-
Agriculture, hunting, forestry and fishing	96	6	95	14
Manufacturing, mining and quarrying	182	12	185	24
Energy supply	3	-	3	(1)
Construction	152	(44)	206	(41)
Trade	69	19	57	(36)
Transport, accommodation and food service activities	101	(6)	114	35
Information and communication	18	-	18	16
Finance and insurance	83	(33)	119	(97)
Real estate	699	(261)	950	(304)
Other	228	33	222	14
Total business customers	1,631	(274)	1,969	(376)
Personal customers	601	29	621	235
Total	2,232	(245)	2,590	(141)
- of which provisions for losses under guarantees	55	4	52	(48)
Impairment provisions for credit institutions	-	(23)	23	-
Total including impairment provisions for credit institutions	2,232	(268)	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 – 30 September 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.

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

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

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

Copenhagen, 7 November 2017

Executive Board

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 Bruzen*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Vibeke Krag

Allan Kristiansen*

Bent Naur

Lasse Nyby

Claus E. Petersen

Erling Bech Poulsen

Inge Sand*

Lars Peter Skaarup*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Group	Note	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q3/2016
INCOME STATEMENT					
Interest income	5	20,553	21,585	6,645	7,103
Interest expenses	6	11,946	13,202	3,860	4,203
Net interest income		8,607	8,383	2,784	2,901
Dividend on equities		126	103	4	11
Fee and commission income		1,940	1,712	675	625
Fee and commission expenses		2,173	1,960	748	762
Net interest and fee income		8,500	8,238	2,714	2,774
Value adjustments	7	3,691	45	831	785
Other operating income		327	149	192	44
Staff and administrative expenses	8	3,299	3,427	1,113	1,163
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	9	183	156	67	54
Other operating expenses		108	124	36	42
Impairment charges for loans, advances and receivables	10	(550)	385	(102)	260
Profit from investments in associates and Group enterprises	11	18	7	14	1
Profit before tax		9,497	4,346	2,637	2,085
Tax	12	1,942	906	509	437
Profit for the period		7,555	3,440	2,128	1,648
Distribution of profit for the period					
Shareholders of Nykredit A/S		7,381	3,265	2,069	1,590
Minority interests		-	1	-	-
Holders of Additional Tier 1 capital notes		174	174	58	58
Profit for the period		7,555	3,440	2,128	1,648
COMPREHENSIVE INCOME					
Profit for the period		7,555	3,440	2,128	1,648
OTHER COMPREHENSIVE INCOME					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(3)	14	7	14
Total items that cannot be reclassified to profit or loss		(3)	14	7	14
Items that can be reclassified to profit or loss:					
Fair value adjustment of equities available for sale		87	30	(48)	207
Tax on fair value adjustment of equities available for sale		(15)	8	(6)	(12)
Total items that can be reclassified to profit or loss		72	38	(53)	195
Other comprehensive income		69	52	(46)	209
Comprehensive income for the period		7,624	3,492	2,082	1,857
Distribution of comprehensive income					
Shareholders of Nykredit A/S		7,451	3,317	2,024	1,799
Minority interests		-	1	-	0
Holders of Additional Tier 1 capital notes		174	174	58	58
Comprehensive income for the period		7,624	3,492	2,082	1,857

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit A/S	Note	Q1-Q3/2017	Q1-Q3/2016	Q3/2017	Q3/2016
INCOME STATEMENT					
Staff and administrative expenses	8	44	24	36	9
Profit from investments in associates and Group enterprises	11	7,493	3,325	2,051	1,796
Profit before tax		7,449	3,301	2,016	1,787
Tax	12	(4)	(1)	(0)	2
Profit for the period		7,453	3,302	2,016	1,784
Distribution of profit for the period					
Shareholders of Nykredit A/S		7,453	3,302	2,016	1,784
Profit for the period		7,453	3,302	2,016	1,784
COMPREHENSIVE INCOME					
Profit for the period		7,453	3,302	2,016	1,784
OTHER COMPREHENSIVE INCOME					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(3)	14	7	14
Total items that cannot be reclassified to profit or loss		(3)	14	7	14
Other comprehensive income		(3)	14	7	14
Comprehensive income for the period		7,451	3,317	2,023	1,799
Distribution of comprehensive income					
Shareholders of Nykredit A/S		7,451	3,317	2,023	1,799
Comprehensive income for the period		7,451	3,317	2,023	1,799

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group		
31.12.2016	30.09.2017	Note	30.09.2017	31.12.2016
ASSETS				
-	-		1,964	2,087
1	-	13	38,100	32,742
-	-	14	1,175,602	1,155,155
-	-	15	57,607	55,361
-	-	16	90,301	111,981
Equities				
-	-		2,698	2,129
-	-		2,532	2,445
-	-		5,230	4,574
-	-		146	130
67,194	74,704		-	-
-	-		195	243
Land and buildings				
-	-		54	232
-	-		444	432
-	-		498	664
-	-		144	177
4	8		8	166
-	-		123	113
-	-		307	311
-	-	17	28,880	36,667
1	1		429	239
67,199	74,713		1,399,534	1,400,611

BALANCE SHEETS

DKK million

Nykredit A/S		Nykredit Group		
31.12.2016	30.09.2017	Note	30.09.2017	31.12.2016
LIABILITIES AND EQUITY				
-	25	18	13,233	21,681
-	-	19	69,001	65,414
-	-	20	1,161,855	1,152,383
-	-	21	24,318	21,292
-	-	22	14,357	17,735
-	-		821	14
-	-		29	29
7	26	23	25,738	39,408
-	-		9	11
7	51		1,309,362	1,317,967
Provisions				
-	-		141	155
-	-		331	126
-	-		53	55
-	-		55	52
-	-		123	224
-	-		703	611
-	-	24	10,985	11,078
Equity				
1,327	1,327		1,327	1,327
Accumulated value adjustments				
-	-		26	26
-	-		1,051	979
Other reserves				
49,013	56,523		-	-
-	-		35,198	35,198
-	-		1,646	1,646
16,852	16,812		35,414	28,016
67,192	74,662		74,662	67,192
-	-		-	3
-	-		3,821	3,760
67,192	74,662		78,484	70,955
67,199	74,713		1,399,534	1,400,611
OFF-BALANCE SHEET ITEMS				
-	-	25	7,488	6,694
-	-		8,241	6,934
-	-		15,729	13,628

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund ²	Retained earnings	Shareholders of Nykredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2017										
Equity, 1 January	1,327	26	979	35,198	1,646	28,016	67,192	3	3,760	70,955
Profit for the period	-	-	-	-	-	7,381	7,381	-	174	7,555
Total other comprehensive income	-	-	72	-	-	(3)	69	-	-	69
Total comprehensive income for the period	-	-	72	-	-	7,379	7,451	-	174	7,624
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(4)	(4)	-	4	-
Tax on Additional Tier 1 capital	-	-	-	-	-	23	23	-	-	23
Other adjustments	-	-	-	-	-	-	-	(3)	-	(3)
Equity, 30 September	1,327	26	1,051	35,198	1,646	35,414	74,662	-	3,821	78,484
2016										
Equity, 1 January	1,327	160	648	26,787	1,646	31,140	61,708	-	3,774	65,482
Profit for the period	-	-	-	-	-	3,265	3,265	1	174	3,440
Total other comprehensive income	-	-	38	-	-	14	52	-	-	52
Total comprehensive income for the period	-	-	38	-	-	3,279	3,317	1	174	3,492
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	6	6	-	(6)	-
Tax on Additional Tier 1 capital	-	-	-	-	-	15	15	-	-	15
Additions relating to acquisition of associate	-	-	-	-	-	-	-	3	-	3
Realised from the sale of properties	-	(5)	-	-	-	5	-	-	-	-
Equity, 30 September	1,327	155	685	26,787	1,646	34,445	65,045	5	3,826	68,876

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 includes a non-distributable reserve fund of DKK 1,646m in Totalkredit.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the 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.

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 (loss) for the period	-	7,493	(40)	7,453
Total other comprehensive income	-	(3)	-	(3)
Total comprehensive income for the period	-	7,490	(40)	7,451
Adjustment relating to subsidiaries	-	19	-	19
Equity, 30 September	1,327	56,523	16,812	74,662
2016				
Equity, 1 January	1,327	43,505	16,876	61,708
Profit (loss) for the period	-	3,325	(23)	3,302
Total other comprehensive income	-	14	-	14
Total comprehensive income for the period	-	3,339	(23)	3,317
Adjustment relating to subsidiaries	-	21	-	21
Equity, 30 September	1,327	46,865	16,853	65,045

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. 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.

CASH FLOW STATEMENT

DKK million

Nykredit Group	Q1-Q3/2017	Q1-Q3/2016
Profit for the period	7,555	3,440
Adjustments		
Interest income, net	(8,607)	(8,383)
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	183	156
Loss from investments in associates	(18)	(7)
Impairment charges for loans, advances and receivables	(550)	385
Prepayments/deferred income, net	(192)	(67)
Tax on profit for the period	1,942	906
Other adjustments	(490)	223
Total	(177)	(3,347)
Change in operating capital		
Loans, advances and other receivables	(22,142)	(585)
Deposits and payables to credit institutions	(4,861)	(8,553)
Bonds in issue	12,498	13,713
Other operating capital	(8,796)	8,093
Total	(23,301)	12,667
Interest income received	22,008	23,343
Interest expenses paid	(14,101)	(15,853)
Corporation tax paid, net	(773)	(167)
Cash flows from operating activities	(16,344)	16,643
Cash flows from investing activities		
Acquisition of associates	(5)	-
Sale of associates	4	-
Dividend received from associates	3	3
Purchase and sale of bonds and equities, net	21,439	1,844
Purchase of intangible assets	(77)	(38)
Sale of intangible assets	35	-
Purchase of property, plant and equipment	(42)	(26)
Sale of property, plant and equipment	181	26
Total	21,537	1,808
Cash flows from financing activities		
Redemption of subordinated debt	-	(100)
Purchase and sale of self-issued subordinated debt instruments	-	(1)
Total	-	(101)
Total cash flows for the period	5,203	18,350
Cash and cash equivalents, beginning of period	34,829	23,253
Foreign currency translation adjustment of cash	32	82
Cash and cash equivalents, end of period	40,064	41,685
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	1,964	2,096
Receivables from credit institutions and central banks	38,100	39,589
Total	40,064	41,685

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Nykredit Group

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1. ACCOUNTING POLICIES

General

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

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

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) instead of 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 in equity until a potential sale instead of the income statement. The Group's total comprehensive income, equity and total assets are unchanged. For Q1-Q3/2016 the net value adjustments mentioned came to DKK 38m after tax against DKK 72m in Q1-Q3/2017.

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

As stated in the Management Commentary and the stock exchange announcement of 27 October 2017, Management has made a number of adjustments to the internal reporting that forms an integral part of the management of the Company.

The presentation has been changed primarily to present a more varied picture of the Group's income.

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

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

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

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

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

IFRS 9

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

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

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

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

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

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

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

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

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

NOTES

Nykredit Group

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

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

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

New and amended standards, interpretations and reporting provisions

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

Compared with the information disclosed in the accounting policies (note 1) of the Annual Report 2016, no new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish executive order on the presentation of financial reports of the Danish FSA which influence the Q1-Q3 Interim Report 2017 of Nykredit 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 Financial Statements for Q1-Q3/2017 are rounded to the nearest million Danish kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

NOTES

DKK million

Nykredit A/S		Nykredit Group		
31.12.2016	30.09.2017		30.09.2017	31.12.2016
2. CAPITAL AND CAPITAL ADEQUACY				
67,192	74,662	Equity for accounting purposes	78,484	70,955
-	-	- Minority interests not included	(1,646)	(1,649)
-	-	- Carrying amount of Additional Tier 1 capital recognised in equity	(3,821)	(3,760)
-	(2,016)	Loss for the period not included	(1,423)	-
67,192	72,646	Equity excluding Additional Tier 1 capital and minority interests	71,593	65,546
-	-	- Deduction for average dividend	(67)	(95)
-	-	- Minority interests	787	988
-	-	- Intangible assets excluding deferred tax liabilities	(155)	(199)
-	-	- Provisions for expected losses in accordance with IRB approach	(444)	(329)
-	-	- Other additions/deductions	(244)	(277)
-	-	- Deduction for treasury shares	(260)	(279)
-	-	- Transitional adjustment of deductions	137	228
-	-	- Common Equity Tier 1 capital deductions	(245)	36
67,192	72,646	Common Equity Tier 1 capital	71,349	65,582
-	-	- Additional Tier 1 capital	2,214	2,546
-	-	- Additional Tier 1 capital deductions	(172)	(42)
-	-	- Transitional adjustment of deductions	(10)	(49)
-	-	- Total Additional Tier 1 capital after deductions	2,032	2,455
67,192	72,646	Tier 1 capital	73,381	68,037
-	-	- Tier 2 capital	7,854	8,510
-	-	- Tier 2 capital additions/deductions	(19)	25
-	-	- Transitional adjustment of deductions	(26)	(66)
67,192	72,646	Own funds	81,189	76,507
248,618	276,405	Credit risk	287,864	303,243
-	-	- Market risk	23,282	25,437
42	0	Operational risk	21,246	19,678
248,661	276,405	Total risk exposure amount	332,392	348,359
Financial ratios				
27.0	26.2	Common Equity Tier 1 capital ratio, %	21.4	18.8
27.0	26.2	Tier 1 capital ratio, %	22.0	19.5
27.0	26.2	Total capital ratio, %	24.4	21.9

The level of CET1 capital and the development since the beginning of the year should be seen in light of the fact that it does not include the Q3/2017 profit.

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 Totalkredit'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 the issue will be discussed with the FSA from a legal perspective with a view to reaching a formal decision concerning the treatment of Totalkredit's non-distributable reserve fund for capital adequacy purposes. The deduction totals DKK 144m, consisting of a CET1 capital deduction of DKK 859m and additions to Tier 1 capital and own funds of DKK 129m and DKK 586m, 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. Please refer to the Management Commentary.

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

	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS										
Q1-Q3/2017										
Business profit and profit for the period										
Net interest income	1,446	2,159	3,605	2,005	1,089	-	1,089	73	2	6,774
Net fee income	553	435	988	374	440	-	440	15	(11)	1,806
Wealth management income	270	138	408	-	69	-	69	554	16	1,047
Net interest from capitalisation	(59)	(131)	(190)	(135)	(62)	(4)	(66)	(4)	122	(273)
Trading, investment portfolio and other income	3	316	319	(10)	93	311	405	11	970	1,694
Income	2,213	2,917	5,130	2,233	1,630	307	1,937	648	1,100	11,048
Costs	1,472	815	2,287	452	296	164	460	323	68	3,590
Business profit before impairment charges	741	2,103	2,844	1,780	1,334	143	1,477	326	1,032	7,459
Impairment charges for loans and advances	37	(245)	(207)	111	(421)	-	(421)	11	(43)	(550)
Business profit	703	2,348	3,051	1,670	1,756	143	1,899	315	1,075	8,009
Legacy derivatives	-	358	358	-	1,097	33	1,130	-	-	1,488
Profit before tax	703	2,706	3,409	1,670	2,852	176	3,028	315	1,075	9,497
BALANCE SHEET										
Assets										
Mortgage loans at fair value	183,442	241,847	425,289	537,091	185,344	-	185,344	7,324	-	1,155,047
Reverse repurchase lending at fair value									20,168	20,168
Loans and advances at amortised cost	11,926	20,035	31,961	-	22,177	-	22,177	3,001	467	57,607
Assets by business area	195,368	261,882	457,250	537,091	207,521	-	207,521	10,325	20,635	1,232,821
Unallocated assets										166,713
Total assets										1,399,534
Liabilities and equity										
Bank deposits and other payables at amortised cost	26,843	18,119	44,962	-	10,794	3	10,797	11,482	1,761	69,001
Liabilities by business area	26,843	18,119	44,962	-	10,794	3	10,797	11,482	1,761	69,001
Unallocated liabilities										1,252,049
Equity										78,484
Total liabilities and equity										1,399,534

The income statement format has been adjusted in some areas. The previous income statement items "Income from core business" and "Profit from core business" have been replaced by "Income" and "Business profit". Compared with previously, these items now comprise "Investment portfolio income" which was separated out from core business but will be recognised as an integral part of "Income" ("Trading, investment portfolio and other income") going forward. Another important element is a more detailed presentation reflecting partly the composition of income and origin in the individual business divisions, and partly, the degree of volatility of the individual items. Previously, income from the business divisions was presented as one single item "Core income from business operations". In future income will be divided into and presented as five different items:

"Net interest income" comprising net administration margin income from mortgage lending, including loyalty bonuses (KundeKroner) as well as interest income from bank lending and deposits.

"Net fee income" comprising income from mortgage refinancing and mortgage lending, income from banking lending, service fees, guarantee and leasing business.

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

"Net interest from capitalisation" comprising the risk-free interest attributable to equity and net interest from subordinated debt. Net interest is composed of the interest expenses related to debt, adjusted for the internal liquidity interest.

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

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

NOTES

DKK million

Nykredit Group

3. BUSINESS AREAS (CONTINUED)

	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS										
Q1-Q3/2016										
Business profit and profit for the period										
Net interest income	1,452	2,108	3,560	1,820	1,043	-	1,043	53	(2)	6,475
Net fee income	509	446	955	355	344	-	344	9	(31)	1,633
Wealth management income	247	129	377	-	30	-	30	439	10	856
Net interest from capitalisation	(73)	(149)	(222)	(182)	(63)	(5)	(68)	(3)	113	(363)
Trading, investment portfolio and other income	7	(93)	(86)	(14)	(37)	329	293	8	821	1,022
Income	2,142	2,442	4,584	1,979	1,318	324	1,642	507	911	9,623
Costs	1,562	859	2,421	419	288	203	491	292	84	3,707
Business profit before impairment charges	580	1,583	2,164	1,560	1,030	121	1,151	215	827	5,916
Impairment charges for loans and advances	409	141	550	24	(203)	-	(203)	19	(6)	385
Business profit	171	1,443	1,614	1,536	1,232	121	1,353	196	832	5,531
Legacy derivatives	-	(481)	(481)	-	(703)	-	(703)	-	-	(1,184)
Profit before tax	171	961	1,132	1,536	529	121	650	196	832	4,346
BALANCE SHEET										
Assets										
Mortgage loans at fair value	190,335	243,852	434,188	510,866	177,951	-	177,951	4,512	-	1,127,516
Reverse repurchase lending at fair value	-	-	-	-	-	-	-	-	24,871	24,871
Loans and advances at amortised cost	11,342	17,558	28,900	-	20,696	-	20,696	2,354	1,460	53,410
Assets by business area	201,677	261,411	463,088	510,866	198,647	-	198,647	6,866	26,331	1,205,797
Unallocated assets	-	-	-	-	-	-	-	-	-	200,012
Total assets										1,405,810
Liabilities and equity										
Bank deposits and other payables at amortised cost	25,987	17,902	43,889	-	11,922	2	11,924	7,807	2,645	66,266
Liabilities by business area	25,987	17,902	43,889	-	11,922	2	11,924	7,807	2,645	66,266
Unallocated liabilities	-	-	-	-	-	-	-	-	-	1,270,668
Equity	-	-	-	-	-	-	-	-	-	68,876
Total liabilities and equity										1,405,810

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	Q1-Q3/2017			Q1-Q3/2016		
	Earnings presentation in Management Commentary	Reclassification	Income statement	Earnings presentation in Management Commentary	Reclassification	Income statement
Net interest income	6,774	1,832	8,607	6,475	1,908	8,383
Dividend on equities		126	126		103	103
Fee and commission income, net	1,806	(2,040)	(233)	1,633	(1,881)	(248)
Net interest and fee income		(81)	8,500		130	8,238
Wealth management income	1,047	(1,047)	-	856	(856)	-
Net interest from capitalisation	(273)	273	-	(363)	363	-
Trading, investment portfolio and other income	1,694	(1,694)	-	1,021	(1,021)	-
Value adjustments		3,691	3,691		45	45
Other operating income		327	327		149	149
Total income	11,048			9,623		
Costs	3,590	-	3,590	3,707	-	3,707
Business profit before impairment charges	7,457			5,916		
Impairment charges for loans and advances	(550)	(0)	(550)	385	-	385
Profit from investments in associates		18	18		7	7
Business profit	8,007			5,531		
Legacy derivatives	1,488	(1,488)	-	(1,185)	1,185	-
Profit before tax	9,497	-	9,497	4,346	-	4,346

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

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

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

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

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

NOTES

DKK million

Nykredit A/S		Nykredit Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
	5. INTEREST INCOME		
-	- Receivables from credit institutions and central banks	(26)	(23)
-	- Loans, advances and other receivables	13,044	14,155
-	- Administration margin income	7,202	6,818
	Bonds		
-	- self-issued covered bonds (SDOs, ROs)	198	309
-	- other covered bonds	367	639
-	- government bonds	59	187
-	- other bonds	122	132
	Derivative financial instruments		
-	- foreign exchange contracts	35	116
-	- interest rate contracts	(303)	(471)
-	- equity contracts	(8)	(18)
-	- other contracts	(1)	6
-	- Other interest income	67	60
-	- Total	20,756	21,910
-	- Set-off of interest from self-issued covered bonds – note 6	(198)	(309)
-	- Set-off of interest from self-issued other bonds – note 6	(5)	(16)
-	- Total	20,553	21,585
	Of which interest income from reverse repurchase lending entered as:		
-	- Receivables from credit institutions and central banks	(6)	(27)
-	- Loans, advances and other receivables	(61)	(77)
	6. INTEREST EXPENSES		
-	- Credit institutions and central banks	(10)	(14)
-	- Deposits and other payables	(52)	(30)
-	- Bonds in issue	11,887	13,253
-	- Subordinated debt	273	276
-	- Other interest expenses	51	42
-	- Total	12,149	13,527
-	- Set-off of interest from self-issued covered bonds – note 5	(198)	(309)
-	- Set-off of interest from self-issued other bonds – note 5	(5)	(16)
-	- Total	11,946	13,202
	Of which interest expenses from repo transactions entered as:		
-	- Credit institutions and central banks	(14)	(42)
-	- Deposits and other payables	(65)	(57)

NOTES

DKK million

Nykredit A/S		Nykredit Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
	7. VALUE ADJUSTMENTS		
	Assets measured at fair value through profit or loss		
-	- Mortgage loans, a)	8,737	19,119
-	- Other loans, advances and receivables at fair value, b)	3	2
-	- Bonds, b)	849	1,776
-	- Equities, b)	419	127
-	- Investment properties	(3)	(12)
-	- Foreign exchange	70	23
-	- Foreign exchange, interest rate and other contracts as well as derivative financial instruments, b)	1,435	(1,908)
-	- Other	739	-
	Liabilities measured at fair value through profit or loss		
-	- Bonds in issue, a)	(8,558)	(19,083)
-	- Total	3,691	45
	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		
3	6 Remuneration of Board of Directors and Executive Board	44	52
-	0 Staff expenses	2,082	2,184
21	38 Other administrative expenses	1,174	1,191
24	44 Total	3,299	3,427
	Remuneration of Board of Directors and Executive Board		
	Board of Directors		
3	4 Fees	6	6
	Executive Board		
-	2 Base salaries	31	29
-	- Pensions	6	4
-	- Post-employment salary and termination benefits for one Group Managing Director	-	13
3	6 Total	44	52
	Nykredit A/S has entered into a retention agreement with Michael Rasmussen, Group Chief Executive. The retention bonus payable by 50% at end-December 2019 and 50% at end-June 2020 has been set at one year's salary, excl pension. The bonus is paid out only if Michael Rasmussen has not resigned his position or failed to perform his duties at 1 January 2020. Provisions for the bonus are made during the earning period running from 1 April 2017 to end-December 2019.		
	Bente Overgaard stepped down from the Group Executive Board on 30 June 2016 and will receive post-employment salary and termination benefits totalling DKK 12m in accordance with her contract. She will further receive special termination benefits equal to six months' salary. The amount was allocated for 2016.		
	Staff expenses		
-	- Salaries	1,608	1,722
-	- Pensions	184	186
-	- Payroll tax	273	259
-	- Other social security expenses	17	18
-	- Total	2,082	2,184
	Number of staff		
-	- Average number of staff, full-time equivalent	3,517	3,609

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DKK million

Nykredit A/S		Nykredit Group	
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016
9. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
-	- amortisation	73	73
-	- impairment charges	49	-
Property, plant and equipment			
-	- depreciation	62	84
-	- Total	183	156
10. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES			
10 a. Earnings impact			
-	- Change in individual impairment provisions for loans and advances	(205)	582
-	- Change in individual impairment provisions for receivables from credit institutions	(44)	-
-	- Change in collective impairment provisions for loans and advances	(250)	(171)
-	- Write-offs for the period, not previously written down for impairment	271	240
-	- Recoveries on claims previously written off	(145)	(93)
-	- Provisions for guarantees, net	4	(50)
-	- Total impairment charges for loans, advances and receivables, and provisions for guarantees	(371)	508
-	- Value adjustment of assets in temporary possession	14	56
-	- Value adjustment of claims previously written off	(39)	(4)
-	- Write-offs offset against commission payments to partner banks	(155)	(175)
-	- Total	(550)	385
10 b. Specification of impairment provisions for loans, advances and receivables			
-	- Individual impairment provisions	5,123	6,107
-	- Collective impairment provisions	2,035	2,152
-	- Total impairment provisions	7,158	8,260
Impairment provisions have been offset against the following items:			
-	- Mortgage loans – note 14	4,719	5,314
-	- Arrears and outlays – note 14	262	291
-	- Bank loans and advances – note 15	2,177	2,611
-	- Receivables from credit institutions	-	44
-	- Total impairment provisions	7,158	8,260
10 c. Individual impairment charges for loans and advances			
-	- Impairment provisions, beginning of period	6,003	6,223
-	- Impairment provisions for the period	1,175	1,526
-	- Impairment provisions reversed	1,381	944
-	- Transferred to properties acquired by foreclosure – note 10 g.	93	33
-	- Impairment provisions written off	582	708
-	- Impairment provisions, end of period	5,123	6,064

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DKK million

Nykredit A/S		Nykredit Group		
Q1-Q3/2016	Q1-Q3/2017	Q1-Q3/2017	Q1-Q3/2016	
10. IMPAIRMENT CHARGES FOR 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	(250)	(171)
-	-	Impairment provisions, end of period	2,035	2,152
10 e. Individual impairment provisions for receivables from credit institutions				
-	-	Impairment provisions, beginning of period	44	44
-	-	Impairment provisions reversed	(44)	-
-	-	Impairment provisions, end of period	-	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	18,800	20,694
-	-	Impairment provisions	5,123	6,064
-	-	Loans and advances after impairment	13,677	14,630
-	-	Loans and advances subject to collective provisioning before impairment	126,278	132,226
-	-	Impairment provisions	2,035	2,152
-	-	Loans and advances after impairment	124,243	130,073
-	-	Receivables from credit institutions subject to individual provisioning before impairment	29	54
-	-	Impairment provisions	-	44
-	-	Receivables after impairment	29	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.	93	33
-	-	Impairment provisions for the period	30	82
-	-	Impairment provisions reversed	29	26
-	-	Impairment provisions written off	186	147
-	-	Impairment provisions, end of period	181	229
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	18	7
3,325	7,493	Profit from investments in Group enterprises	-	-
3,325	7,493	Total	18	7
12. TAX				
22.0	22.0	Current tax rates, %	22.0	22.0
22.0	22.0	Permanent deviations	1.5	1.1
0.0	0.0	Effective tax rate, %	20.5	20.9
Permanent deviations are driven by investments in Group enterprises and associates as well as equities available for sale.				

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DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
-	-	25,436	21,400
1	-	10,874	10,064
-	-	1,790	1,279
1	- Total	38,100	32,742
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE			
-	-	1,155,047	1,124,693
-	-	387	371
-	-	20,168	30,091
-	- Total	1,175,602	1,155,155
14 a. Mortgage loans			
-	- Balance, beginning of period, nominal value	1,107,135	1,114,324
-	-	145,449	199,973
-	-	139	113
-	-	(94)	(1,190)
-	-	(19,397)	(21,470)
-	-	(104,784)	(184,615)
-	- Balance, end of period, nominal value	1,128,448	1,107,135
-	-	(66)	(134)
-	-	71	160
-	- Total	1,128,453	1,107,161
-	-	31,313	22,969
Adjustment for credit risk			
-	-	(2,864)	(3,284)
-	-	(1,855)	(2,153)
-	- Balance, end of period, fair value	1,155,047	1,124,693
As collateral for loans and advances, Nykredit has received mortgages over real estate and:			
-	-	61,885	51,219
-	-	19,295	15,686
-	-	22,213	20,192
14 b. Arrears and outlays			
-	-	359	411
-	-	290	274
-	-	(262)	(314)
-	- Total	387	371

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DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	- Bank loans and advances	59,434	57,541
-	- Mortgage loans	16	16
-	- Other loans and advances	354	362
-	- Balance, end of period	59,805	57,919
Adjustment for credit risk			
-	- Individual impairment provisions	(1,998)	(2,406)
-	- Collective impairment provisions	(179)	(132)
-	- Balance after impairment, end of period	57,628	55,382
-	Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 21	(21)	(21)
-	- Total	57,607	55,361
16. BONDS AT FAIR VALUE			
-	- Self-issued SDOs	76,059	81,077
-	- Self-issued ROs	25,040	21,099
-	- Self-issued corporate bonds	1,036	1,340
-	- Self-issued senior debt	201	206
-	- Other covered bonds	75,747	98,700
-	- Government bonds	9,489	8,142
-	- Other bonds	5,065	5,140
-	- Total	192,637	215,703
-	- Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 20	(76,043)	(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	(25,040)	(21,099)
-	- Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 21	(1,036)	(1,340)
-	- Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 20	(201)	(206)
-	- Total	90,301	111,981
-	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	19,527	12,441
	Collateral security was provided on an arm's length basis.		
17. OTHER ASSETS			
-	- Interest and commission receivable	4,455	4,852
-	- Positive market value of derivative financial instruments	20,061	28,895
-	- Defined benefit plans	244	241
-	- Other	4,121	2,679
-	- Total	28,880	36,667
18. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
-	25 Payables to credit institutions	7,052	13,913
-	- Payables to central banks	2,405	-
-	- Repo transactions with credit institutions	3,776	7,769
-	25 Total	13,233	21,681

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DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
19. DEPOSITS AND OTHER PAYABLES			
-	- On demand	60,201	54,563
-	- At notice	1,324	2,096
-	- Time deposits	4,722	5,923
-	- Special deposits	2,754	2,832
-	- Total	69,001	65,414
20. BONDS IN ISSUE AT FAIR VALUE			
-	- ROs	185,351	212,280
-	- SDOs	1,072,786	1,026,550
-	- Senior secured debt	4,991	11,613
-	- Senior unsecured debt	3,749	4,306
-	- Total	1,263,138	1,254,749
-	- Self-issued bonds transferred from "Bonds at fair value" and "Bonds at amortised cost"	(105,023)	(102,366)
-	- Total	1,161,855	1,152,383
20 a. ROs			
-	- ROs at nominal value	175,961	203,341
-	- Fair value adjustment	9,390	8,939
-	- ROs at fair value	185,351	212,280
-	- Self-issued ROs transferred from "Bonds at fair value" – note 16	(25,040)	(21,099)
-	- Total	160,311	191,181
-	- Of which pre-issuance	3	45
-	- ROs redeemed and maturing at next creditor payment date	9,797	29,541
20 b. SDOs			
-	- SDOs at nominal value	1,050,861	1,012,517
-	- Fair value adjustment	21,925	14,033
-	- SDOs at fair value	1,072,786	1,026,550
-	- Self-issued SDOs transferred from "Bonds at fair value" and "Bonds at amortised cost"	(76,043)	(81,061)
-	- Total	996,744	945,489
-	- Of which pre-issuance	8,210	4,655
-	- SDOs redeemed and maturing at next creditor payment date	61,161	54,885
20 c. Senior secured debt			
-	- Senior secured debt at nominal value	4,689	11,146
-	- Fair value adjustment	302	467
-	- Senior secured debt at fair value	4,991	11,613
-	- Self-issued senior secured debt transferred from "Bonds at fair value" – note 16	(201)	(206)
-	- Total	4,790	11,407
-	- Senior secured debt maturing at next creditor payment date	-	-
20 d. Senior unsecured debt			
-	- Senior unsecured debt at nominal value	3,721	4,282
-	- Fair value adjustment	28	24
-	- Total	3,749	4,306

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DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	30.09.2017	30.09.2017	31.12.2016
21. BONDS IN ISSUE AT AMORTISED COST			
-	-	8,254	11,498
-	-	16	17
-	-	3,742	3,759
-	-	13,337	7,367
-	-	42	28
-	-	25,392	22,669
-	-	(1,036)	(1,340)
-	-	(16)	(16)
-	-	(21)	(21)
-	-	24,318	21,292
22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	-	12,218	14,562
-	-	2,139	3,173
-	-	14,357	17,735
23. OTHER LIABILITIES			
-	-	8,372	10,060
-	-	13,298	25,427
7	26	4,068	3,921
7	26	25,738	39,408

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DKK million

Nykredit A/S		Nykredit Group	
31.12.2016	30.09.2017	30.09.2017	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 five 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	4,603	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 five years		
-	-	6,010	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 two years after issuance. In the remaining loan term, the interest rate will be fixed every six months		
-	-	372	372
-	- Total subordinate loan capital	10,985	11,078
-	- Portfolio of self-issued bonds	-	-
-	- Total subordinated debt	10,985	11,078
-	- Subordinated debt that may be included in own funds	7,854	6,462
	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	7,488	6,694
-	- Other commitments	8,241	6,934
-	- Total	15,729	13,628
	25 a. Contingent liabilities		
-	- Financial guarantees	1,753	1,285
-	- Registration and refinancing guarantees	122	208
-	- Other contingent liabilities	5,613	5,201
-	- Total	7,488	6,694
	"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.		
	25 b. Other commitments		
-	- Irrevocable credit commitments	6,739	5,130
-	- Other	1,502	1,803
-	- Total	8,241	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 funded by annual contributions from participating banks, mortgage lenders and investment companies and as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits.

Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

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 Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

26. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, Group enterprises and associates of Nykredit A/S as stated in the Group structure as well as Nykredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

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

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

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

Significant related party transactions prevailing/entered into in Q1-Q3/2017 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 4.5bn at 30 September 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 input.

Observable inputs

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

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

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

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

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

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

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

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

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

Unobservable inputs

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

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

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

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

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 September 2017, the proportion was thus 0.3% 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 4.3bn (2016: DKK 4.0bn) and DKK 0.0bn (2016: DKK 0.0bn) belonged to this category. Assuming that an actual market price will deviate by +/-10% from the calculated fair value, the earnings impact will be DKK 427m at 30 September 2017 (0.5% of equity at 30 September 2017). The earnings impact for 2016 was estimated at DKK 399m (0.6% of equity at 31 December 2016).

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 resulted in all material respects from bonds that were reclassified either due to traded volume or the number of days between last transaction and the time of determination.

In Q1-Q3/2017 DKK 28.3bn was transferred from Listed prices to Observable inputs, and DKK 4.4bn was transferred from Observable inputs to Listed prices.

Financial liabilities of DKK 0.9bn were transferred from Listed prices to Observable inputs and DKK 1.1bn was 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)

30 September 2017

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Assets:				
Recognised in the trading book:				
- bonds at fair value	27,168	62,938	194	90,301
- equities measured at fair value through profit or loss	807	-	1,891	2,698
- positive fair value of derivative financial instruments	51	19,323	686	20,061
Recognised through the fair value option:				
- reverse repurchase lending to credit institutions and central banks	-	1,790	-	1,790
- other reverse repurchase lending	-	20,168	-	20,168
- mortgage loans, arrears and outlays	-	1,155,434	-	1,155,434
Recognised as available for sale:				
- equities available for sale	1,537	-	995	2,532
Other assets recognised at fair value:				
- owner-occupied properties	-	-	444	444
- investment properties	-	-	54	54
Total	29,564	1,259,653	4,265	1,293,481
Percentage	2.3	97.4	0.3	100

Liabilities:

Recognised in the trading book:

- other non-derivative financial liabilities at fair value including negative securities portfolios

	748	1,391	-	2,139
- negative fair value of derivative financial instruments	23	13,275	-	13,298

Recognised through the fair value option:

- repo transactions with credit institutions and central banks

	-	3,776	-	3,776
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- other repo transactions

	-	12,218	-	12,218
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- bonds in issue at fair value

	1,157,640	4,215	-	1,161,855
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Total	1,158,411	34,875	-	1,193,287
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Percentage	97.1	2.9	-	100
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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	12	99	468	138	716
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	53	-	53
Purchases for the period	-	-	200	-	200
Sales for the period	(178)	(146)	(327)	(25)	(676)
Transferred from Listed prices and Observable inputs ¹	-	0	-	(177)	(177)
Transferred to Listed prices and Observable inputs ²	-	-	-	163	163
Fair value, end of period, assets	498	194	2,886	686	4,265

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.

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DKK million

Nykredit Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2016

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Assets:				
Recognised in the trading book:				
- 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
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
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- other repo transactions

	-	14,422	-	14,422
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- bonds in issue at fair value

	1,139,738	12,645	-	1,152,383
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Total	1,140,387	62,926	-	1,203,313
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Percentage	94.8	5.2	-	100
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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		31	-	-	31
Transferred to Listed prices and Observable inputs ²		(31)	-	-	(31)
Fair value, end of period, liabilities		-	-	-	-

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

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

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DKK million

Nykredit Group	Q1-Q3/ 2017	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013
28. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	8,607	8,383	8,990	8,427	7,526
Net fee income	(107)	(145)	53	8	123
Net interest and fee income	8,500	8,238	9,044	8,435	7,648
Value adjustments	3,691	45	175	(1,812)	120
Other operating income	327	149	136	143	163
Staff and administrative expenses	3,299	3,427	3,392	3,502	3,679
Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets	183	156	2,074	156	577
Other operating expenses	108	124	94	110	56
Impairment charges for loans, advances and receivables	(550)	385	693	1,457	1,604
Profit from investments in associates	18	7	6	6	101
Profit before tax	9,497	4,346	3,107	1,546	2,115
Tax	1,942	906	1,119	326	283
Profit for the period	7,555	3,440	1,988	1,220	1,832
Value adjustment and reclassification of strategic equities against equity	72	38	254	224	(408)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Assets					
Cash balances and receivables from credit institutions and central banks	40,064	41,685	36,732	37,335	31,983
Mortgage loans at fair value	1,155,047	1,127,516	1,118,029	1,144,160	1,136,059
Bank loans, excluding reverse repurchase lending	57,257	53,115	47,506	48,301	49,130
Bonds and equities	95,531	108,574	102,786	120,066	75,521
Remaining assets	51,635	74,919	83,379	98,034	108,118
Total assets	1,399,534	1,405,810	1,388,433	1,447,896	1,400,812
Liabilities and equity					
Payables to credit institutions and central banks	13,233	19,362	35,117	44,217	55,974
Deposits and other payables	69,001	64,895	61,566	60,351	59,084
Bonds in issue at fair value	1,161,855	1,151,669	1,134,618	1,150,270	1,088,084
Subordinated debt	10,985	11,276	4,684	11,387	11,028
Remaining liabilities	65,977	89,732	87,847	121,493	127,834
Equity	78,484	68,876	64,599	60,177	58,808
Total liabilities and equity	1,399,534	1,405,810	1,388,433	1,447,896	1,400,812
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	7,488	6,720	7,568	6,511	5,633
Other commitments	8,241	6,965	6,132	6,520	7,872
FINANCIAL RATIOS¹					
Total capital ratio, %	24.4	19.6	19.9	18.3	19.8
Tier 1 capital ratio, %	22.0	18.3	19.5	17.4	19.8
Return on equity before tax, %	12.8	6.7	5.5	3.0	3.0
Return on equity after tax, %	10.2	5.3	3.6	2.4	2.4
Income:cost ratio	4.12	2.07	1.54	1.34	1.30
Foreign exchange position, %	0.2	0.4	0.2	1.2	1.0
Loans and advances:equity (loan gearing)	15.7	17.5	18.6	20.5	21.0
Growth in loans and advances for the period, %	1.1	(1.5)	(0.3)	(1.7)	2.1
Total impairment provisions, %	0.58	0.68	0.73	0.70	0.62
Impairment charges for the period, %	(0.04)	0.03	0.06	0.12	0.13
Return on capital employed, %	0.54	0.24	0.14	0.08	0.13

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 A/S	Q1-Q3/ 2017	Q1-Q3/ 2016	Q1-Q3/ 2015	Q1-Q3/ 2014	Q1-Q3/ 2013
28. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	(0)	-	-	-	0
Net fee income	-	-	-	-	60
Net interest and fee income	(0)	-	-	-	60
Staff and administrative expenses	44	24	3	3	3
Profit from investments in associates and Group enterprises	7,493	3,325	2,107	1,446	1,381
Profit before tax	7,449	3,301	2,103	1,443	1,438
Tax	(4)	(1)	(1)	(1)	14
Profit for the period	7,453	3,302	2,104	1,444	1,424
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.09.2017	30.09.2016	30.09.2015	30.09.2014	30.09.2013
Assets					
Cash balances and receivables from credit institutions and central banks	-	2	15	21	76
Remaining assets	9	10	8	5	1
Investments in Group enterprises	74,704	65,046	60,747	60,152	58,784
Total assets	74,713	65,057	60,769	60,178	58,862
Liabilities and equity					
Remaining liabilities	26	12	1	1	54
Equity	74,662	65,045	60,769	60,177	58,808
Total liabilities and equity	74,713	65,057	60,769	60,178	58,862
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	-	-	-	-	2,300
FINANCIAL RATIOS¹					
Total capital ratio, %	26.2	27.0	26.9	26.8	23.6
Tier 1 capital ratio, %	26.2	27.0	26.9	26.8	23.6
Return on equity before tax, %	10.5	5.2	3.5	2.4	2.5
Return on equity after tax, %	10.5	5.2	3.5	2.4	2.4
Income:cost ratio	172	141	624	459	466
Return on capital employed, %	9.98	5.08	3.46	2.40	2.42

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

Nykredit Group

29. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 September 2017	Profit (loss) for the period	Equity, 30 September 2017	Profit (loss) for 2016	Equity, 31 December 2016
Nykredit A/S (Parent), Copenhagen, h)	-	7,453	74,662	5,405	67,192
Nykredit Realkredit A/S, Copenhagen, a)	100	7,667	78,525	5,660	70,954
Totalkredit A/S, Copenhagen, a)	100	1,554	22,215	2,048	20,661
Nykredit Bank A/S, Copenhagen, b)	100	2,894	19,638	627	16,744
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	-	-	106	588
Nykredit Leasing A/S, Gladsaxe, e)	100	-	-	71	593
Nykredit Mægler A/S, Copenhagen, c)	100	97	165	64	138
Nykredit Ejendomme A/S, Copenhagen, d)	100	10	466	543	1,055
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	(1)	232	24	234
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	(3)	118	(0)	118
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	4	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 Group as Nykredit ceased having control in 2017.

Geographical distribution of activities	Number of staff	Revenue²	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,505	22,865	9,539	1,946	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	8	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	Q3/ 2017	Q2/ 2017	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016
SIX-QUARTER FINANCIAL HIGHLIGHTS						
Business profit and profit for the period						
Net interest income	2,276	2,259	2,239	2,272	2,240	2,109
Net fee income	640	584	582	618	672	465
Wealth management income	356	349	342	328	283	315
Net interest from capitalisation	(70)	(97)	(107)	(85)	(152)	(104)
Trading, investment portfolio and other income	425	516	752	654	495	516
Income	3,628	3,612	3,808	3,788	3,539	3,300
Costs	1,216	1,193	1,181	1,578	1,258	1,248
Business profit before impairment charges	2,412	2,419	2,627	2,211	2,280	2,052
Impairment charges for loans and advances	(102)	(427)	(21)	295	261	175
Business profit	2,514	2,846	2,648	1,916	2,019	1,877
Legacy derivatives	122	1,029	337	422	66	(510)
Profit before tax	2,637	3,875	2,985	2,337	2,086	1,367
Tax	509	794	639	471	437	278
Profit for the period	2,128	3,081	2,346	1,866	1,649	1,089
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	7	(10)	(1)	(4)	14	2
Value adjustment of strategic equities	(52)	128	(2)	293	195	(141)
Total other comprehensive income	(46)	118	(3)	291	209	(139)
Comprehensive income for the period	2,083	3,199	2,344	2,158	1,858	949
Summary balance sheet						
	30.09.2017	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016
Assets						
Cash balances and receivables from credit institutions and central banks	40,064	33,704	40,240	34,829	41,685	43,707
Mortgage loans at fair value	1,155,047	1,140,548	1,133,497	1,124,693	1,127,516	1,127,725
Bank loans, excluding reverse repurchase lending	57,257	57,534	56,254	55,003	53,115	49,554
Bonds and equities	95,531	95,088	103,043	116,555	108,574	106,387
Remaining assets	51,635	52,824	57,185	69,530	74,919	79,934
Total assets	1,399,534	1,379,697	1,390,219	1,400,611	1,405,810	1,407,306
Liabilities and equity						
Payables to credit institutions and central banks	13,233	14,420	17,885	21,681	19,362	28,131
Deposits and other payables	69,001	69,442	67,733	65,414	64,895	69,537
Bonds in issue at fair value	1,161,855	1,140,474	1,146,919	1,152,383	1,151,669	1,142,561
Subordinated debt	10,985	10,956	11,010	11,078	11,276	11,260
Remaining liabilities	65,977	68,004	73,379	79,099	89,732	88,790
Equity	78,484	76,401	73,293	70,955	68,876	67,027
Total liabilities and equity	1,399,534	1,379,697	1,390,219	1,400,611	1,405,810	1,407,306

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.