To Nasdaq Copenhagen
and the press

9 May 2018

TOTALKREDIT A/S – a subsidiary of Nykredit Realkredit A/S consolidated in the Nykredit Group Financial Statements

Interim Report for 1 January – 31 March 2018

Q1 – summary

- Profit after tax came to DKK 575m against DKK 612m in Q1/2017.
- Income was DKK 838m in Q1/2018 against DKK 950m in Q1/2017. Income from customers increased, whereas investment portfolio income and the KundeKroner benefits programme generated lower earnings.
- Costs totalled DKK 157m against DKK 163m in Q1/2017. Costs as a percentage of income were 18.7% compared with 17.2% in Q1/2017.
- Impairment charges for loans and advances were a gain of DKK 5m in Q1/2018 compared with a charge of DKK 2m in Q1/2017.
- At nominal value, the loan portfolio grew to DKK 640bn compared with DKK 630bn at the beginning of the year.

Own funds

- Equity stood at DKK 26.8bn at 31 March 2018 against DKK 26.3bn at end-2017.
- The total capital ratio and the Common Equity Tier 1 capital ratio were 28.8% and 22.6%, respectively, against 29.6% and 23.1% at end-2017.
- The internal capital adequacy requirement was 11.1% against 10.6% at end-2017.

About Totalkredit A/S

Totalkredit's annual and interim reports and further information about Totalkredit are available at totalkredit.dk.

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FINANCIAL HIGHLIGHTS

	Q1/ 2018	Q1/ 2017	FY/ 2017
			DKK million
Business profit and profit for the period			
Net interest income	751	778	3,111
Net fee income	133	132	510
Net interest from capitalisation	(8)	(25)	(62)
Trading, investment portfolio and other income	(38)	64	(15)
Income	**838**	**950**	**3,544**
Costs	157	163	726
Business profit before impairment charges	**681**	**787**	**2,818**
Impairment charges for loans and advances	(5)	2	637
Profit before tax	**686**	**785**	**2,181**
Tax	111	173	428
Profit for the period	**575**	**612**	**1,752**
Interest on AT1 equity capital not recognised in profit	47	49	193
SUMMARY BALANCE SHEET	31.03.2018	31.03.2017	31.12.2017
Assets			
Receivables from credit institutions	12,962	17,558	9,427
Mortgage loans at fair value	653,595	607,036	644,310
Bonds and equities	69,161	69,609	80,558
Remaining assets	2,017	1,595	1,760
Total assets	**737,735**	**695,798**	**736,055**
Liabilities and equity			
Payables to credit institutions	695,406	652,885	693,278
Bonds in issue at fair value	8,600	10,311	9,104
Remaining liabilities	4,892	5,305	5,373
Subordinated debt	2,000	2,000	2,000
Equity	26,838	25,296	26,300
Total liabilities and equity	**737,735**	**695,798**	**736,055**
FINANCIAL RATIOS			
Profit for the period as % pa of average equity[1]	9.6	11.0	7.5
Costs as % of income	18.7	17.2	20.5
Impairment charges for the period, %	(0.00)	0.00	0.10
Total capital ratio, %	28.8	28.9	29.6
CET1 capital ratio, %	22.6	22.3	23.1
Internal capital adequacy requirement, %	11.1	10.4	10.6
Average number of staff, full-time equivalent	106	125	116

[1] In calculating the return on equity, AT1 capital raised in 2016 is treated as a financial liability for accounting purposes, and the dividends for the period thereon for accounting purposes are treated as interest expenses for subordinated debt through profit and loss for the period.

As part of the ongoing adjustment of internal and external financial reporting, as from Q3/2017, various changes have been made to the presentation of profit for the period. Following these changes, the income statement items "Income from core business", "Profit from core business before impairment charges" and "Profit from core business" will not be reported going forward. In future, the designations "Income", "Business profit before impairment charges" and "Profit before tax" will be used.

The most important change is the recognition of investment portfolio income in "Income" and a more differentiated presentation of the Company's income going forward. Investment portfolio income was previously presented as a separate item.

In future financial reporting, "Profit from core business" will be replaced by the new key item "Profit before tax". "Profit before tax" comprises the previous item "Investment portfolio income", which is now recognised in "Income".

The change will not affect the Company's profit, comprehensive income, balance sheet or equity.

Q1/2018 – summary

Totalkredit recorded a profit before tax of DKK 686m against DKK 785m in the same period last year. Profit after tax was DKK 575m against DKK 612m in Q1/2017, corresponding to return on average equity of 9.6%

Again in Q1/2018 the activity levels were above expectations, and as at 31 March 2018, loans and advances at nominal value amounted to DKK 640bn, equal to an increase of DKK 10bn on the beginning of the year.

Income fell chiefly as a result a decrease in income from trading, investment portfolio and other income of DKK 102m.

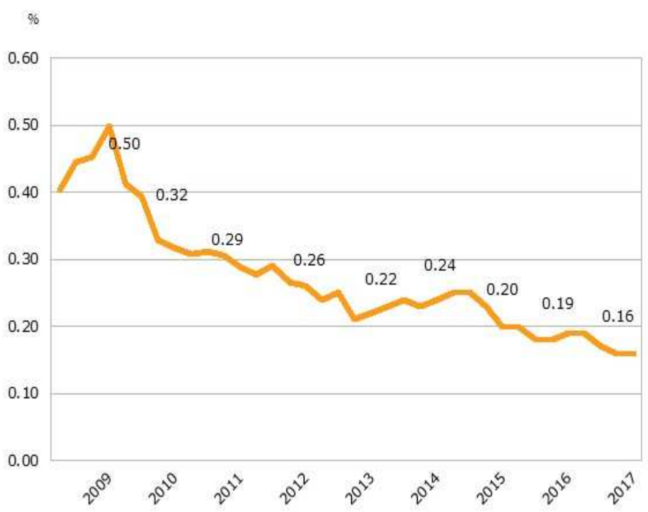
In Q1/2018 Totalkredit awarded a KundeKroner discount to the Company's customers. The discount amounted to DKK 233m, which was in part offset by a capital contribution from Forenet Kredit of DKK 182m.

Business profit before impairment charges
Income amounted to DKK 838m, down DKK 112m compared with Q1/2017. Income from loans and advances were up by around DKK 25m, while investment portfolio income saw a reduction of DKK 86m. This development should be viewed in the light of high investment portfolio income in Q1/2017. In addition, KundeKroner discounts were awarded in Q1/2018 in the net amount of DKK 51m against DKK 0 in Q1/2017.

Administration margin income fell by DKK 171m to DKK 1,260m, cf note 2 in the Financial Statements, which should be seen in the light of the KundeKroner discounts awarded in Q1/2018 of DKK 233m. No KundeKroner discounts were awarded in Q1/2017.

Costs came to DKK 157m, down DKK 6m on the same period last year. Salaries were unchanged, while other administration expenses fell by DKK 6m.

Arrears ratio, mortgage lending – 75 days past due



The average number of full-time equivalent staff totalled 106 compared with 125 in Q1/2017.

Totalkredit's contribution for Q1/2018 to the Danish Resolution Fund came to DKK 15m against DKK 17m in Q1/2017.

Business profit before impairment charges came to DKK 681m against DKK 787m in Q1/2017.

Impairment charges for loans and advances
Impairment charges for loans and advances were a gain of DKK 5m against a loss of DKK 2m in the same period last year. Property market trends were generally positive, which was reflected in relatively low impairment levels.

Stage 3 impairment provisions came to DKK 9m, while stage 1 and 2 impairment provisions totalled DKK 25m. Other impairment provisions were a gain of DKK 39m including set-offs of DKK 46m. In Q1/2017 individual impairment provisions came to DKK 17m, while collective impairment provisions came to DKK 19m. Compared with Q1/2017, impairment models and practice have been changed, and the figures are thus not comparable. Reference is made to note 1 in the Financial Statements.

The provisioning rate in Q1/2018 equalled 0.0% of lending, unchanged on the same period last year.

Write-offs for the period totalled DKK 103m, of which DKK 46m was covered by the partner banks by set-off against commission payable or by guarantees in Q1/2018. By comparison, write-offs came to DKK 138m, of which DKK 57m was set off against commission payable in Q1/2017.

Impairment provisions totalled DKK 1,531m against DKK 1,563m at the beginning of the year. The balance consisted of stage 1 and stage 2 impairment provisions of DKK 1,312m and stage 3 impairment provisions of DKK 219m. Individual and collective impairment provisions came to DKK 469m and DKK 1,094m, respectively, at end-2017. Impairment provisions equalled 0.23% of lending. At end-2017 this ratio was 0.25%.

The arrears ratio measured at the December due date, 75 days past due, was 0.16% against 0.19% at the same time in 2017. The graph shows the 0.16% compared with figures as at 31 December in previous years.

In Q1/2018 111 properties mortgaged by Totalkredit were sold as forced sales by public auction. In the same period, Totalkredit acquired 4 properties by foreclosure and sold 8. At 31 March 2018, the portfolio of properties acquired by foreclosure stood at 4 against 8 at the beginning of the year.

Lending
Totalkredit is Denmark's largest private residential mortgage provider. Measured at fair value, the loan portfolio amounted to DKK 653bn against DKK 644bn at the beginning of the year. At nominal value, the loan portfolio totalled DKK 640bn at 31 March 2018 compared with DKK 630bn at the beginning of the year.

Gross new lending was DKK 37bn, of which around DKK 6bn was loans offered through Nykredit Realkredit A/S.

Broken down by loan type, the share of interest-only loans in the loan portfolio fell from 51.1% at end-2017 to 49.9% at 31 March 2018. The share of variable-rate loans dropped from 55.4% to 54.9%. Of these loans, 6.8% had interest rate caps against 7.1% at the beginning of the year.

Loan-to-value ratios (LTVs)
The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, was 68% at 31 March 2018 against 69% at end-2017.

For the part of the loan portfolio which is funded by SDOs (Danish covered bonds) and for which LTV ratios exceed the statutory LTV limits of 80% for owner-occupied dwellings and, from 25 April 2017, 75% for holiday homes, supplementary collateral must be provided to bondholders. The supplementary collateral requirement averaged DKK 1.7bn in Q1/2018.

Totalkredit raises supplementary collateral by investing part of its own funds or borrowed funds, primarily proceeds from senior debt in issue, in particularly secure assets.

Totalkredit Capital and capital adequacy	31.03.2018	31.12.2017
DKK million		
Credit risk	88,035	86,402
Market risk	3,802	4,262
Operational risk	6,153	5,642
Total REA	**97,990**	**96,306**
Equity	26,838	26,300
Profit for the year not included[1]	(575)	-
AT1 capital	(4,047)	(4,048)
CET capital deductions	(3)	(3)
CET1 capital	**22,213**	**22,249**
AT1 capital	4,000	4,000
Tier 1 capital	**26,213**	**26,249**
Subordinated debt	2,000	2,000
Subordinated debt deductions	67	272
Own funds	**28,280**	**28,522**
CET1 capital ratio, %	22.6	23.1
Total capital ratio, %	28.8	29.6
Internal capital adequacy requirement (Pillar I and Pillar II),%	11.1	10.6

[1] Capital in Q1/2018 and Q1/2017 has been determined exclusive of profit for the period. Capital and capital adequacy are specified further in note 20.

Balance sheet
At end-March 2018, the balance sheet stood at DKK 737.7bn against DKK 736.1bn at the beginning of the year.

Assets essentially consist of three items: receivables from credit institutions of DKK 12.9bn, mortgage lending of DKK 653.6bn and a bond portfolio of DKK 69.2bn.

Liabilities essentially consist of payables to the Parent, Nykredit Realkredit A/S, totalling DKK 695.4bn, of which DKK 693.4bn related to the funding of mortgage loans, and DKK 1.7bn related to supplementary collateral for SDO-funded lending. At end-2017 payables amounted to DKK 693.3bn.

At 31 March 2018 Totalkredit's self-issued covered bonds totalled DKK 8.6bn compared with DKK 9.1bn at end-2017.

Equity including profit for the period totalled DKK 26.8bn at 31 March 2018 compared with DKK 26.3bn at end-2017.

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-Q1/2018 excludes Q1 results.

The risk exposure amount (REA) stood at DKK 98.0bn at end-Q1/2018 against DKK 96.3bn at end-2017.

The total capital ratio was 28.8% at end-March 2018 against 29.6% at end-2017. The Tier 1 capital ratio was 26.7% compared with 27.2% at end-2017, and the CET1 capital ratio was 22.6% compared with 23.1% at end-2017.

The internal capital adequacy requirement was 11.1% at end-March 2018 against 10.6% at end-2017.

OUTLOOK FOR 2018

In the Annual Report 2017, Totalkredit forecast more moderate market activity combined with continued low interest rate levels in 2018 compared with 2017. Overall, income was expected to decline moderately compared with 2017.

Based on the development in Q1/2018, guidance at the beginning of the year for profit before tax of around DKK 1.9bn-2.4bn was maintained.

In connection with the full-year outlook, it should be noted that especially the Danish interest rate markets, mortgage market activity and uncertainty about loan impairment charges may impact profit.

CREDIT RATINGS

The lending activities of Totalkredit and Nykredit Realkredit, Totalkredit's Parent, are jointly funded. Due to the joint funding, Totalkredit and Nykredit Realkredit use the same bond series to fund identical loans. Nykredit Realkredit issues the requisite bonds through capital centres that are rated AAA by S&P Global Ratings.

Covered bonds issued by Totalkredit through Capital Centre C are also rated AAA by S&P Global Ratings. Capital Centre C is not open for new lending.

SPECIAL ACCOUNTING CIRCUMSTANCES

Adjustment of the Financial Statements for 2016 and the Q1-Q3 interim reports for 2017

In December 2016, Totalkredit received a capital contribution from its parent, Nykredit Realkredit A/S, of DKK 4,000m, which was recorded in the balance sheet under "Subordinated debt". Subsequently, it has been established that the characteristics of the issue resemble those of a so-called Additional Tier 1 capital issuance, which, for accounting purposes, is treated as equity. This also means that current interest payments to the Parent must be treated as dividend for accounting purposes.

As a consequence, comparative figures for Q1-Q3/2017 have been restated, whereby subordinated debt has been reduced by DKK 4,000m, which has been transferred to equity.

Reference is made to "Accounting policies" in the Annual Report 2017 and correcting disclosure regarding Q1-Q3/2017 on page 28.

Change in impairment calculations

IFRS 9 was implemented on 1 January 2018. Totalkredit does not prepare its Financial Statements in accordance with IFRS/IAS, but complies with the provisions set out in the Danish FSA's Executive Order on Financial Reports, which is widely in line with IFRS, meaning that the principles governing recognition, measurement and classification are in accordance with the IFRS/IAS standards.

Value adjustment of mortgage loans measured at fair value is thus in accordance with the provisions set out in the Executive Order on Financial Reports, which is based on the principles in IFRS 13.

In practice, Totalkredit provides for credit impairment by applying the same methods as apply to lending measured at amortised cost, for which the principles were changed in Q1/2018 from being an actual credit loss model into being an expected credit loss model going forward. Reference is made to note 1.

SUPERVISORY DIAMOND

Totalkredit complies with the Danish FSA's provisions in all respects in Q1/2018.

OTHER

The KundeKroner benefits programme

The Committee of Representatives of Forenet Kredit decided on 22 March 2018 to make a total capital contribution of DKK 2.4bn to the companies of the Nykredit Group. Totalkredit A/S will receive DKK 1.7bn and Nykredit Realkredit A/S DKK 0.7bn to be paid out in 2018 and 2019.

Totalkredit A/S has decided that the contribution of DKK 1.7bn will go towards the customer benefits programme, KundeKroner. This contribution will secure the funding of discounts initially to personal customers, having a mortgage loan with Totalkredit, corresponding to an annual discount of DKK 1,500 on their administration margin payments in 2018 and 2019 for each million kroner borrowed. As at 1 July 2018 business customers will also receive an annual KundeKroner discount of DKK 1,500 for each million kroner borrowed. However, business customers with loans exceeding DKK 20m will only get a discount on their administration margin payments for the first DKK 20m of their debt outstanding.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	31 March 2018	Limit value
Lending growth in segment	Annual lending growth may not exceed 15%.		
Personal customers		6.8%	15.0%
Borrower's interest rate risk	The proportion of lending where the LTV ratio exceeds 75% of the LTV limit and where the loan rate is fixed for up to two years only may not exceed 25% of the total loan portfolio.		
Loans to private individuals and for residential rental		12.7%	25.0%
Interest-only loans	The proportion of IO loans for owner-occupied and holiday housing with an LTV above 75% of the statutory LTV limit may not exceed 10% of total lending.		
Personal customers		9.65%	10.0%
Loans with short-term funding	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.		
Refinancing (annually)		11.4%	25.0%
Refinancing (quarterly)		2.8%	13.0%
Large exposures	The sum of the 20 largest exposures must be less than equity.		
Loans and advances:equity		4.3%	100.0%

This means that after deduction of the KundeKroner discount, homeowners with fully mortgaged homes are currently enjoying the lowest administration margins in the market on our main products, including fixed-rate repayment loans, which is our most popular loan.
The idea behind the customer discounts is to ensure that the Group's customers feel the benefits of having a financial provider that is owned by its customers. Nykredit, Totalkredit and Forenet Kredit wish to share its progress with customers, so when Nykredit performs well, our customers share in the success.

Change in Totalkredit's Executive Board

Troels Bülow-Olsen, Managing Director of Totalkredit, turned 60 in April and wished to retire after having served the Company for almost 29 years. He retired at the end of April 2018. A recruitment process has been initiated to find a candidate for Totalkredit's Executive Board qualified to supplement and report to Camilla Holm, who will be heading up Totalkredit going forward.

BUSINESS CONCEPT

Totalkredit is a wholly-owned subsidiary of Nykredit Realkredit A/S. Totalkredit provides property loans through its partner banks – Danish local and national banks – as well as through Nykredit Realkredit A/S.

Lending is funded through the issuance of bonds by means of intercompany funding between Totalkredit A/S and Nykredit Realkredit A/S.

Totalkredit'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 loss risk relating to personal loans is hedged by agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments from Totalkredit to the partner banks.

Since 2014, a minor part of the right of set-off has been replaced by a loss guarantee provided by the partner banks.

EVENTS SINCE THE BALANCE SHEET DATE

No other events have occurred in the period up to the presentation of the Q1 Interim Report 2018 which materially affect the Company's financial position.

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 determination of the fair value of certain financial instruments, valuation of loans and advances as well as provisions.

Uncertainty as to recognition and measurement is described in detail in the accounting policies (note 1 in the Annual Report 2017), to which reference is made.

ALTERNATIVE PERFORMANCE MEASURES

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 financial governance. Readers of financial reports are thus provided with information that is relevant to their assessment of the financial performance.
As part of the Group's ongoing adjustment of its internal and external reporting, various changes have been made relative to the Q1 Interim Report 2017.

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, 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.

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

The change has no earnings impact.

Supplementary financial ratios

The financial highlights in the Management Commentary include a number of internal income statement items. It should be noted in particular that "Net interest income" in the Financial Highlights is based on net interest income from deposit and lending activities and is thus not directly comparable with "Net interest income" in the income statement.

The presentation is based on the same recognition and measurement principles that apply to the Financial Statements. This consequently means that key concepts such as "Profit (loss)", "Balance sheet" and "Equity" correspond to the items in the Financial Statements.

In relation to the internal presentation of income, a number of supplementary financial ratios are included in the Management Commentary.

"Profit (loss) for the period after tax as a % of average equity". Interest expenses for Additional Tier 1 (AT1) capital have been deducted from profit (loss), and Additional Tier 1 capital is considered a financial liability and is therefore not recognised in equity. Average equity is calculated on the basis of the value at the beginning of the period and at the end of the period.

"Costs as % of income" is calculated as the ratio of "Costs" to "Income".

MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 31 March 2018 of Totalkredit A/S.

The Annual Report is prepared in accordance with the Danish Financial Business Act, including the 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 Financial Statements give a true and fair view of the Company's assets, liabilities, equity and financial position at 31 March 2018 and of the results of its operations for the financial period 1 January–31 March 2018.

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

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

Copenhagen, 9 May 2018

Executive Board

Camilla Holm

Board of Directors

Michael Rasmussen
Chairman

Claus E. Petersen
Deputy Chairman

Petter Blondeau

John Christiansen

John Fisker

Karen Frøsig

David Hellemann

Gert Jonassen

Lasse Nyby

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

DKK million

	Note	Q1/2018	Q1/2017
INCOME STATEMENT			
Interest income	2	3,654	3,916
Interest expenses	3	2,357	2,474
Net interest income		**1,297**	**1,442**
Fee and commission income	4	136	114
Fee and commission expenses	5	804	744
Net interest and fee income		**629**	**813**
Value adjustments	6	27	137
Other operating income		182	-
Staff and administrative expenses	7	156	163
Other operating expenses		0	1
Impairment charges for loans, advances and receivables	8	(5)	2
Profit before tax		**686**	**785**
Tax	9	111	173
Profit for the period		**575**	**612**
STATEMENT OF COMPREHENSIVE INCOME			
Comprehensive income			
Profit for the period		575	612
Other comprehensive income		-	-
Comprehensive income for the period		**575**	**612**

BALANCE SHEET

DKK million

	Note	31.03.2018	31.12.2017
ASSETS			
Receivables from credit institutions and central banks	10	12,962	9,427
Loans, advances and other receivables at fair value	11	653,595	644,310
Loans, advances and other receivables at amortised cost	11	80	77
Bonds at fair value	12	69,161	80,558
Current tax assets		401	182
Deferred tax assets		0	-
Assets in temporary possession	13	16	9
Other assets	14	1,502	1,485
Prepayments		18	6
Total assets		**737,735**	**736,055**
LIABILITIES AND EQUITY			
Payables to credit institutions and central banks	15	695,406	693,278
Bonds in issue at fair value	15	8,600	9,104
Other liabilities	16	4,863	5,362
Total payables		**708,869**	**707,744**
Provisions for obligations		26	6
Provisions for deferred tax		3	5
Total provisions		**28**	**11**
Subordinated debt	17	2,000	2,000
Equity			
Share capital		848	848
Reserves			
- series reserves		1,646	1,646
- other reserves		20,297	19,758
Shareholder of Nykredit Realkredit A/S		**22,791**	**22,252**
Holders of Additional Tier 1 capital		4,047	4,048
Total equity		**26,838**	**26,300**
Total liabilities and equity		**737,735**	**736,055**
OFF-BALANCE SHEET ITEMS	18		
Contingent liabilities		-	-
Other commitments		2	2
Total		**2**	**2**

STATEMENT OF CHANGES IN EQUITY

DKK million

	Share capital	Series reserves	Retained earnings	Shareholder of Totalkredit A/S	Holders of AT1 capital	Total
Equity, 1 January 2018	**848**	**1,646**	**19,758**	**22,252**	**4,048**	**26,300**
Profit (loss) for the period	-	-	575	575	(47)	528
Total comprehensive income for the period	**-**	**-**	**575**	**575**	**(47)**	**528**
Interest on Additional Tier 1 capital	-	-	(47)	(47)	47	-
Tax on Additional Tier 1 capital	-	-	11	11	-	11
Equity, 31 March 2018	**848**	**1,646**	**20,297**	**22,791**	**4,047**	**26,838**
Equity, 1 January 2017	**848**	**1,646**	**18,167**	**20,661**	**4,012**	**24,674**
Profit for the period	-	-	612	612	-	612
Total comprehensive income for the period	**-**	**-**	**612**	**612**	**-**	**612**
Interest paid on Additional Tier 1 capital	-	-	(49)	(49)	49	-
Tax on Additional Tier 1 capital	-	-	11	11	-	11
Equity, 31 March 2017	**848**	**1,646**	**18,741**	**21,235**	**4,061**	**25,296**

The share capital consists of 8,480,442 shares of DKK 100 each. There is only one share class. The entire share capital is owned by Nykredit Realkredit A/S.

Totalkredit is included in the Consolidated Financial Statements of this company and the Consolidated Financial Statements of Forenet Kredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.8% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit may be obtained from the same.

Series reserves consist of an undistributable reserve fund established pursuant to section 220 of the Danish Financial Business Act in connection with Totalkredit's conversion into a public limited company in 2000. The capital is used to cover regulatory capital requirements and may otherwise only be used to cover losses not covered by amounts distributable as dividend in the public limited company.

At the beginning of 2017 reclassification was made between equity and subordinated debt of DKK 4,000m, the reason being that, in 2016, AT1 capital was classified as subordinated debt rather than as equity.

NOTES

NOTES

1. ACCOUNTING POLICIES

GENERAL

The Q1 Interim Report 2018 has been prepared in accordance with the Danish Financial Business Act and the Danish FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Executive Order on Financial Reports).

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

Changed accounting policies following amendments to the Danish Executive Order on Financial Reports

In July 2014, the IASB issued the final IFRS 9 "Financial Instruments", effective from 1 January 2018. The standard includes new provisions governing "classification and measurement of financial assets", "impairment of financial assets" and "hedge accounting".

In connection with the implementation of IFRS 9, the Danish Financial Supervisory Authority has issued amendments to the IFRS-compatible Executive Order on Financial Reports. The amended Executive Order comprises significant IFRS 9 elements, including impairment of loans and advances at amortised cost as well as classification of financial assets.

Totalkredit does not prepare its Financial Statements in accordance with IFRS, but complies with the provisions set out in the Danish FSA's Executive Order on Financial Reports, and as the basic principles for measurement of mortgage lending at fair value remains unchanged, the change of policies at 1 January 2018 has not had an impact on the Company's provisions, balance sheet and equity.

So far, Totalkredit has recorded impairment of loans and advances at fair value applying the same principles as are used when recording impairment of loans and advances measured at amortised cost, cf IAS 39. In accordance with amendments to the Danish Executive Order on Financial Reports, Totalkredit will, in line with its Parent, Nykredit Realkredit A/S, continue to record impairment of mortgage lending applying the same principles as are used for impairment of loans and advances at amortised cost and within the framework of the Executive Order on Financial Reports (cf the principles set out in IFRS 9).

Therefore, already in the Financial Statements for 2017, Totalkredit made a new accounting estimate of the impairment impact on mortgage lending and resolved to recognise the earnings impact in 2017. As this is an accounting estimate and not a change in accounting policies, the amount was charged to the income statement. The impact led to increased impairment provisions for mortgage lending of approx DKK 561bn, which was charged to the income statement. The earnings impact after tax totalled about DKK 438bn in 2017.

Calculations of the impairment of mortgage loans measured at fair value involve some adjustments relative to loans and advances measured at amortised cost. For loans and advances measured at fair value, the probability of increased credit losses (in the form of a risk premium) will thus be assessed, even if the loans are not credit impaired at the date of measurement. Furthermore, loans are not subject to impairment in stage 1 (12-month expected losses) already at the time of initial recognition, as this would go against the principles of fair value measurement.

Classification and measurement

The general principles for measurement of financial assets and liabilities will generally change following implementation of the Danish Executive Order on the amendments to the Executive Order on Financial Reports. But for Totalkredit, the implementation has not given rise to significant changes in the presentation and classification.

After initial recognition, financial assets must continue to be measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The measurement is based on classification of the individual financial assets in accordance with the Company's business model.

Going forward, classification of financial instruments will be based on the following business models:

- The asset is held to collect cash flows from payments of principal and interest (hold to collect business model). Measured at amortised cost (AMC).
- The asset is held to collect cash flows from payments of principal and interest and moderate sales activity (hold to collect and sell business model). Measured at fair value with changes recognised through other comprehensive income with reclassification to the income statement on realisation of the assets (FVOCI).
- Other financial assets are measured at fair value through profit or loss (FVPL). These include assets managed on a fair value basis, held in the trading book or assets, where contractual cash flows do not solely comprise interest and principal of the receivable. It is also still possible to measure financial assets at fair value with value adjustment through profit or loss, when such measurement significantly reduces or eliminates an accounting mismatch that would otherwise have occurred on measurement of assets and liabilities or recognition of losses and gains on different bases.

The principles of financial liabilities follow the accounting policies applied so far.

The Company's financial assets and business models were reviewed in 2017 to ensure correct classification thereof. The review included an assessment of whether collecting cash flows is a significant element, including whether the cash flows only consist of interest and principal.

This assessment is based on the assumption that ordinary rights to prepay loans and/or extend loan terms fulfil the condition that the cash flow is based on collection of interest and principal payments.

The assessment has not led to changes to the measurement and classification of financial assets.

Receivables from credit institutions as well as other receivables previously measured at amortised cost are still measured according to this principle.

The Company does not have any financial assets that are measured at fair value and value adjusted through other comprehensive income (FVOCI).

Mortgage loans are still measured at fair value (FVPL). The same applies to the liabilities that are issued for the purpose of funding these loans. Generally, mortgage loans are not transferred during their term, and the business model is based on holding the portfolio in order to collect the cash flows. However, in some cases, the Danish Executive Order on Financial Reports (and IFRS 9 as well as previously IAS 39) allows measurement at fair value through profit or loss. Mortgage loans granted in accordance with Danish mortgage legislation are funded by issuing listed covered bonds of uniform terms. Such mortgage loans may be prepaid by delivering the underlying bonds, and the Group buys and sells self-issued covered bonds on a continuing basis as they constitute a significant part of the Danish money market.

If mortgage loans and covered bonds in issue were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a timing difference between the recognition of gains and losses in the Financial Statements. Thus, the purchase price of the portfolio would not equal the amortised cost of the bonds in issue. If the portfolio of self-issued covered bonds was subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the remaining term-to-maturity.

In order to avoid the consequently inconsistent earnings impact, mortgage loans are measured at fair value involving an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the impairment need.

Other financial assets, including securities in the form of bonds and equities, will be measured at fair value through profit or loss after initial recognition. In relation to the bond portfolio, this should in the Company's assessment not be subject to the two business models that form the basis for measurement at amortised cost or measurement at fair value with recognition of changes in value in other comprehensive income.

The reason is that the business model behind the portfolio is not intrinsically based on collecting cash flows from payments of principal and interest but is based on, for example, short-term trading activity and investments focused on cost minimisation, where contractual cash flows do not constitute a central element but follow solely from the investment.

Measurement at fair value is otherwise performed according to unchanged principles.

Generally, financial liabilities should continue to be measured at amortised cost after initial recognition and separated from the embedded derivative financial instruments, if these are not closely related to the host contract. However, financial liabilities, which are issued with a view to funding mortgage lending, are measured at fair value through profit or loss, corresponding to previous practice.

Irrespective of the fact that a number of financial assets and liabilities must generally be measured at amortised cost, measurement at fair value is possible if the fair value measurement eliminates or reduces an accounting mismatch that would otherwise follow from different type measurement of one or more financial instruments. Financial liabilities may also be measured at fair value if the instrument is part of an investment strategy or a risk management system based on fair values and is continuously stated at fair value in the reporting to Management.

Derivative financial instruments (derivatives), which are assets or liabilities, are measured at fair value through profit or loss, and this is unchanged compared with current practice.

Impairment for expected credit losses

For Totalkredit, an important feature of the new Executive Order on Financial Reports is the new principles for calculation of impairment, especially in relation to mortgage loans at fair value. Other financial assets measured at amortised cost constitute an insignificant part of the Company's balance sheet and therefore, the impact in insignificant.

According to previous practice, impairment was based on objective impairment criteria. Implementation of the new impairment rules means that going forward impairment of loans and advances will be based on expected credit losses and that already at the time of granting (stage 1), loans and advances are subject to impairment corresponding to the expected credit losses arising from default within 12 months. These factors have led to increased impairment provisions. Mortgage lending measured at fair value is not subject to impairment for credit losses already at initial recognition, cf the above.

Loans are impaired in three stages depending on whether the credit risk has increased significantly since initial recognition:

- Stage 1 covers loans and advances without significant increase in credit risk. These are subject to impairments corresponding to expected credit losses in the event of default within the next 12 months. Loans and advances measured at amortised cost are subject to impairment already at the time of granting.
- Stage 2 covers loans and advances with significant increase in credit risk. These are subject to impairment corresponding to expected credit loss during the time-to-maturity.
- Stage 3 covers loans and advances in default or otherwise impaired. These are subject to impairment according to the same principles as loans and advances in stage 2 based on expected credit losses during the time-to-maturity, but with the difference that interest income attributable to the impaired part of loans and advances measured at amortised cost, is not recognised through profit or loss.

Impairment calculations are based on further development of existing methods and models for impairment, taking into account forward-looking information and scenarios. The definition of default has not been changed and will continue being dictated by the customer's financial position and payment behaviour (90-day arrears).

In expected loss calculations, time-to-maturity corresponds to the contractual maturity as a maximum, as adjustments are made for expected prepayments, as required. Nevertheless, for credit-impaired financial assets, the determination of expected losses should be based on contractual maturity.

Model-based impairment in stages 1 and 2 are based on transformations of PD and LDG values to short-term (12 months) or long term (remaining life of the product/cyclicality). The parameters are based on Nykredit's IRB models, and forward-looking information is determined according to the same principles as apply to regulatory capital and stress tests. For a small fraction of portfolios with no IRB parameters, simple methods are used based on appropriate loss ratios.

A key element of the determination of impairment is establishing when a financial asset should be transferred from stage 1 to stage 2. The following principles apply:

- For assets/facilities with 12-month PD <1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% and an increase in 12-month PD of 0.5pp.
- For assets/facilities with 12-month PD >1% at the time of granting: Increased PD for expected time-to-maturity of the financial asset of 100% or an increase in 12-month PD of 2.0pp.
- The Group considers that a significant increase in credit risk has occurred no later than when an asset is more than 30 days past due, unless special circumstances apply.

In stages 1 and 2, impairments are based on a number of potential outcomes (scenarios) of a customer's financial situation. In addition to historical experience, the models should reflect current conditions and expectations at the balance sheet date. The inclusion of scenarios must be probability-weighted and unbiased.

The choice of macro scenarios is significant to total impairments which are very sensitive to the choice of scenarios and probability weights.

Generally, three scenarios are applied:

- scenario reflecting the best estimate of the company (base-line)
- scenario reflecting high expected credit losses
- scenario with minor expected credit losses to cover an appropriate number of likely losses based on the best estimate of the company. Due to the currently favourable economic trends and the financial strength of our customers, the base-line and a fairly positive scenario currently seem to coincide. In case of changed economic trends, a scenario with an improved future outlook will be part of the calculation method.

The calculation of macro-economic scenarios is based on the assumptions of eg interest rates and property prices used to determine the internal capital adequacy requirement. The base-line scenario is considered best estimate and is included in the transaction matrices. The low scenario which is based on high expected credit losses corresponds to a "mild" stress in the capital model (used to determine the internal capital adequacy requirement).

Stage 3 includes loans and advances/facilities where observations indicate that the asset is credit impaired. Most often, this is where

- a borrower is experiencing considerable financial difficulties of owing to eg changes in income, financial assets and wealth, leading to the assumption that the customer is unable to fulfil their obligations
- a borrowers fails to meet their payment obligations
- there is an increased probability of bankruptcy or similar associated with a borrower
- a borrower is offered reduced payment arrangements (for example, interest rate and loan term) due to deterioration in the borrowers' financial circumstances.

Relative to small stage 3 exposures, the credit loss is determined using a portfolio model according to the same principles as are used in an individual assessment.

Model-based impairment is still subject to management judgement according to the same principles as are applied under the previous rules and is supplemented with an assessment of an improved/worsened macro scenario for the long-term Probability of Default (PD).

Impairments are offset against the relevant assets (loans, advances and receivables as well as bonds). Impairment provisions for guarantees and loan commitments are recognised as a liability.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and provisions of the Annual Report 2017.

OTHER INFORMATION

Apart from the above changes made due to the implementation of the new Executive Order on Financial Reports, the accounting policies are otherwise unchanged compared with the Annual Report 2017. For a full description of the accounting policies, please refer to note 1 of the Annual Report 2017, which is available at nykredit.com/reports.

All figures in the Q1/2018 Financial Statements 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 to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

DKK million

	Q1/2018	Q1/2017
2. INTEREST INCOME		
Receivables from credit institutions and central banks	(7)	(7)
Loans, advances and other receivables	2,371	2,446
Administration margin income	1,260	1,431
Bonds		
- self-issued covered bonds (SDOs, ROs)	0	1
- other covered bonds	32	61
- government bonds	-	-
Derivative financial instruments		
- interest rate contracts	(4)	(15)
Other interest income	2	1
Total	**3,655**	**3,917**
Set-off of interest from self-issued bonds	(0)	(1)
Total	**3,654**	**3,916**
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	2,309	2,381
Bonds in issue	33	46
Other payables to Nykredit Realkredit A/S	7	38
Subordinated debt	9	9
Other interest expenses	0	1
Total	**2,357**	**2,475**
Set-off of interest from self-issued bonds	(0)	(1)
Total	**2,357**	**2,474**
Subordinated debt is exclusive of interest relating to AT1 capital reclassified in Q4/2017.		
4. FEES AND COMMISSION INCOME		
Loan fees, new lending	78	63
Trading commission and other fees	59	51
Total	**136**	**114**
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	62	47
Commission to loan arrangers	691	652
Trading commission and other fees	51	44
Total	**804**	**744**
6. VALUE ADJUSTMENTS		
Mortgage loans	(611)	1,663
Bonds	73	156
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(50)	(54)
Other liabilities	4	35
Bonds in issue[1]	611	(1,663)
Total	**27**	**137**

[1] Bonds in issue, including payables to Nykredit Realkredit A/S relating to bonds issued by Nykredit Realkredit A/S in connection with the funding of mortgage loans granted by Totalkredit A/S.

DKK million	Q1/2018	Q1/2017
7. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	2	1
Staff expenses	19	20
Other administrative expenses	136	142
Total	**156**	**163**
Remuneration of Board of Directors and Executive Board		
Board of Directors		
Fees	0	0
Executive Board		
Salaries	2	1
Pensions	0	0
Total	**2**	**1**

Troels Bülow-Olsen retired from his position as Managing Director at end-April 2018.

Staff expenses		
Salaries	14	15
Pensions	2	2
Other social security expenses	3	3
Total	**19**	**20**
Number of staff		
Average number of staff, full-time equivalent	106	125

DKK million

8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES

	Total 2018	Total 2017
Total impairment provisions		
Beginning of period	**1,563**	**1,130**
Balance, 1 January 2018	**1,563**	
New impairment provisions as a result of additions and change in credit risk	711	1,214
Releases as a result of prepayments and change in credit risk	677	1,146
Impairment provisions written off	63	108
Transferred to "Impairment provisions for properties acquired by foreclosure"	4	17
Total provisions for impairment of loans, advances and receivables, and for guarantees	**1,531**	**1,072**
Earnings impact		
Change in impairment provisions for loans and advances (individual and collective)	-	67
Change in impairment provisions for loans and advances (stages 1-3)	34	-
Write-offs for the period, not previously provided for	36	11
Recoveries on claims previously written off	(5)	(9)
Total	**65**	**70**
Value adjustment of assets in temporary possession	(20)	(5)
Value adjustment of claims previously written off	(3)	(4)
Losses offset, cf partnership agreement concluded	(46)	(58)
Earnings impact, Q1	**(5)**	**2**

2018: Total impairment provisions by stage	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Total impairment provisions, end-2017 (Annual Report 2017)				1,563
Total, 1 January 2018	**447**	**840**	**276**	**1,563**
Impairment provisions for new loans and advances (additions)	0	1	0	1
Additions as a result of change in credit risk	299	292	120	710
Releases as a result of change in credit risk	245	321	111	677
Previously written down for impairment, now written off	-	-	67	67
Total impairment provisions, end of period	**500**	**811**	**219**	**1,531**
Earnings impact, Q1/2018	**53**	**(29)**	**9**	**34**

DKK million

8 A. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES (CONTINUED)

2017: Impairment provisions	Individual	Collective	Total impairment provisions
		¤	
Impairment provisions, beginning of period	554	576	1,130
Additions as a result of new loans and advances and change in credit risk	175	-	175
Releases as a result of change in credit risk	(127)	19	(107)
Other changes	(17)		(17)
Previously written down for impairment, now written off	(108)		(108)
Total impairment provisions, end of period	477	**596**	**1,072**
Earnings impact, Q1/2017	48	**19**	**67**

2018: Total impairment provisions by loans and advances	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total impairment provisions
Loans and advances				
Mortgage lending, gross	638,127	15,107	360	653,595
Impairment provisions, end of period	500	811	219	1,530
Loans and advances, carrying amount	**637,627**	**14,296**	**141**	**652,065**

2017: Total impairment provisions by loans and advances	Individual impairment provisions	Collective impairment provisions	Guarantees	Total impairment provisions
Loans and advances				
Mortgage lending, gross	3,372	40,685	-	44,057
Impairment provisions, end of period	477	596	-	1,072
Loans and advances, carrying amount	**2,895**	**40,090**	**-**	**42,985**

DKK million	Q1/2018	Q1/2017
8. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES (CONTINUED)		
Individual impairment provisions for properties acquired by foreclosure		
Impairment provisions, beginning of period	25	69
Transfer from impairment provisions for loans and advances	4	17
Impairment provisions for the period	1	2
Impairment provisions reversed	(20)	(8)
Impairment provisions written off	(5)	(19)
Impairment provisions, end of period	**5**	**61**
9. TAX		
Current tax rates, %	22.0	22.0
Non-deductible costs, %	5.9	(0.0)
Effective tax rate, %	**16.1**	**22.0**

DKK million	31.03.2018	31.12.2017
10. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	12,962	9,427
Total	**12,962**	**9,427**
11. LOANS, ADVANCES AND OTHER RECEIVABLES		
Loans, advances and other receivables at fair value	653,595	644,310
Loans, advances and other receivables at amortised cost	80	77
Total	**653,676**	**644,387**
Loans, advances and other receivables at fair value		
Mortgage lending	653,388	644,174
Arrears and outlays	207	136
Total	**653,595**	**644,310**
Mortgage lending		
Balance, beginning of period, nominal value	629,502	590,959
New loans	37,085	139,243
Ordinary principal payments	(2,960)	(10,314)
Prepayments and extraordinary principal payments	(24,019)	(90,386)
Balance, year-end, nominal value	**639,608**	**629,502**
Loans transferred relating to properties in temporary possession	(1)	(10)
Adjustment for interest rate risk	15,256	16,138
Adjustment for credit risk		
Individual impairment provisions	(163)	(362)
Collective impairment provisions	(1,312)	(1,094)
Balance, year-end, fair value	**653,388**	**644,174**
As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
Arrears before impairment provisions	142	97
Outlays before impairment provisions	121	146
Impairment provisions for arrears	(9)	(19)
Impairment provisions for outlays	(47)	(88)
Total	**207**	**136**
Mortgage arrears up to and including the December 2017 due date, for which no provisions have been made, amounted to DKK 0.		
Loans, advances and other receivables at amortised cost		
Mortgage lending	16	16
Other loans and advances	64	61
Total	**80**	**77**
Measured at fair value, the item amounted to DKK 80m at end-Q1/2018 and DKK 77m at end-2017.		
For mortgage lending, the following bank guarantees have been received:		
Supplementary guarantees in addition to mortgages on real estate	31,797	31,288
Statutory guarantees for interim loans	18,261	18,732
Guarantees for loans disbursed before obtaining a registered mortgage	21,924	25,699
Balance, year-end, nominal value	**71,982**	**75,719**

DKK million

	31.03.2018	31.12.2017
12. BONDS AT FAIR VALUE		
Self-issued covered bonds	78	81
Other covered bonds	69,161	80,558
Total	**69,238**	**80,639**
Transferred to set-off against "Bonds in issue at fair value" – note 15	(78)	(81)
Total bonds	**69,161**	**80,558**

	31.03.2018	31.12.2017
13. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, end of period	6	7
Outlays	13	13
Impairment provisions, end of period	(3)	(11)
Total	**16**	**9**

	31.03.2018	31.12.2017
14. OTHER ASSETS		
Positive market value of derivative financial instruments	15	9
Interest and commission receivable on loans and advances	1,051	900
Interest receivable from bonds and credit institutions	383	524
Other assets	53	52
Total	**1,502**	**1,485**

DKK million	31.03.2018	31.12.2017
15. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
Payables to credit institutions	306	332
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	1,702	4,486
Payables to Nykredit Realkredit A/S concerning funding of mortgage lending	693,398	688,460
Total	**695,406**	**693,278**
Of which payables to Nykredit Realkredit A/S concerning the funding of mortgage loans		
Balance, beginning of period, nominal value	672,904	626,799
Additions	49,726	203,297
Redemptions and prepayments	(42,308)	(149,206)
Prepayments and extraordinary principal payments	(1,638)	(7,986)
Balance, end of period, nominal value	**678,684**	**672,904**
Fair value adjustment	14,714	15,557
Total	**693,398**	**688,460**
Bonds in issue at fair value		
Covered bonds issued against mortgages on real estate		
Balance, beginning of period, nominal value	8,604	10,845
Redemptions and prepayments	(461)	(2,130)
Prepayments and extraordinary principal payments	(7)	(111)
Balance, end of period	**8,135**	**8,604**
Set-off of self-issued covered bonds	(78)	(81)
Fair value adjustment	542	581
Total	**8,600**	**9,104**
Covered bonds at next creditor payment date	403	461
16. OTHER LIABILITIES		
Interest and commission payable	4,164	4,518
Negative market value of derivative financial instruments	64	37
Other payables	635	787
Total	**4,863**	**5,342**

	31.03.2018	31.12.2017
DKK million		
17. SUBORDINATED DEBT		
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
Nykredit Realkredit A/S is creditor on the loans. Subordinated debt that may be included in own funds totalled DKK 2,000m against DKK 2,000m at 31 March 2018.		
Subordinate loan capital		
Nominal DKK 2,000m raised on 21 December 2015. The loan falls due at par (100) on 1 January 2026. The loan carries an interest rate of 2.1% above 3M Cibor	2,000	2,000
Total subordinate loan capital	**2,000**	**2,000**
No costs were incurred in connection with the redemption or raising of subordinate loan capital.		
Measured at fair value, subordinated debt amounted to about DKK 2,100m.		
In Q4/2017, a reclassification of DKK 4,000m was made from subordinated debt to equity		
18. OFF-BALANCE SHEET ITEMS		
Other commitments		
Contingent liabilities	-	-
Other liabilities	2	2
Off-balance sheet items	**2**	**2**

Other contingent liabilities

Totalkredit participates in the Danish resolution scheme, implying that a resolution fund must be built up at sector level (banks and mortgage lenders, etc), the purpose of which is to issue guarantees and provide loans, etc, to credit institutions in connection with restructuring and resolution measures.

The Resolution Fund was established on 1 July 2015 and must amount to at least 1% of the sector's covered deposits. The Resolution Fund will be based on annual contributions from the participating businesses and must be in place by end-2024. Totalkredit's contribution to the Danish Resolution Fund came to about DKK 0m in Q1/2018 and DKK 1m in the same period in 2017. Totalkredit further pays Nykredit Realkredit an amount corresponding to the part of the Group's contribution attributable to joint funding. The amount totalled about DKK 15m in Q1/2018.

The Company is jointly taxed in Denmark with Forenet Kredit f.m.b.a as the administration company. Pursuant to the Danish Corporation Tax Act, the Company is liable as from the financial year 2013 for income taxes, etc, payable by the jointly taxed companies and, as from 1 July 2012, for any obligations to withhold tax at source on interest, royalties and dividends of these companies. The total known net obligation to the Danish tax authorities (SKAT) of jointly taxed companies is stated in the Financial Statements of Forenet Kredit f.m.b.a.

19. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Nykredit Realkredit A/S, Copenhagen, Group enterprises and associates of Nykredit Realkredit A/S as well as Totalkredit A/S's Board of Directors and Executive Board and related parties thereof are regarded as related parties.

Transactions with Nykredit are based on agreements, and no unusual related party transactions occurred in 2018.

Agreements include intercompany funding, loan capital and supplementary collateral, referral commission, IT support and development, payroll and staff administration, asset and risk management, and other administrative tasks. Intercompany trading in goods and services took place on an arm's length or on a cost reimbursement basis.

Transactions with Totalkredit's Board of Directors, its Executive Board and related parties thereof exclusively include mortgage loans granted on the terms stated in Totalkredit's price list.

Significant related party transactions prevailing/entered into in Q1/2018 include Additional Tier 1 capital of DKK 4,000m received from Nykredit Realkredit A/S in 2016 as well as interest in the amount of DKK 47m in Q1/2018 and DKK 49m in Q1/2017. Interest is recorded as dividend for accounting purposes. In addition, the following should be mentioned:

Agreements between Totalkredit A/S and Nykredit Realkredit A/S
Totalkredit's mortgage lending is funded through a joint funding agreement with Nykredit Realkredit A/S, specified in note 15.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S serving as collateral in Totalkredit's capital centres. Lending stood at DKK 1.7bn at 31 March 2018 against DKK 4.5bn at 31 December 2017.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinated debt and Additional Tier 1 (AT1) capital. As at 31 March 2018, Totalkredit has received DKK 6bn from Nykredit Realkredit A/S in the form of subordinated debt of DKK 2bn and AT1 capital of a total of DKK 4bn.

Agreements between Totalkredit A/S and Nykredit Mægler A/S
Agreement on commission payable in connection with referral of lending business.

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

Agreement on commission payable in connection with referral of lending business. Nykredit Bank A/S may transfer secured homeowner loans to Totalkredit A/S.

DKK million

	31.03.2018	31.12.2017
20. CAPITAL AND CAPITAL ADEQUACY		
Own funds		
Equity, end of period[1]	26,838	26,300
Profit for the period not included	(575)	-
Additional Tier 1 capital	(4,047)	(4,048)
Difference between expected credit losses and impairment	(3)	(3)
Other deductions	-	-
Transitional adjustments	-	-
CET1 capital	**22,213**	**22,249**
AT1 capital	4,000	4,000
AT1 capital, deductions	-	-
Transitional adjustment of deductions	-	-
Set-off of excess deductions	-	-
Tier 1 capital	**26,213**	**26,249**
Tier 2 capital	2,000	2,000
Tier 2 capital, additions/deductions	67	272
Transitional adjustment of deductions	-	-
Own funds	**28,280**	**28,522**
Capital requirement		
Credit risk	7,043	6,912
Market risk	304	341
Operational risk	492	451
Total capital requirement	**7,839**	**7,704**
Total capital requirement subject to transitional rule[2]	**19,940**	**19,940**
Total REA	**97,990**	**96,306**
Financial ratios		
CET1 capital ratio, %	22.6	23.1
Total capital ratio, %	28.8	29.6
Required own funds and internal capital adequacy requirement		
Pillar I – primary risks		
Credit risk	7,043	6,912
Market risk	304	341
Operational risk	492	451
Total Pillar I	**7,839**	**7,704**
Pillar II – other risks		
Weaker economic climate	996	1,088
Other factors	2,062	1,464
Total Pillar II	**3,058**	**2,552**
Total required own funds	**10,897**	**10,256**
Total REA	**97,990**	**96,306**
Internal capital adequacy requirement, %	**11.1**	**10.6**

1 Equity for end-Q1/2018 has been determined exclusive of profit for the period.

2 The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the EU's Capital Requirements Regulation. The capital requirement must constitute at least 80% of the capital requirement determined under Basel I.

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. Nykredit Realkredit A/S has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement applies to Totalkredit. The requirement of 2% is being phased in and currently constitutes 1.6%. To this should be added the phase-in of the permanent buffer requirement applicable to all financial institutions. It currently constitutes 1.88%.

	Q1/ 2018	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014
					DKK million
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	1,297	1,442	1,180	1,270	1,080
Net fee income	(668)	(630)	(505)	(489)	(464)
Net interest and fee income	**629**	**813**	**676**	**781**	**616**
Value adjustments	27	137	54	76	(15)
Other operating income	182	-	0	0	0
Staff and administrative expenses	156	163	155	127	95
Other operating expenses	0	1	0	0	-
Impairment charges for loans, advances and receivables	(5)	2	43	156	18
Profit before tax	**686**	**785**	**530**	**574**	**487**
Tax	111	173	117	135	119
Profit for the period	**575**	**612**	**413**	**438**	**368**
Total comprehensive income	**575**	**612**	**413**	**438**	**368**
SUMMARY BALANCE SHEET, END OF PERIOD	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Assets					
Cash balances and receivables from credit institutions and central banks	12,962	17,558	14,829	28,160	17,672
Mortgage lending	653,809	607,036	580,088	563,453	544,361
Bonds and equities	69,161	69,609	67,509	113,770	92,539
Remaining assets	1,803	1,595	1,903	3,459	2,971
Total assets	**737,735**	**695,798**	**664,330**	**708,842**	**657,543**
Liabilities and equity					
Payables to credit institutions and central banks	695,406	652,885	623,614	653,649	585,452
Bonds in issue	8,600	10,311	13,606	25,880	44,993
Remaining liabilities	4,892	5,305	6,084	8,661	7,977
Subordinated debt	2,000	2,000	2,000	3,100	3,100
Equity	26,838	25,296	19,026	17,552	16,022
Total liabilities and equity	**737,735**	**695,798**	**664,330**	**708,842**	**657,543**
Return on equity after tax, %	2.2	2.4	2.2	2.5	2.3
Return on equity before tax, %	2.6	3.1	2.8	3.3	3.1
Loans and advances:equity	24.4	24.0	30.5	32.1	34.0
Growth in loans and advances for the period, %	1.6	0.9	0.7	1.5	(0.2)
Impairment charges for the period, %	(0.00)	0.00	0.01	0.03	0.00
Income:cost ratio	5.52	5.74	3.68	3.03	5.29
Total capital ratio, %	28.8	28.9	23.9	20.9	21.3
Common Equity Tier 1 capital ratio, %	22.6	22.3	21.6	18.2	17.8
Foreign exchange position, %	7.5	0.1	(0.1)	0.3	0.3
Total impairment provisions, %	0.2	0.2	0.2	0.2	0.2
Average number of staff, full-time equivalent	106	125	127	113	129
Return on capital employed, %	0.1	0.1	0.1	0.1	0.1

MANAGEMENT COMMENTARY, CONTINUED

As previously mentioned, reclassification between subordinated debt and equity was made in 2017. The reclassification resulted in the below restatement of the 2017 interim reports. The earnings impact on the Annual Report 2016 was insignificant, as the loan was not raised until December 2016.

DKK million

Corrections per quarter (YTD)	Q1/ original	Q1/ restated	Q2/ original	Q2/ restated	Q3/ original	Q3/ restated
Q1-Q3/2017						
Summary income statement						
Interest income	3,916	3,916	7,833	7,833	11,619	11,619
Interest expenses	2,523	2,474	4,994	4,898	7,476	7,331
Net interest income	**1,394**	**1,442**	**2,839**	**2,935**	**4,142**	**4,288**
Net fee income	(630)	(630)	(1,272)	(1,272)	(1,925)	(1,925)
Net interest and fee income	**764**	**813**	**1,566**	**1,663**	**2,217**	**2,362**
Value adjustments	137	137	168	168	208	208
Other operating income	-	-	-	-	150	150
Staff and administrative expenses	163	163	345	345	528	528
Other operating expenses	1	1	1	1	1	1
Impairment charges for loans, advances and receivables	2	2	58	58	95	95
Profit before tax	**736**	**785**	**1,330**	**1,427**	**1,950**	**2,096**
Tax	162	173	293	314	396	428
Profit for the year	**574**	**612**	**1,037**	**1,113**	**1,554**	**1,667**
Total comprehensive income	**574**	**612**	**1,037**	**1,113**	**1,554**	**1,667**
SUMMARY BALANCE SHEET, END OF PERIOD	31.03.2017	31.03.2017	30.06.2017	30.06.2017	30.09.2017	30.09.2017
Assets						
Receivables from credit institutions and central banks	17,558	17,558	11,564	11,564	10,905	10,905
Loans, advances and other receivables at fair value	607,036	607,036	616,450	616,450	632,922	632,922
Loans, advances and other receivables at amortised cost	73	73	77	77	79	79
Bonds at fair value	69,609	69,609	77,830	77,830	71,168	71,168
Deferred tax assets	7	7	6	6	6	6
Assets in temporary possession	9	9	12	12	23	23
Remaining assets	1,495	1,495	1,205	1,205	1,663	1,663
Prepayments	12	12	16	16	12	12
Total assets	**695,798**	**695,798**	**707,160**	**707,160**	**716,777**	**716,777**
Liabilities and equity						
Payables to credit institutions and central banks	652,885	652,885	663,947	663,947	673,487	673,487
Bonds in issue at fair value	10,311	10,311	10,016	10,016	9,549	9,549
Current tax liabilities	45	45	176	176	279	279
Remaining liabilities	5,315	5,254	5,315	5,269	5,241	5,192
Total payables	**668,556**	**668,496**	**679,454**	**679,408**	**688,556**	**688,507**
Provisions for pensions and similar obligations	6	6	6	6	6	6
Subordinated debt	6,000	2,000	6,000	2,000	6,000	2,000
Equity						
Share capital	848	848	848	848	848	848
Reserves						
- series reserves	1,646	1,646	1,646	1,646	1,646	1,646
- other reserves	18,741	18,741	19,204	19,204	19,721	19,721
Shareholders' capital	**21,235**	**21,235**	**21,698**	**21,698**	**22,215**	**22,215**
Additional Tier 1 capital		4,061		4,048		4,049
Total equity	**21,235**	**25,296**	**21,698**	**25,746**	**22,215**	**26,264**
Total liabilities and equity	**695,798**	**695,798**	**707,160**	**707,160**	**716,777**	**716,777**