

To Nasdaq Copenhagen
and the press

17 August 2017

TOTALKREDIT A/S – A SUBSIDIARY OF NYKREDIT REALKREDIT A/S CONSOLIDATED IN THE NYKREDIT GROUP FINANCIAL STATEMENTS

H1 INTERIM REPORT – 1 JANUARY – 30 JUNE 2017

H1 – summary

- Profit from core business was up 22.9% to DKK 1,253m against DKK 1,019m in H1/2016.
- Income from core business was up 19.5% to DKK 1,657m against DKK 1,386m in H1/2016.
- Operating costs were DKK 346m against DKK 323m in H1/2016. Operating costs and depreciation as a percentage of core income from business operations were 19.3% against 22.2% in H1/2016.
- Impairment losses on loans and advances came to DKK 58m against DKK 44m in H1/2016. This trend reflected fewer individual impairment provisions and a rise in collective impairment provisions.
- Profit before tax subsequently totalled DKK 1,330m against DKK 1,089m in H1/2016, up 22.2%. Profit for the period rose from DKK 849m in H1/2016 to DKK 1,037m.
- At nominal value, the loan portfolio grew to DKK 606bn compared with DKK 591bn at the beginning of the year.

Own funds

- Equity stood at DKK 21.7bn at 30 June 2017 against DKK 20.7bn at end-2016.
- The total capital ratio and the Common Equity Tier 1 capital ratio were 30.4% and 23.7%, respectively, against 28.7% and 22.2% at end-2016.
- The internal capital adequacy requirement was unchanged at 10.4% compared with end-2016.

About Totalkredit A/S

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

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FINANCIAL HIGHLIGHTS

DKK million

	H1/ 2017	H1/ 2016	Q2/ 2017	Q2/ 2016	FY 2016
CORE EARNINGS AND PROFIT FOR THE PERIOD					
Core income					
- business operations	1,791	1,454	885	713	3,341
- senior secured debt	(26)	(53)	(7)	(23)	(98)
- interest expenses for subordinated debt	(115)	(20)	(58)	(10)	(52)
- securities	7	5	4	3	10
Income from core business	1,657	1,386	825	683	3,201
Operating costs and depreciation	346	323	183	168	673
Profit from core business before impairment losses	1,311	1,063	642	515	2,528
Impairment losses on loans and advances – mortgage lending	58	44	56	1	47
Profit from core business	1,253	1,019	586	514	2,482
Investment portfolio income	77	69	7	44	146
Profit before tax	1,330	1,089	593	559	2,628
Tax	293	240	131	123	579
Profit for the period	1,037	849	462	436	2,048
SUMMARY BALANCE SHEET					
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	31.12.2016
Assets					
Receivables from credit institutions	11,564	17,230	11,564	17,230	19,341
Mortgage loans at fair value	616,450	590,239	616,450	590,239	599,943
Bonds and equities	77,830	53,644	77,830	53,644	69,364
Remaining assets	1,317	1,647	1,317	1,647	1,878
Total assets	707,160	662,760	707,160	662,760	690,527
Liabilities and equity					
Payables to credit institutions	663,947	622,514	663,947	622,514	647,073
Bonds in issue at fair value	10,016	12,816	10,016	12,816	11,162
Remaining liabilities	5,499	5,967	5,499	5,967	5,631
Subordinated debt	6,000	2,000	6,000	2,000	6,000
Equity	21,698	19,462	21,698	19,462	20,661
Total liabilities and equity	707,160	662,760	707,160	662,760	690,527
FINANCIAL RATIOS					
Profit for the period as % pa of average equity	9.8	8.9	8.7	9.2	10.4
Profit from core business before impairment losses as % pa of average equity	12.4	11.2	12.1	10.8	12.9
Costs as % of core income	19.3	22.2	20.6	23.6	20.2
Impairment losses for the period, %	0.01	0.01	0.01	0.00	0.01
Total capital ratio, %	30.4	23.2	21.4	20.4	28.7
Common Equity Tier 1 capital ratio, %	23.7	21.0	19.0	17.8	22.2
Internal capital adequacy requirement, %	10.4	10.9	10.4	10.9	10.4
Average number of staff, full-time equivalent	121	129	129	129	132

H1/2017 – SUMMARY

Totalkredit recorded a profit from core business of DKK 1,253m against DKK 1,019m in the same period last year. Profit after tax was DKK 1,037m against DKK 849m in H1/2016.

Activity levels in H1/2017 were slightly above expectations, and in April 2017 nominal mortgage lending reached a historic milestone of DKK 600bn, totalling DKK 606bn at 30 June 2017.

Core income from business operations went up owing to increased administration margin income, whereas other income was lower than in the same period in 2016.

Profit from core business before impairment losses

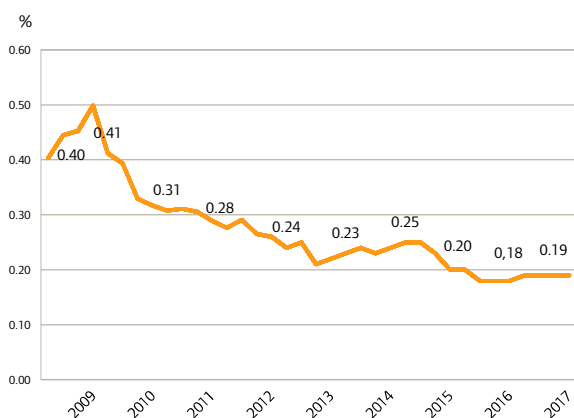
Income from core business was DKK 1,657m, up DKK 271m compared with H1/2016.

Core income from business operations was DKK 1,791m against DKK 1,454m in H1/2016. Administration margin income rose by DKK 549m to DKK 2,871m, cf note 2 of the Financial Statements, in part due to the administration margin adjustment on 1 July 2016 as well as growing loan portfolios. Commission to loan arrangers increased by DKK 278m, whereas other core income rose by DKK 66m.

In H1/2017 income from core business included interest expenses of DKK 115m partly relating to Additional Tier 1 capital raised at end-2016. Interest payable on senior secured debt and core income from securities amounted to DKK 26m and DKK 7m, respectively. In H1/2016 the amounts were DKK 53m and DKK 5m, respectively.

Operating costs and depreciation totalled DKK 346m, up DKK 23m on the same period last year. Wages were largely unchanged, whereas other administrative expenses went up by DKK 25m. The increase was attributable to the development of a new mortgage lending platform; a joint project launched by the Totalkredit Partners to build a future-proof shared IT platform.

Arrears ratio, mortgage lending – 75 days past due



The average number of full-time equivalent staff totalled 121 compared with 129 in H1/2016.

Totalkredit's contribution for H1/2017 to the Danish Resolution Fund came to DKK 31m against DKK 35m in H1/2016.

Profit from core business before impairment losses came to DKK 1,311m against DKK 1,063m in H1/2016.

Impairment losses on loans and advances

Impairment losses on loans and advances totalled DKK 58m against DKK 44m in the same period last year. Property market trends were generally positive, which was reflected in low impairment levels.

Net individual impairment provisions came to DKK 18m, whereas collective impairment provisions increased by DKK 40m. For H1/2016 collective impairment provisions were a gain of DKK 83m, whereas individual impairment provisions were a charge of DKK 126m.

In H1/2017, the expense equalled 0.01% of lending compared with 0.01% in the same period last year.

Write-offs for the period totalled DKK 250m, of which DKK 110m was covered by the partner banks by set-off against commission payable or by guarantees in H1/2017. In H1/2016 write-offs came to DKK 287m, of which DKK 124m was set off against commission payable.

Impairment provisions totalled DKK 1,067m against DKK 1,130m at the beginning of the year. The balance consisted of individual impairment provisions of DKK 451m and collective impairment provisions of DKK 616m against DKK 554m and DKK 576m, respectively, at end-2016. Impairment provisions equalled 0.19% of lending. At end-2016, this ratio was also 0.19%.

The arrears ratio measured at the December due date, 75 days past due, was 0.19% against 0.18% at the same time in 2016 and 0.19% at end-2016. The graph shows the 0.19% compared with figures as at 31 December in previous years.

In H1/2017, 514 properties mortgaged by Totalkredit were sold as forced sales by public auction. In the same period, Totalkredit acquired 29 properties by foreclosure and sold 27. At 30 June 2017, the portfolio of properties acquired by foreclosure stood at 21 against 19 at the beginning of the year.

Investment portfolio income

Investment portfolio income was DKK 77m against DKK 69m in the same period last year.

Lending

Totalkredit is Denmark's largest private residential mortgage provider.

Measured at fair value, the loan portfolio increased to DKK 616bn against DKK 600bn at the beginning of the year. At nominal value, the loan portfolio totalled DKK 606bn at 30 June 2017 compared with DKK 591bn at the beginning of the year.

Gross new lending was DKK 58bn, of which around DKK 9bn was loans offered through Nykredit Realkredit A/S and Nykredit Bank A/S.

Broken down by loan type, the share of interest-only loans in the loan portfolio fell from 53.0% at end-2016 to 52.0% at 30 June 2017. The share of variable-rate loans dropped from 56.8% to 56.0%. Of these loans, 8.9% had interest rate caps against 9.8% 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 70% at 30 June 2017, unchanged on end-2016.

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 11.9bn in H1/2017.

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

Totalkredit Capital and capital adequacy	30.06.2017	30.06.2016	2016
DKK million			
Credit risk	80,855	82,853	83,965
Market risk	4,061	3,355	3,708
Operational risk	5,642	4,624	4,624
Total REA	90,558	90,832	92,296
Equity	21,698	19,461	20,661
Common Equity Tier 1 capital deductions	(173)	(319)	(132)
Common Equity Tier 1 capital	21,525	19,143	20,528
Subordinated debt	6,000	2,000	6,000
Subordinated debt deductions	14	(62)	(13)
Own funds	27,539	21,081	26,516
Common Equity Tier 1 capital ratio, %	23.7	21.0	22.2
Total capital ratio, %	30.4	23.2	28.7
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.4	10.9	10.4

Balance sheet

At end-June 2017, the balance sheet stood at DKK 707.2bn against DKK 690.5bn at the beginning of the year.

Assets essentially consist of three items: receivables from credit institutions of DKK 11.6bn, mortgage lending of DKK 616.4bn and a bond portfolio of DKK 77.8bn.

Liabilities essentially consist of payables to the Parent, Nykredit Realkredit A/S, totalling DKK 663.9bn, of which DKK 659.1bn related to the funding of mortgage loans and DKK 4.7bn related to supplementary collateral for SDO-funded lending. At end-2016, payables amounted to DKK 647.0bn.

At 30 June 2017, Totalkredit's self-issued covered bonds totalled DKK 10.0bn compared with DKK 11.2bn at end-2016.

Equity including profit for the period totalled DKK 21.7bn at 30 June 2017 compared with DKK 20.7bn at end-2016.

CAPITAL AND CAPITAL ADEQUACY

Totalkredit's own funds include Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital after deductions.

The risk exposure amount (REA) was DKK 91bn at end-H1/2017 against DKK 92bn at the turn of the year.

The total capital ratio was 30.4% at the end of June 2017 against 28.7% at end-2016. The Tier 1 capital ratio was 28.1% compared with 26.5% at end-2016, and the Common Equity Tier 1 capital ratio was 23.7% compared with 22.2% at end-2016.

Totalkredit's internal capital adequacy requirement was 10.4% at the end of June 2017 compared with 10.4% at end-2016.

OUTLOOK FOR 2017

In the Annual Report 2016, Totalkredit forecast income from core business for 2017 just below the 2016 level and profit from core business below the level in 2016 when profit came to DKK 2.5bn.

The positive trend in income from core business in Q1/2017 continued into Q2/2017, and income from core business for the full year is now expected to match the 2016 level. Impairments are still expected to rise compared with 2016 and thus our guidance for profit from core business for 2017 is maintained.

In connection with the full-year guidance, it should be noted that especially the Danish interest rate markets, mortgage market activity and the level of uncertainty about loan impairment losses may impact profit from core business.

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

OTHER

Nykredit Group prepares for IPO

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 capital flexibility in the Group.

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

Customer loyalty bonuses

The first KundeKroner loyalty bonuses will soon be paid out to all personal customers of Totalkredit. Customers having a Totalkredit mortgage loan with a debt outstanding of DKK 1m will receive DKK 1,000 the first year. Under the programme, customers will receive quarterly cash discounts amounting to 0.1% pa of the debt outstanding. The amount will be offset against their administration margin payments, beginning with the payment 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.

When customers receive their loyalty bonuses as an administration margin discount, the amount will not be taxable as personal income, but the amount of interest and administration fees deductible for tax purposes will be reduced by the discount.

Change in Totalkredit's Board of Directors

Totalkredit's staff has voted to discontinue the staff representation of the Company's Board of Directors. The staff representatives thus stepped down from Totalkredit's Board of Directors when the annual general meeting was held on 15 March 2017.

Further changes were made to the Board of Directors as at 9 August 2017. The changes aim at strengthening Totalkredit's partnership with the partner banks.

Specifically, the changes mean that Kim Duus, Søren Holm and Anders Jensen (members of the Nykredit Group Executive Board) have stepped down from the Board, while John Fisker from Ringkjøbing Landbobank, Lasse Nyby from Spar Nord and John Christiansen from Lån & Spar Bank have joined the Board as new members.

Totalkredit continues to be a wholly-owned subsidiary of the Nykredit Group.

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 share of the risk of loss relating to the loan portfolio.

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 events have occurred in the period up to the presentation of the H1 Interim Report 2017 which affect the assessment of the Interim Report.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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 as well as other provisions, cf the mention in the Annual Report 2016.

Uncertainty as to recognition and measurement is described in detail in the Company's accounting policies (note 1) of the Annual Report 2016, to which reference is made.

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 June 2017 of Totalkredit A/S.

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

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

Copenhagen, 17 August 2017

Executive Board

Troels Bülow-Olsen

Camilla Holm

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

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.

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

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

		H1/2017	H1/2016	Q2/2017	Q2/2016
INCOME STATEMENT					
Interest income	2	7,833	7,700	3,917	3,874
Interest expenses	3	4,994	5,304	2,472	2,658
Net interest income		2,839	2,396	1,445	1,216
Fee and commission income	4	235	202	120	108
Fee and commission expenses	5	1,507	1,225	763	626
Net interest and fee income		1,566	1,373	802	697
Value adjustments	6	168	79	30	26
Other operating income		-	2	-	2
Staff and administrative expenses	7	345	321	182	165
Other operating expenses		1	1	0	1
Impairment losses on loans, advances and receivables	8	58	44	56	1
Profit before tax		1,330	1,089	594	559
Tax	9	293	240	131	123
Profit for the period		1,037	849	463	436
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income					
Profit for the period		1,037	849	463	436
Other comprehensive income		-	-	-	-
Comprehensive income for the period		1,037	849	463	436

BALANCE SHEET

DKK million

		30.06.2017	31.12.2016
ASSETS			
Receivables from credit institutions and central banks	10	11,564	19,341
Loans, advances and other receivables at fair value	11	616,450	599,943
Loans, advances and other receivables at amortised cost	11	77	68
Bonds at fair value	12	77,830	69,364
Current tax assets		-	35
Deferred tax assets		6	5
Assets in temporary possession	13	12	10
Other assets	14	1,205	1,754
Prepayments		16	7
Total assets		707,160	690,527
LIABILITIES AND EQUITY			
Payables to credit institutions and central banks	15	663,947	647,073
Bonds in issue at fair value	15	10,016	11,162
Current tax liabilities		176	-
Other liabilities	16	5,317	5,625
Total payables		679,456	663,860
Provisions for pensions and similar obligations		6	6
Subordinated debt	17	6,000	6,000
Equity			
Share capital		848	848
Reserves			
- series reserves		1,646	1,646
Total liabilities and equity		19,204	18,167
Off-balance sheet items		21,698	20,661
Off-balance sheet items		707,160	690,527
CONTINGENT LIABILITIES			
Other commitments	18	0	-
Total		1	7
		2	7

STATEMENT OF CHANGES IN EQUITY

DKK million

	Share capital	Series reserves	Retained earnings	Total
Equity, 1 January 2017	848	1,646	18,167	20,661
Profit for the period	-	-	1,037	1,037
Total comprehensive income for the period	-	-	1,037	1,037
Equity, 30 June 2017	848	1,646	19,204	21,698
Equity, 1 January 2016	848	1,646	16,119	18,613
Profit for the period	-	-	849	849
Total comprehensive income for the period	-	-	849	849
Equity, 30 June 2016	848	1,646	16,968	19,462

The share capital consists of 8,480,442 shares of DKK 100. 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 f.m.b.a, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.8% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit f.m.b.a may be obtained from the association.

Series reserves consist of a non-distributable 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.

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1. ACCOUNTING POLICIES

GENERAL

The H1 Interim Report 2017 has been prepared in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on the Presentation of Financial Statements).

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

No changes have been made to the Danish FSA's Executive Order on the Presentation of Financial Statements or other accounting provisions and interpretations, which influence the H1 Interim Report 2017.

The accounting policies are unchanged compared with the Annual Report 2016. For a description, please refer to the Annual Report 2016.

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

NOTES

DKK million

	H1/2017	H1/2016
2. INTEREST INCOME		
Receivables from credit institutions and central banks	(20)	(10)
Loans, advances and other receivables	4,870	5,205
Administration margin (income)	2,871	2,322
Bonds		
- Self-issued bonds	1	2
- Other covered bonds	85	144
- Government bonds	-	6
Derivative financial instruments		
- Interest rate contracts	24	34
Other interest income	3	0
Total	7,833	7,702
Set-off of interest from self-issued bonds	(1)	(2)
Total	7,833	7,700
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	4,736	5,047
Bonds in issue	89	131
Other payables to Nykredit Realkredit A/S	55	107
Subordinated debt	115	20
Other interest expenses	0	0
Total	4,994	5,306
Set-off of interest from self-issued bonds	(1)	(2)
Total	4,994	5,304
4. FEE AND COMMISSION INCOME		
Loan fees, new lending	132	111
Trading commission and other fees	103	91
Total	235	202
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	101	106
Commission to loan arrangers	1,313	1,036
Trading commission and other fees	92	83
Total	1,507	1,225
6. VALUE ADJUSTMENTS		
Mortgage lending	1,772	10,552
Bonds	244	189
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(130)	(127)
Other liabilities	54	18
Bonds in issue ¹	(1,772)	(10,552)
Total	168	79

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.

NOTES

DKK million

	H1/2017	H1/2016
7. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	3	3
Staff expenses	39	41
Other administrative expenses	302	277
Total	345	321
Remuneration of Board of Directors and Executive Board		
Board of Directors		
Fees	0	0
Executive Board		
Salaries	3	3
Pensions	0	0
Total	3	3
Staff expenses		
Salaries	30	30
Pensions	4	4
Other social security expenses	6	6
Total	39	41
Number of staff		
Average number of staff, full-time equivalents	121	129
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
Change in individual impairment provisions for loans and advances	87	199
Change in collective impairment provisions for loans and advances	40	(83)
Write-offs for the period	56	60
Recoveries on claims previously written off	13	12
Total impairment losses on loans, advances and receivables	169	164
Value adjustment of assets in temporary possession	7	7
Write-offs offset against commission payments to partner banks	(110)	(124)
Value adjustment of claims previously written off	(8)	(5)
Total	58	44
Specification of provisions for loan impairment		
Individual impairment provisions for loans and advances	451	519
Collective impairment provisions	616	707
Total impairment provisions	1,067	1,226
Individual impairment provisions for loans and advances		
Impairment provisions, beginning of period	554	553
Impairment provisions for the period	265	325
Impairment provisions reversed	178	126
Value adjustment of properties acquired by foreclosure	(19)	(26)
Impairment provisions written off	170	207
Impairment provisions, end of period	451	519

NOTES

DKK million

	H1/2017	H1/2016
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)		
Collective impairment provisions		
Impairment provisions, beginning of period	576	789
Impairment provisions for the period, net	40	(83)
Impairment provisions, end of period	616	707
Individual impairment provisions for properties acquired by foreclosure		
Impairment provisions, beginning of period	69	70
Transfer from impairment provisions for loans and advances	19	26
Impairment provisions for the period	13	15
Impairment provisions reversed	5	7
Impairment provisions written off	24	20
Impairment provisions, end of period	71	84
Specification of loans and advances		
Loans and advances subject to individual provisioning	3,366	3,022
Impairment provisions	451	519
Loans and advances after impairment	2,915	2,503
Loans and advances subject to collective provisioning	41,148	39,533
Impairment provisions	616	707
Loans and advances after impairment	40,532	38,826
9. TAX		
Current tax rate, %	22.0	22.0
Non-deductible costs, %	(0.0)	(0.0)
Effective tax rate, %	22.0	22.0

NOTES

DKK million

	30.06.2017	31.12.2016
10. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	11,564	19,341
Total	11,564	19,341
11. LOANS, ADVANCES AND OTHER RECEIVABLES		
Loans, advances and other receivables at fair value	616,450	599,943
Loans, advances and other receivables at amortised cost	77	68
Total	616,527	600,011
Loans, advances and other receivables at fair value		
Mortgage lending	616,281	599,721
Arrears and outlays	169	222
Total	616,450	599,943
Mortgage lending		
Balance, beginning of period, nominal value	590,959	570,806
New loans	58,649	137,047
Ordinary principal payments	(5,011)	(8,930)
Prepayments and extraordinary principal payments	(38,913)	(107,964)
Balance, end of period, nominal value	605,685	590,959
Loans transferred relating to properties in temporary possession	(41)	(32)
Adjustment for interest rate risk	11,608	9,849
Adjustment for credit risk		
Individual impairment provisions	(355)	(479)
Collective impairment provisions	(616)	(576)
Balance, end of period, fair value	616,281	599,721
As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
Arrears before impairment provisions	99	129
Outlays before impairment provisions	165	168
Impairment provisions for arrears	(30)	(3)
Impairment provisions for outlays	(66)	(72)
Total	169	222
Mortgage arrears up to and including the September 2016 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	60	52
Total	77	68
Measured at fair value, the item amounted to DKK 77m at end-Q1/2017 and DKK 68m at end-2016.		
For mortgage lending, the following bank guarantees have been received:		
Supplementary guarantees in addition to mortgages on real estate	27,557	23,980
Statutory guarantees for interim loans	17,525	16,644
Guarantees for loans disbursed before obtaining a registered mortgage	19,905	25,165
Balance, end of period, nominal value	64,987	65,790

NOTES

DKK million

	30.06.2017	31.12.2016
12. BONDS AT FAIR VALUE		
Self-issued ROs	87	329
Other covered bonds	77,830	69,364
Total	77,917	69,693
Transferred to set-off against "Bonds in issue at fair value" – note 15	(87)	(329)
Total bonds	77,830	69,364
13. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, end of period	16	11
Outlays	28	28
Impairment provisions, end of period	(32)	(29)
Total	12	10
14. OTHER ASSETS		
Positive market value of derivative financial instruments	5	22
Interest and commission receivable on loans and advances	1,018	1,169
Interest receivable from bonds and credit institutions	139	533
Remaining assets	44	29
Total	1,205	1,754

NOTES

DKK million

	30.06.2017	31.12.2016
15. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
Payables to credit institutions	162	95
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	4,675	10,976
Payables to Nykredit Realkredit A/S concerning funding of mortgage lending	659,111	636,001
Total	663,947	647,073
Of which payables to Nykredit Realkredit A/S concerning the funding of mortgage loans		
Balance, beginning of period, nominal value	626,799	593,450
Additions	97,602	185,904
Redemptions and prepayments	(74,688)	(142,592)
Prepayments and extraordinary principal payments	(1,610)	(9,964)
Balance, end of period, nominal value	648,102	626,799
Fair value adjustment	11,009	9,203
Total	659,111	636,001
Bonds in issue at fair value		
Covered bonds issued against mortgages on real estate		
Balance, beginning of period, nominal value	10,845	19,651
Redemptions and prepayments	(1,258)	(8,538)
Prepayments and extraordinary principal payments	(84)	(269)
Balance, end of period	9,503	10,845
Set-off of self-issued covered bonds	(87)	(329)
Fair value adjustment	599	646
Total	10,016	11,162
Covered bonds at next creditor payment date	439	789
16. OTHER LIABILITIES		
Interest and commission payable	4,431	4,812
Negative market value of derivative financial instruments	38	43
Other payables	849	771
Total	5,317	5,625

NOTES

DKK million

	30.06.2017	31.12.2016
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 Bank A/S is creditor on the loans. Subordinated debt that may be included in own funds totalled DKK 6,000m against DKK 6,000m at 30 June 2017.		
Subordinate loan capital		
Nominal DKK 2,000m raised on 21 December 2015. The loan falls due at par (100) on 1 January 2026 and carries an interest rate of 2.1% above 3M Cibor	2,000	2,000
Total subordinate loan capital	2,000	2,000
Additional Tier 1 capital		
Nominal DKK 4,000m raised on 9 December 2016. The loan is perpetual and carries an interest rate of 5.0% pa above 3M Cibor	4,000	4,000
Total Additional Tier 1 capital	4,000	4,000
Total subordinated debt	6,000	6,000
No costs were incurred in connection with the redemption or raising of subordinate loan capital. Measured at fair value, subordinated debt amounted to DKK 6,000m.		
18. OFF-BALANCE SHEET ITEMS		
Other commitments		
Contingent liabilities	0	-
Other liabilities	1	7
Off-balance sheet items	2	7

Additional 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 1m for H1/2017 and DKK 1m for the same period in 2016. Totalkredit further pays Nykredit Realkredit an amount corresponding to the part of the Group's contribution attributable to joint funding. In H1/2017 the amount totalled DKK 30m.

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 for income taxes etc payable by the jointly taxed companies as of the financial year 2013 and for any obligations to withhold tax at source on interest, royalties and dividends of these companies as of 1 July 2012. 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 intercompany agreements, and no unusual related party transactions occurred in H1/2017.

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 trade in goods and services took place on an arm's length basis 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 H1/2017 include:

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 4.7bn at 30 June 2017 against DKK 11.0bn at 31 December 2016.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinated debt. As at 30 June 2017, Totalkredit had raised loans totaling DKK 6.0bn with Nykredit Realkredit A/S in the form of subordinated debt.

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. In H1/2017, Totalkredit received secured homeowner loans of DKK 1.5bn from Nykredit Bank A/S.

NOTES

DKK million

	30.06.2017	31.12.2016
20. CAPITAL AND CAPITAL ADEQUACY		
Own funds		
Equity, end of period	21,698	20,661
Difference between expected losses and impairment losses	(3)	(206)
Other deductions	(212)	(9)
Transitional adjustments	42	82
Common Equity Tier 1 capital	21,525	20,528
Additional Tier 1 capital	4,000	4,000
Additional Tier 1 capital deductions	-	-
Transitional adjustment of deductions	(21)	(41)
Set-off of excess deductions	-	-
Total Additional Tier 1 capital after deductions	3,979	3,959
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	57	70
Transitional adjustment of deductions	(21)	(41)
Set-off of excess deductions	-	-
Own funds	27,539	26,516
Capital requirement		
Credit risk	6,468	6,717
Market risk	325	297
Operational risk	451	370
Total capital requirement	7,245	7,384
Total capital requirement subject to transitional rule¹	19,182	18,800
Total risk exposure amount	90,558	92,296
Financial ratios		
Common Equity Tier 1 capital ratio, %	23.7	22.2
Total capital ratio, %	30.4	28.7
Required own funds and internal capital adequacy requirement		
Pillar I – primary risks		
Credit risk	6,468	6,717
Market risk	325	297
Operational risk	451	370
Total Pillar I	7,245	7,384
Pillar II – other risks		
Weaker economic climate	1,045	1,097
Other factors	1,154	1,163
Total Pillar II	2,199	2,260
Total required own funds	9,443	9,644
Total risk exposure amount	90,558	92,296
Internal capital adequacy requirement, %	10.4	10.4

¹ 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 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish Financial Supervisory Authority.

NOTES

DKK million

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	2,839	2,396	2,508	2,136	1,567
Net fee income	(1,272)	(1,023)	(974)	(856)	(768)
Net interest and fee income	1,566	1,373	1,534	1,280	799
Value adjustments	168	79	13	(54)	(58)
Other operating income	-	2	0	0	0
Staff and administrative expenses	345	321	269	199	201
Other operating expenses	1	1	0	0	0
Impairment losses on loans, advances and receivables	58	44	309	138	245
Profit before tax	1,330	1,089	969	889	296
Tax	293	240	228	218	74
Profit for the period	1,037	849	741	671	222
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2017	30.06.2016	30.06.2015	30.06.2014	30.06.2013
Assets					
Cash balances and receivables from credit institutions and central banks	11,564	17,230	22,048	15,677	14,559
Mortgage lending	616,450	590,239	559,804	548,474	531,185
Bonds and equities	77,830	53,644	79,278	53,325	50,393
Remaining assets	1,317	1,647	2,915	3,506	3,577
Total assets	707,160	662,760	664,045	620,982	599,714
Liabilities and equity					
Payables to credit institutions and central banks	663,947	622,514	613,545	551,044	521,723
Bonds in issue	10,016	12,816	22,018	43,079	52,371
Remaining liabilities	5,499	5,967	7,528	7,435	7,209
Subordinated debt	6,000	2,000	3,100	3,100	3,100
Equity	21,698	19,462	17,854	16,325	15,311
Total liabilities and equity	707,160	662,760	664,045	620,982	599,714
Return on equity after tax, %	4.9	4.5	4.2	4.2	1.5
Return on equity before tax, %	6.3	5.7	5.5	5.6	1.9
Loans and advances:equity	28.4	30.3	31.4	33.6	34.7
Growth in loans and advances for the period, %	2.5	1.6	0.7	0.1	2.4
Impairment losses for the period, %	0.01	0.01	0.05	0.03	0.05
Income:cost ratio	4.30	3.97	2.68	3.63	1.66
Total capital ratio, %	30.4	23.2	21.4	20.4	21.9
Common Equity Tier 1 capital ratio, %	23.7	21.0	19.0	17.8	18.3
Foreign exchange position, %	0.2	1.7	0.3	0.5	0.1
Average number of staff, full-time equivalents	121	129	115	126	129
Return on capital employed, %	0.15	0.13	0.11	0.11	0.04

MANAGEMENT COMMENTARY (CONTINUED)

DKK million

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
SIX-QUARTER FINANCIAL HIGHLIGHTS						
Core income from						
Business operations	885	905	950	938	713	741
Senior secured debt	(7)	(19)	(23)	(23)	(23)	(30)
Interest expenses from subordinated debt	(58)	(57)	(22)	(10)	(10)	(10)
Securities	4	3	3	2	3	2
Income from core business	825	832	908	907	683	703
Operating costs and depreciation	182	163	188	161	168	157
Profit from core business before impairment losses	642	669	720	746	515	548
Impairment losses on loans and advances	56	2	(16)	19	1	43
Profit from core business	586	667	736	727	514	505
Investment portfolio income	7	70	32	44	44	25
Profit before tax	593	737	769	770	560	530
Tax	131	162	169	170	123	117
Profit for the period	462	575	600	600	437	413
SUMMARY BALANCE SHEET, END OF PERIOD						
	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Assets						
Cash balances and receivables from credit institutions and central banks	11,564	17,558	19,341	21,178	17,230	14,829
Mortgage lending	616,450	607,036	599,943	596,942	590,189	580,088
Bonds at fair value	77,830	69,609	69,364	80,654	53,644	67,509
Remaining assets	1,317	1,595	1,878	1,915	1,696	1,904
Total assets	707,160	695,798	690,527	700,689	662,760	664,330
Liabilities and equity						
Payables to credit institutions and central banks	663,947	652,885	647,073	660,000	622,514	623,614
Bonds in issue at fair value	10,016	10,311	11,162	12,076	12,816	13,606
Subordinated debt	6,000	6,000	6,000	2,000	2,000	2,000
Remaining liabilities	5,499	5,367	5,631	6,551	5,968	6,084
Equity	21,698	21,235	20,661	20,063	19,461	19,026
Total liabilities and equity	707,160	695,798	690,527	700,689	662,760	664,330

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.