To Nasdaq Copenhagen
and the press

23 August 2018

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

Interim Report for the period 1 January – 30 June 2018

H1 – summary

- At nominal value, the loan portfolio grew to DKK 650 billion compared with DKK 630 billion at end-2017.
- Profit after tax came to DKK 1,127 million against DKK 1,113 million in H1/2017.
- Income amounted to DKK 1,678 million in H1/2018 against DKK 1,831 million in H1/2017. Income without the effect of the KundeKroner discount came to DKK 1,781 million. The income reduction is mainly due to the introduction of the KundeKroner benefits programme and lower trading and investment portfolio income.
- In H1/2018, DKK 470 million was awarded to the customers as discounts under the KundeKroner benefits programme.
- Costs reduced to DKK 338 million against DKK 345 million in H1/2017.
- Impairment charges for loans and advances were a net reversal of DKK 2 million in H1/2018 against a charge of DKK 58 million in H1/2017.
- Profit (loss) for the period as % of average equity totalled 9.8%.

Own funds

- Equity stood at DKK 27.4 billion at 30 June 2018 against DKK 26.3 billion at end-2017.
- The total capital ratio and the Common Equity Tier 1 capital ratio were 29.6% and 23.4%, respectively, against 29.6% and 23.1% at end-2017.
- The internal capital adequacy requirement was 11.2% 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

DKK million

	H1/ 2018	H1/ 2017	Q2/ 2018	Q1/ 2018	FY/ 2017
BUSINESS PROFIT AND PROFIT FOR THE PERIOD					
Net interest income	1,509	1,557	758	751	3,111
Net fee income	270	249	137	133	510
Net interest from capitalisation	(16)	(37)	(8)	(8)	(62)
Trading, investment portfolio and other income	(85)	61	(46)	(38)	(15)
Income	**1,678**	**1,831**	**841**	**838**	**3,544**
Costs	338	345	182	157	726
Business profit before impairment charges	**1,340**	**1,485**	**659**	**681**	**2,818**
Impairment charges for loans and advances	(2)	58	3	(5)	637
Profit before tax	**1,342**	**1,427**	**656**	**686**	**2,181**
Tax	215	314	104	111	428
Profit for the period	**1,127**	**1,113**	**552**	**575**	**1,752**
Interest on AT1 equity capital not recognised in profit	94	97	48	47	193
SUMMARY BALANCE SHEET	30.06.2018	30.06.2017	30.06.2018	31.03.2018	31.12.2017
Assets					
Receivables from credit institutions	9,846	11,564	9,846	12,962	9,427
Mortgage loans at fair value	664,852	616,450	664,852	653,595	644,310
Bonds and equities	79,081	77,830	79,081	69,161	80,558
Remaining assets	1,421	1,317	1,421	2,017	1,760
Total assets	**755,199**	**707,160**	**755,199**	**737,735**	**736,055**
Liabilities and equity					
Payables to credit institutions	712,700	663,947	712,700	695,406	693,278
Bonds in issue at fair value	8,188	10,016	8,188	8,600	9,104
Remaining liabilities	4,958	5,451	4,958	4,892	5,373
Subordinated debt	2,000	2,000	2,000	2,000	2,000
Equity	27,353	25,746	27,353	26,838	26,300
Total liabilities and equity	**755,199**	**707,160**	**755,199**	**737,735**	**736,055**
FINANCIAL RATIOS					
Profit for the period as % pa of average equity[1]	9.8	9.5	8.8	9.6	7.5
Costs as % of income	20.2	18.8	21.6	18.7	20.5
Impairment charges for the period, %	(0.00)	0.01	0.00	(0.00)	0.10
Total capital ratio, %	29.6	30.4	29.6	28.8	29.6
Common Equity Tier 1 capital ratio, %	23.4	23.7	23.4	22.6	23.1
Internal capital adequacy requirement, %	11.2	10.4	11.2	11.1	10.6
Average number of staff, full-time equivalent	106	121	106	106	116

[1] In calculating the return on equity etc, 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. For more details, please refer to "Alternative performance measures" on page 7.

H1/2018 – summary

Totalkredit delivered a satisfactory financial performance in H1/2018, which exceeded our expectations and resulted in an upward revision of our outlook, forecasting profit before tax at the high end of the DKK 2,3-2.6 billion range. Again in H1/2018 the activity level was high, and total mortgage lending rose by 3% to DKK 665 billion on end-2017.

Totalkredit is focused on further strengthening the alliance with partner banks, and in H1/2018, this resulted in:

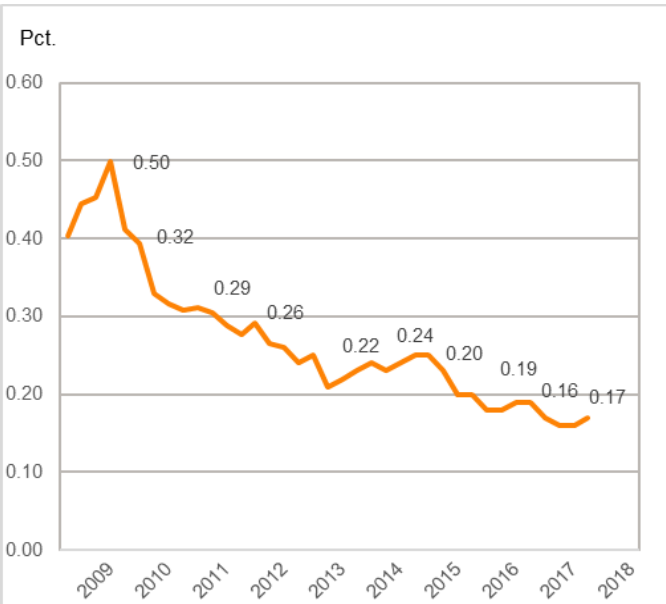
- Continued growth in lending across the country
- Development of joint IT solutions
- More KundeKroner discounts awarded in H1/2018.

The strong alliance with our partner banks has resulted in increased market share of 42.2% at end-June 2018 against 41.4% at end-2017. 41 banks, representing the majority of partner banks having business customers with mortgage needs, have started offering business mortgages.

The Totalkredit alliance is developing a joint future-proof IT platform, which will ensure that the alliance as a whole is better positioned to offer customers the best home financing options in the coming years. All three of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, including Totalkredit mortgage loans.

On 1 January 2018, the KundeKroner discount rate was raised from 0.10% to 0.15% per every million Danish kroner borrowed, resulting in more customer discounts awarded under the KundeKroner benefits programme in H1/2018.

Arrears ratio, mortgage lending – 75 days past due



In H1/2018, Totalkredit awarded KundeKroner discounts of DKK 470 million, which is 166 million more than in H2/2017. KundeKroner discounts are awarded to the Company's customers and are funded via contributions from Forenet Kredit, which distributed DKK 367 million to the Company in H1/2018. The distribution is recorded under "Other operating income" in the income statement.

Totalkredit's profit after tax came to DKK 1,127 million against DKK 1,113 million in H1/2017, corresponding to a return on average equity of 9.8%.

Income

Net interest income came to DKK 1,509 million. Excluding KundeKroner discounts awarded, this was an increase of 3.5% on end-2017, mainly driven by growth in lending. Conversely, there is a continued trend towards refinancing into fixed-rate loans and loans with longer refinancing intervals and lower administration margins.

Net fee income amounted to DKK 270 million and grew by DKK 21 million on H1/2017 due to increased activity.

Trading, investment portfolio and other income was affected by widening yield spreads in H1/2018. Consequently, income declined from DKK 146 million in H1/2017 to a loss of DKK 85 million in H1/2018.

Costs

Costs came to DKK 338 million, down DKK 7 million on the same period last year, driven by the reduction in the average number of full-time equivalent staff from 121 in H1/2017 to 106 in H1/2018.

Totalkredit's contribution for H1/2018 to the Danish Resolution Fund came to DKK 29 million against DKK 31 million in H1/2017.

Impairment charges for loans and advances etc

Impairment charges for loans and advances were a gain of DKK 2 million against an impairment charge of DKK 58 million in the same period last year. As in the previous quarters, property market trends were generally positive, which was reflected in relatively low impairment levels.

The provisioning rate in H1/2018 equalled 0.0% of lending against 0.1% in H1/2017.

Write-offs for the period totalled DKK 224 million, of which DKK 105 million was covered by the partner banks by set-off against commission payable or by guarantees in H1/2018. By comparison, write-offs came to DKK 250 million in H1/2017, of which DKK 110 million was set off against commission payable.

Impairment provisions totalled DKK 1,477 million against DKK 1,563 million at end-2017. Impairment provisions equalled 0.22% of lending. At end-2017 this ratio was 0.25%.

The arrears ratio measured at the December due date, 75 days past due, was 0.17% against 0.19% at the same time in 2017. The graph shows the 0.17% compared with figures as at 31 December in previous years.

In H1/2018, 234 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. The portfolio of properties acquired by foreclosure thus stood at 4 as at 30 June 2018.

Lending

Totalkredit is Denmark's largest private residential mortgage provider.

Measured at fair value, the loan portfolio grew to DKK 665 billion against DKK 644 billion at the beginning of the year. At nominal value, the loan portfolio totalled DKK 650 billion at 30 June 2018 compared with DKK 630 billion at the beginning of the year.

Gross new lending was DKK 70 billion, of which around DKK 10 billion 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 49.3% at 30 June 2018. The share of variable-rate loans dropped from 55.4% to 54.0%. Of these loans, 6.5% 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 30 June 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 8.3 billion in H1/2018.

Totalkredit Capital and capital adequacy	30.06.2018	31.12.2017
DKK million		
Credit risk	88,627	86,402
Market risk	4,613	4,262
Operational risk	6,153	5,642
Total REA	**99,393**	**96,306**
Equity	27,353	26,300
AT1 capital	(4,048)	(4,048)
CET1 capital deductions	(3)	(3)
CET1 capital	**23,302**	**22,249**
AT1 capital	4,000	4,000
Tier 1 capital	**27,302**	**26,249**
Subordinated debt	2,000	2,000
Subordinated debt deductions	202	272
Own funds	**29,505**	**28,522**
CET1 capital ratio, %	23.4	23.1
Tier 1 capital ratio, %	27.4	27.2
Total capital ratio, %	29.6	29.6
Internal capital adequacy requirement (Pillar I and Pillar II), %	11.2	10.6

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.

Balance sheet

Assets essentially consist of three items: receivables from credit institutions of DKK 9.8 billion, mortgage lending of DKK 664.9 billion and a bond portfolio of DKK 79.1 billion.

Liabilities essentially consist of payables to the Parent, Nykredit Realkredit A/S, totalling DKK 712.7 billion, of which DKK 710.7 billion related to the funding of mortgage loans, and DKK 1.7 billion related to supplementary collateral for SDO-funded lending. At end-2017 payables amounted to DKK 693.3 billion.

At 30 June 2018 Totalkredit's self-issued covered bonds totalled DKK 8.2 billion compared with DKK 9.1 billion at end-2017.

Equity including profit for the period totalled DKK 27.4 billion at 30 June 2018 compared with DKK 26.3 billion at end-2017.

RESULTS FOR Q2/2018 RELATIVE TO Q1/2018

In Q2/2018, profit before tax totalled DKK 656 million compared with 686 million in Q1/2018.

Income rose by DKK 3 million from DKK 838 million in Q1/2018 to DKK 841 million in Q2/2018. The period saw a positive development in the underlying business, signified by rising net interest and net fee income.

Income from trading, investment portfolio and other income was affected by widening yield spreads in Q2/2018. Consequently, income fell by DKK 8 million to a loss of DKK 46 million.

Impairment charges totalled DKK 3 million in Q2/2018, slightly up on Q1/2018.

CAPITAL AND CAPITAL ADEQUACY

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

Guarantees provided by Nykredit amounted to DKK 99.4 billion at end-H1/2018 against DKK 96.3 billion at end-2017.

The total capital ratio was 29.6% at end-June 2018, which was unchanged on end-2017. The Tier 1 capital ratio was 27.4% compared with 27.2% at end-2017, and the CET1 capital ratio was 23.4% compared with 23.1% at end-2017.

Totalkredit's internal capital adequacy requirement was 11.2% at end-June 2018 compared with 10.6% at end-2017.

OUTLOOK FOR 2018

At the presentation of the Annual Report for 2017, our guidance for profit before tax for 2018 was between DKK 1.9 billion and DKK 2.4 billion.

Based on the rate of lending growth in H1/2018, the resulting positive impact on income and the continued low impairment level, guidance for profit is revised up to DKK 2.3-2.6 billion.

The most significant uncertainty factors in respect of our outlook for 2018 relate to movements in interest rate markets and uncertainty about loan impairments.

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

Change in impairment calculations

Totalkredit prepares its Financial Statements in accordance with the provisions set out in the Danish FSA Executive Order on Financial Reports as amended at 1 January 2018 to incorporate key elements from IFRS 9. Reference is made to note 1.

SUPERVISORY DIAMOND

Totalkredit complies with all Supervisory Diamond benchmark limits as at 30 June 2018. See table below.

OTHER

The KundeKroner benefits programme

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

In Totalkredit A/S, the contribution of DKK 1.7 billion will go towards the customer benefits programme, KundeKroner. The contribution will secure the funding of KundeKroner discounts to personal customers having a mortgage loan with Totalkredit, corresponding to an annual discount of DKK 1,500 on their administration margin payments for each million kroner borrowed in 2018 and 2019. As from 1 July 2018, business customers will also receive annual discounts under the KundeKroner programme of DKK 1,500 for each million kroner borrowed.

Business customers with mortgage loans exceeding DKK 20 million will only get a discount on their administration margin payments for the first DKK 20 million of their debt outstanding.

This means that after deduction of the KundeKroner discount, Totalkredit 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 Totalkredit's 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. Together with our majority shareholder, Forenet Kredit, we want to share our progress with customers, so when Nykredit performs well, our customers share in the success.

Supervisory Diamond for mortgage lenders

Benchmark	Definition	30 June 2018	Limit value
Lending growth in segment			
Personal customers	Annual lending growth may not exceed 15%.	7.0%	15.0%
Borrower's interest rate risk			
Loans to private individuals and for residential rental	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.	12.4%	25.0%
Interest-only loans			
Personal customers	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.	9.5%	10.0%
Loans with short-term funding			
Refinancing (annually)	The proportion of loans to be refinanced must be below 25% per year and below 12.5% per quarter.	12.7%	25.0%
Refinancing (quarterly)		4.5%	13.0%
Large exposures			
Loans and advances:equity	The sum of the 20 largest exposures must be less than equity.	5.1%	100.0%

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.

From 1 May 2018, Camilla Holm took over the role of CEO of Totalkredit A/S.

As of 1 October 2018, Totalkredit welcomed Jan Schmidt as Managing Director. Jan Schmidt most recently served as Head of Market Areas at Danske Bank's Personal Banking unit.

Jan Schmidt will become a member of the Executive Board of Totalkredit A/S, serving alongside Camilla Holm, CEO.

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 H1 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 the Company's 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 the financial reports are thus provided with information that is relevant to their assessment of Nykredit's financial performance.

As part of the Group's ongoing adjustment of its internal and external reporting, various changes have been made relative to the H1 Interim Report 2017. The change has no earnings impact.

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.

"Income" comprises the items "Net interest and fee income", "Value adjustments" and "Other operating income" in the income statement.

"Net interest income" comprises interest income and administration margin income from mortgage lending, including KundeKroner discounts and contributions from Forenet Kredit recorded under "Other operating income" in the income statement. "Net fee income" includes refinancing and activity income. "Net interest from capitalisation" comprises the risk-free interest attributable to equity and net interest from subordinated debt.

Supplementary financial ratios etc.
The financial highlights of 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, at end-Q1 and at end-H1.

"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 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 2018 of Totalkredit A/S.

The Interim 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. The Interim Report is furthermore prepared in accordance with additional Danish disclosure requirements for annual 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 30 June 2018 and of the results of its operations for the financial period 1 January– 30 June 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, 23 August 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

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

	Note	H1/ 2018	H1/ 2017	Q2/ 2018	Q2/ 2017
INCOME STATEMENT					
Interest income	2	7,306	7,833	3,652	3,917
Interest expenses	3	4,700	4,898	2,343	2,424
Net interest income		**2,606**	**2,935**	**1,309**	**1,493**
Fee and commission income	4	256	235	119	120
Fee and commission expenses	5	1,605	1,507	800	763
Net interest and fee income		**1,257**	**1,663**	**628**	**850**
Value adjustments	6	55	168	28	30
Other operating income		367	-	185	-
Staff and administrative expenses		338	345	181	182
Other operating expenses		-	1	-	-
Impairment charges for loans, advances and receivables etc	7	(2)	58	3	56
Profit before tax		**1,342**	**1,427**	**656**	**642**
Tax	8	215	314	104	142
Profit for the period		**1,127**	**1,113**	**552**	**501**
STATEMENT OF COMPREHENSIVE INCOME					
Comprehensive income					
Profit for the period		1,127	1,113	552	501
Other comprehensive income		-	-	-	-
Comprehensive income for the period		**1,127**	**1,113**	**552**	**501**

BALANCE SHEET

DKK million

	Note	30.06.2018	31.12.2017
ASSETS			
Receivables from credit institutions and central banks	9	9,846	9,427
Loans, advances and other receivables at fair value	10	664,852	644,310
Loans, advances and other receivables at amortised cost	10	84	77
Bonds at fair value	11	79,081	80,558
Current tax assets		305	182
Deferred tax assets		0	-
Assets in temporary possession	12	15	9
Other assets	13	1,003	1,485
Prepayments		15	6
Total assets		**755,199**	**736,055**
LIABILITIES AND EQUITY			
Payables to credit institutions and central banks	14	712,700	693,278
Bonds in issue at fair value	14	8,188	9,104
Other liabilities	15	4,953	5,362
Total payables		**725,840**	**707,744**
Provisions for obligations		6	6
Provisions for deferred tax		-	5
Total provisions		**6**	**11**
Subordinated debt	16	2,000	2,000
Equity			
Share capital		848	848
Reserves			
- series reserves		1,646	1,646
- other reserves		20,812	19,758
Shareholder of Totalkredit A/S		**23,306**	**22,252**
Holders of Additional Tier 1 capital		4,048	4,048
Total equity		**27,353**	**26,300**
Total liabilities and equity		**755,199**	**736,055**
OFF-BALANCE SHEET ITEMS	17		
Contingent liabilities		-	-
Other commitments		0	2
Total		**0**	**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 for the period	-	-	1,127	1,127	-	1,127
Total comprehensive income for the period	**-**	**-**	**1,127**	**1,127**	**-**	**1,127**
Interest on Additional Tier 1 capital	-	-	(94)	(94)	-	(94)
Tax on Additional Tier 1 capital	-	-	21	21	-	21
Equity, 30 June 2018	**848**	**1,646**	**20,812**	**23,306**	**4,048**	**27,353**
Equity, 1 January 2017	**848**	**1,646**	**18,167**	**20,661**	**4,012**	**24,674**
Profit for the period	-	-	1,113	1,113	48	1,161
Total comprehensive income for the period	**-**	**-**	**1,113**	**1,113**	**48**	**1,161**
Interest paid on Additional Tier 1 capital	-	-	(97)	(97)	-	(97)
Tax on Additional Tier 1 capital	-	-	21	21	(12)	9
Equity, 30 June 2017	**848**	**1,646**	**19,204**	**21,698**	**4,048**	**25,746**

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 78.9% of Nykredit Realkredit A/S. The Financial Statements [in Danish] of Forenet Kredit may be obtained from the same.

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.

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

NOTES

NOTES

1. ACCOUNTING POLICIES

GENERAL
The H1 Interim Report 2018 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. (the Danish Executive Order on Financial Reports) issued by the Danish Financial Supervisory Authority (FSA).

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

All figures in the H1/2018 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 to the nearest whole million Danish kroner, the sum of individual figures and the stated totals may differ slightly.

Changes to the Executive Order on Financial Reports
The international financial reporting standards IFRS 9 "Financial Instruments" entered into force on 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 includes significant IFRS 9 elements, including provisions governing 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 the Danish FSA's Executive Order on Financial Reports, and as the basic principles for measurement of mortgage lending at fair value remain 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, see 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 Danish Executive Order on Financial Reports (see 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 561 million, which was charged to the income statement. The earnings impact after tax totalled about DKK 438 billion in 2017.

Calculations of mortgage loan impairment 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 have changed following amendments to the Danish 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.
- 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 or 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 etc 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, the Danish Executive Order on Financial Reports (and IFRS 9 and 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 Company 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, 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 or measurement at fair value and value adjusted through 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 is 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. This has led to increased impairment provisions. Mortgage lending measured at fair value is not subject to impairment for credit losses already at initial recognition in accordance with 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 etc 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 etc measured at amortised cost are subject to impairment already at the time of granting.
- Stage 2 covers loans and advances etc with significant increase in credit risk. These are subject to impairment corresponding to expected credit losses during the time-to-maturity.
- Stage 3 covers loans and advances etc 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 etc 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 is based on transformations of PD and LGD 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 0.5 percentage points.
- 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 2.0 percentage points.
- 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 past 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 (baseline)
- 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 baseline 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 baseline 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 owing to eg changes in income, capital and wealth, leading to the assumption that the customer is unable to fulfil their obligations
- borrowers fails to meet their payment obligations
- there is an increased probability of bankruptcy or similar associated with a borrower
- a borrower is offered more lenient contractual terms (for example, interest rate and loan term) due to deterioration in the borrower's financial circumstances.

Relative to 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 etc 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 the Company's 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.

DKK million

	H1/2018	H1/2017
2. INTEREST INCOME		
Receivables from credit institutions and central banks	(14)	(20)
Loans, advances and other receivables	4,719	4,870
Administration margin income	2,532	2,871
of which KundeKroner benefits programme	(470)	-
Bonds		
- self-issued covered bonds (SDOs, ROs)	0	1
- other covered bonds	41	85
- government bonds	-	-
Derivative financial instruments		
- interest rate contracts	25	24
Other interest income	4	3
Total	**7,306**	**7,834**
Set-off of interest from self-issued covered bonds	(0)	(1)
Total	**7,306**	**7,833**
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	4,605	4,736
Bonds in issue	63	89
Other payables to Nykredit Realkredit A/S	15	55
Subordinated debt	18	19
Other interest expenses	0	1
Total	**4,700**	**4,899**
Set-off of interest from self-issued covered bonds	(0)	(1)
Total	**4,700**	**4,898**
Subordinated debt is exclusive of interest relating to AT1 capital reclassified in Q4/2017.		
4. FEES AND COMMISSION INCOME		
Loan fees, new lending	150	132
Trading commission and other fees	106	103
Total	**256**	**235**
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	119	101
Commission to loan arrangers	1,389	1,313
Trading commission and other fees	96	92
Total	**1,605**	**1,507**
6. VALUE ADJUSTMENTS		
Mortgage loans	22	1,772
Bonds	191	244
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(142)	(130)
Other liabilities	6	54
Bonds in issue etc[1]	(22)	(1,772)
Total	**55**	**168**

[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

7. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC

	Loans and advances 2018	Loans and advances 2017	Credit institu-tions and other 2018	Loans and advances 2018	Loans and advances 2017
Total impairment provisions					
Beginning of period	**1,563**	**1,130**	**-**	**1,563**	**1,130**
Balance, 1 January 2018	**1,563**		**-**	**1,563**	
New impairment provisions as a result of additions and change in credit risk	820	304	8	828	304
Releases as a result of redemptions and change in credit risk	743	178	-	743	178
Impairment provisions written off	162	170	-	162	170
Transferred to "Impairment provisions for properties acquired by foreclosure"	1	19	-	1	19
Total provisions for impairment of loans, advances and receivables, and for guarantees	**1,477**	**1,067**	**8**	**1,485**	**1,067**
Earnings impact					
Change in impairment provisions for loans and advances (individual and collective)	-	126	-	-	126
Change in impairment provisions for loans and advances (stages 1-3)	77	-	8	85	-
Write-offs for the period, not previously provided for	59	56	-	59	56
Recoveries on claims previously written off	12	13	-	12	(13)
Total	**124**	**169**	**8**	**132**	**169**
Value adjustment of assets in temporary possession	(17)	7	-	(17)	7
Value adjustment of claims previously written off	(11)	(8)	-	(11)	(8)
Losses offset, in accordance with partnership agreement	(106)	(110)	-	(106)	(110)
Earnings impact, H1/2018	**(10)**	**58**	**8**	**(2)**	**58**

Total impairment provisions by stage as at 30.06.2018	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Total impairment provisions, end-2017 (Annual Report for 2017)				1,563
Total at 1 January 2018	**447**	**840**	**276**	**1,563**
Impairment provisions at 1 January 2018 determined according to IFRS 9 principles				
Transfer of impairments at the beginning of the period to stage 1	51	(51)	-	-
Transfer of impairments at the beginning of the period to stage 2	(29)	42	(13)	-
Transfer of impairments at the beginning of the period to stage 3	-	(23)	23	-
Impairment provisions for new loans and advances (additions)	23	28	49	100
Additions as a result of change in credit risk	199	417	112	728
Releases as a result of change in credit risk	298	327	118	743
Previously written down for impairment, now written off	-	-	162	162
Other changes	-	-	1	1
Total impairment provisions, end of period	**392**	**926**	**166**	**1,485**
Earnings impact, H1/2018	**(76)**	**118**	**43**	**85**

DKK million

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

Total impairment provisions by stage at 30.06.2017	Individual impairment provisions	Collective impairment provisions		Total
Impairment provisions, beginning of period	554	576		1,130
Additions as a result of new loans and advances and change in credit risk	265	-		265
Releases as a result of change in credit risk	(178)	40		(138)
Other changes	(19)			(19)
Previously written down for impairment, now written off	(170)			(170)
Total impairment provisions, end of period	451	**616**		**1,067**
Earnings impact, H1/2017	**87**	**40**		**126**

Total impairment provisions by loans and advances etc at 30.06.2018	Stage 1 (12 months expected credit losses)	Stage 2 (Lifetime expected credit losses)	Stage 3 (Lifetime expected credit losses)	Total
Loans and advances etc				
Mortgage lending etc, gross	648,713	17,003	530	666,245
Total impairment provisions, end of period	109	1,173	195	1,477
Loans and advances etc, carrying amount	**648,603**	**15,831**	**335**	**664,769**

Total impairment provisions by loans and advances etc 30.06.2017	Individual impairment provisions	Collective impairment provisions	Guarantees etc	Total
Loans and advances etc				
Mortgage lending etc, gross	3,366	41,148	-	44,513
Total impairment provisions, end of period	451	616	-	1,067
Loans and advances etc, carrying amount	**2,915**	**40,532**	**-**	**43,447**

DKK million		
	H1/2018	H1/2017
7. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND RECEIVABLES ETC (CONTINUED)		
Individual impairment provisions for properties acquired by foreclosure		
Impairment provisions, beginning of period	25	69
Transfer from impairment provisions for loans and advances	1	19
Impairment provisions for the period	2	13
Impairment provisions reversed	(20)	(5)
Impairment provisions written off	(5)	(24)
Impairment provisions, end of period	**3**	**71**
8. TAX		
Current tax rates, %	22.0	22.0
Non-deductible costs, %	6.0	(0.0)
Effective tax rate, %	**16.0**	**22.0**

DKK million

	30.06.2018	31.12.2017
9. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	9,846	9,427
Total	**9,846**	**9,427**
10. LOANS, ADVANCES AND OTHER RECEIVABLES		
Loans, advances and other receivables at fair value	664,852	644,310
Loans, advances and other receivables at amortised cost	84	77
Total	**664,936**	**644,387**
Loans, advances and other receivables at fair value		
Mortgage loans	664,769	644,174
Arrears and outlays	83	136
Total	**664,852**	**644,310**
Mortgage loans		
Balance, beginning of period, nominal value	**629,502**	**590,959**
New loans	70,348	139,243
Ordinary principal payments	(5,728)	(10,314)
Prepayments and extraordinary principal payments	(43,634)	(90,386)
Balance, end of period, nominal value	**650,488**	**629,502**
Loans transferred relating to properties in temporary possession	(5)	(10)
Adjustment for interest rate risk etc	15,681	16,138
Adjustment for credit risk		
Total	(1,395)	(1,457)
Balance, end of period, fair value	**664,769**	**644,174**
As collateral for loans and advances, Nykredit has received mortgages over real estate and:		
Arrears before impairment provisions	123	97
Outlays before impairment provisions	41	146
Impairment provisions for arrears	(50)	(19)
Impairment provisions for outlays	(32)	(88)
Total	**83**	**136**

Mortgage arrears up to and including the June 2018 due date, for which no provisions have been made, amounted to DKK 0.

	30.06.2018	31.12.2017
Loans, advances and other receivables at amortised cost		
Mortgage loans	13	16
Other loans and advances	71	61
Total	**84**	**77**

Measured at fair value, the item amounted to DKK 84 million at end-H1/2018 and DKK 77 million at end-2017.

	30.06.2018	31.12.2017
For mortgage loans, the following bank guarantees have been received:		
Supplementary guarantees in addition to mortgages on real estate	34,142	31,288
Statutory guarantees for interim loans	20,508	18,732
Guarantees for loans disbursed before obtaining a registered mortgage	20,228	25,699
Balance, end of period, nominal value	**74,878**	**75,719**

NOTES

DKK million

	30.06.2018	31.12.2017
11. BONDS AT FAIR VALUE		
Self-issued covered bonds	75	81
Other covered bonds	79,081	80,558
Total	**79,155**	**80,639**
Transferred to set-off against "Bonds in issue at fair value" – note 15	(75)	(81)
Total bonds	**79,081**	**80,558**
12. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, end of period	5	7
Outlays	13	13
Impairment provisions, end of period	(3)	(11)
Total	**15**	**9**
13. OTHER ASSETS		
Positive market value of derivative financial instruments etc	14	9
Interest and commission receivable on loans and advances	798	900
Interest receivable from bonds and credit institutions	132	524
Other assets	57	52
Total	**1,003**	**1,485**

DKK million	30.06.2018	31.12.2017
14. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
Payables to credit institutions	285	332
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	1,699	4,486
Payables to Nykredit Realkredit A/S concerning funding of mortgage lending	710,716	688,460
Total	**712,700**	**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	107,467	203,297
Redemptions and prepayments	(81,914)	(149,206)
Prepayments and extraordinary principal payments	(2,880)	(7,986)
Balance, end of period, nominal value	**695,577**	**672,904**
Fair value adjustment	15,139	15,557
Total	**710,716**	**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	(864)	(2,130)
Prepayments and extraordinary principal payments	(19)	(111)
Balance, end of period	**7,721**	**8,604**
Set-off of self-issued covered bonds	(75)	(81)
Fair value adjustment	542	581
Total	**8,188**	**9,104**
ROs maturing at next creditor payment date	334	461
15. OTHER LIABILITIES		
Interest and commission payable	4,303	4,518
Negative market value of derivative financial instruments etc	49	37
Other payables	601	807
Total	**4,953**	**5,362**

	30.06.2018	31.12.2017
		DKK million
16. 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 2,000 million against DKK 2,000 million at end-2017.		
Subordinate loan capital		
Nominal DKK 2,000 million 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 2,100 million.		
In Q4/2017, a reclassification of DKK 4,000 million was made from subordinated debt to equity.		
17. OFF-BALANCE SHEET ITEMS		
Other commitments		
Contingent liabilities	-	-
Other liabilities	0	2
Off-balance sheet items	**0**	**2**

Other contingent liabilities

Owing to its size and business scope, Totalkredit is continuously involved in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Company's financial position.

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 gross contribution to the Danish Resolution Fund came to about DKK 29 million for H1/2018 and DKK 31 million for the same period in 2017. Of this amount Totalkredit further pays Nykredit Realkredit an amount corresponding to the part of the Group's contribution attributable to joint funding. In H1/2018 the amount totalled DKK 28 million against DKK 30 million in H1/2017.

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.

18. 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 H1/2018 include Additional Tier 1 capital of DKK 4,000 million received from Nykredit Realkredit A/S in 2016 as well as interest in the amount of DKK 95 million in H1/2018 and DKK 97 million in H1/2017. 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. The loans totalled DKK 1.7 billion at 30 June 2018 against DKK 4.5 billion 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 capital. As at 30 June 2018, Totalkredit has received DKK 6 billion from Nykredit Realkredit A/S in the form of subordinated debt of DKK 2 billion and AT1 capital of a total of DKK 4 billion.

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	30.06.2018	31.12.2017
19. CAPITAL AND CAPITAL ADEQUACY		
Own funds		
Equity, end of period	27,353	26,300
Additional Tier 1 capital	(4,048)	(4,048)
Difference between expected credit losses and impairment charges	(3)	(3)
Other deductions	-	-
Transitional adjustments	-	-
CET1 capital	**23,302**	**22,249**
Additional Tier 1 capital	4,000	4,000
Tier 1 capital	**27,302**	**26,249**
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	202	272
Transitional adjustment of deductions	-	-
Own funds	**29,505**	**28,522**
Capital requirement		
Credit risk	7,090	6,912
Market risk	369	341
Operational risk	492	451
Total capital requirement	**7,951**	**7,704**
Total capital requirement subject to transitional rule[1]	**-**	**19,940**
Total REA	**99,393**	**96,306**
Financial ratios		
Common Equity Tier 1 capital ratio, %	23.4	23.1
Total capital ratio, %	29.6	29.6
Required own funds and internal capital adequacy requirement		
Pillar I – primary risks		
Credit risk	7,090	6,912
Market risk	369	341
Operational risk	492	451
Total Pillar I	**7,951**	**7,704**
Pillar II – other risks		
Weaker economic climate	989	1,088
Other factors	2,236	1,464
Total Pillar II	**3,225**	**2,552**
Total required own funds	**11,176**	**10,256**
Total REA	**99,393**	**96,306**
Internal capital adequacy requirement, %	**11.2**	**10.6**

[1] Total capital requirement subject to transitional rules was phased out on 1 January 2018.

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 A/S. 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, currently 1.9%, applicable to all financial institutions.

DKK million

	H1/ 2018	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014
20. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	2,606	2,935	2,396	2,508	2,136
Net fee income etc	(1,349)	(1,272)	(1,023)	(974)	(856)
Net interest and fee income	**1,257**	**1,663**	**1,373**	**1,534**	**1,280**
Value adjustments	55	168	79	13	(54)
Other operating income	367	-	2	-	-
Staff and administrative expenses	338	345	320	269	199
Other operating expenses	-	1	1	-	-
Impairment charges for loans, advances and receivables etc	(2)	58	44	309	138
Profit before tax	**1,342**	**1,427**	**1,089**	**969**	**889**
Tax	215	314	240	228	218
Profit for the period	**1,127**	**1,113**	**849**	**741**	**671**
Total comprehensive income	**1,127**	**1,113**	**849**	**741**	**671**
SUMMARY BALANCE SHEET, END OF PERIOD	30.06.2018	30.06.2017	30.06.2016	30.06.2015	30.06.2014
Assets					
Cash balances and receivables from credit institutions and central banks	9,846	11,564	17,230	22,048	15,677
Mortgage loans	664,852	616,450	590,239	559,804	548,474
Bonds and equities etc	79,081	77,830	53,644	79,278	53,325
Remaining assets	1,421	1,317	1,647	2,915	3,506
Total assets	**755,199**	**707,160**	**662,760**	**664,045**	**620,982**
Liabilities and equity					
Payables to credit institutions and central banks	712,700	663,947	622,514	613,545	551,044
Bonds in issue	8,188	10,016	12,816	22,018	43,079
Remaining liabilities	4,958	5,451	5,967	7,528	7,435
Subordinated debt	2,000	2,000	2,000	3,100	3,100
Equity	27,353	25,746	19,462	17,854	16,325
Total liabilities and equity	**755,199**	**707,160**	**662,760**	**664,045**	**620,982**
Return on equity before tax, %	5.0	5.7	5.7	5.5	5.6
Return on equity after tax, %	4.2	4.4	4.5	4.2	4.2
Loans and advances:equity	24.3	23.9	30.3	31.4	33.6
Growth in loans and advances for the period, %	3.3	2.5	1.6	0.7	0.1
Impairment charges for the period, %	(0.00)	0.01	0.01	0.05	0.03
Income:cost ratio	4.99	4.54	3.97	2.68	3.63
Total capital ratio, %	29.6	30.4	23.2	21.4	20.4
Common Equity Tier 1 capital ratio, %	23.4	23.7	21.0	19.0	17.8
Foreign exchange position, %	0.0	0.2	1.7	0.3	0.5
Total impairment provisions, %	0.0	0.2	0.2	0.2	0.2
Average number of staff, full-time equivalent	106	121	129	115	126
Return on capital employed, %	0.1	0.2	0.1	0.1	0.1

MANAGEMENT COMMENTARY (CONTINUED)

Reclassification between subordinated debt and equity was made in 2017. At the same time, treated as dividend for accounting purposes, the associated interest expenses ceased to be recognised through profit or loss. 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	7,477	7,331
Net interest income	**1,394**	**1,442**	**2,839**	**2,935**	**4,142**	**4,288**
Net fee income etc	(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 etc	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	5,317	5,269	5,241	5,192
Total payables	**668,556**	**668,496**	**679,456**	**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**

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.