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INTERIM REPORT – NYKREDIT REALKREDIT GROUP 1 JANUARY – 30 JUNE 2016

Michael Rasmussen, Group Chief Executive, comments on Nykredit's H1 Interim Report 2016

– Nykredit's profit from core business is satisfactory and exceeds expectations. Over the past three years, we have focused on becoming more customer centric, efficient and digital. Our efforts are once again reflected in our financial results. So is our persistent focus on secure and stable lending. Our impairment losses are very low. We raise our guidance for profit from core business in 2016 by DKK 500m.

– Total profit declines, however, due to negative value adjustment of our interest rate swaps. Their development depends on interest rates, which is beyond our control. What I am pleased to note is the continued growth in core business, which is the outcome of the dedicated efforts we make to improve the things we can control.

NYKREDIT REALKREDIT GROUP, RESULTS FOR H1/2016			
DKK million	H1/2016	H1/2015	Change
Income from core business	5,614	5,893	-279
Operating costs, depreciation and amortisation	2,366	2,420	54
Mandatory mortgage business contribution to the Danish Resolution Fund	69	-	-69
Impairment losses on loans and advances	125	449	324
Profit from core business	3,054	3,024	30
Value adjustment of interest rate swaps	(1,312)	454	-1,766
Investment portfolio income	533	491	42
Profit before tax	2,275	3,969	-1,694

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GROUP CHIEF EXECUTIVE'S STATEMENT

The Danish and the European economies are both in a moderate economic recovery. Domestic growth is modest, Danes are more inclined to save than to borrow and competition for customers is intensifying. At the same time, our external environment holds significant uncertainty. At the end of Q2 the British vote to leave the European Union caused repercussions – also in the Danish housing market. Moreover, Nykredit and the rest of the financial services sector will be facing more regulatory measures in several areas.

In other words, we and the financial services sector as such are operating under demanding conditions.

Growth in core business

Therefore, I am pleased to see that Nykredit's core business continues along the growth path seen since 2013. On the back of this performance, we have raised our guidance for profit from core business in 2016 by DKK 500m. This is driven by four factors in particular.

Firstly, lending has increased in both strands of our Winning the Double strategy. The first strand, the Totalkredit alliance, has increased its lending every year since the beginning in 1990 and does so again this year. This is not least thanks to the good relationship with our partner banks. And in the second strand, Nykredit, we have seen a net increase in the number of full-service homeowner customers as well as growth in bank lending.

Secondly, our performance was underpinned by the increasing efficiency and cost management. We have become fewer people in 2014 and 2015, and our headcount will continue to reduce in 2016, 2017 and 2018. We keep reshaping and streamlining our processes to free up as much time as possible for our customers, and we keep taking digitisation to new levels – for instance, we recently entered into a partnership with Lunar Way, a fintech company. In small and large steps, Nykredit is changing to become more efficient and customer centric. I would like to thank all Nykredit staff for their adaptability and for their commitment.

Thirdly, we have for a long time focused on building deeper relationships with our customers and on secure credit management. This has helped keep impairment levels low, particularly in Nykredit Bank, where impairments are being reversed. The Group saw total impairment losses of a mere DKK 125m compared with DKK 449m in H1/2015. We are very pleased about the improved outlook for our customers.

Fourthly, we were the first in Europe to issue a new bond type this year, senior resolution notes, which will help bolster Nykredit's capital position relating to new regulatory and credit rating agency requirements. We launched two issues, both very successful. The notes were sold at favourable prices, indicating that investors appreciate our IPO plans. The issues enable lower-than-budgeted interest expenses and will strengthen our operations in the coming years.

Nykredit has a robust core business as evidenced by our return on equity – delivering an improved return on our core business once again in H1/2016. Our core business is the foundation for future success. We can control it to some extent, and we have a clear strategy and plan for the future.

But there are also matters beyond our control.

The financial period under review ended only a week after the British EU referendum and with marked interest rate falls, prompting negative value adjustment of interest rate swaps. In the same period last year, we saw slightly rising interest rates, which yielded positive value adjustments. This explains the decline in total profit before tax compared with H1/2015. It is obviously unsatisfactory, but movements in interest rate swaps are beyond our control.

Stress test confirms our strategy

The new senior resolution notes caused S&P Global Ratings to announce in July that they had revised the outlook on Nykredit's credit rating from negative to stable. Above all, this is good news for our customers, as a rating downgrade could ultimately lead to higher loan rates.

However, regardless of the positive news from S&P Global Ratings, we will continue our focused efforts to strengthen our capital and our ratings. We recently participated in the EU-wide stress test, which confirmed that our current capital position is robust. But it also showed that in certain adverse scenarios our capital ratios would fall below the levels required to offer attractive loan rates. In such situations, it is a challenge that we do not have the same access to capital markets as our competitors. The stress test thus also demonstrated why it is vital – in a world of changing economic trends and new regulatory measures – that Nykredit becomes listed on the stock exchange and achieves the financial agility necessary for us as a systemically important financial institution to prepare for the future.

Regaining trust

The stress test also served as a reminder of why we made the difficult decision last winter to increase administration margins. The decision attracted much attention to Nykredit and Totalkredit. Many customers were and are, understandably, frustrated, and the overriding task right now is to maintain the dialogue with each individual customer, to listen and to explain the motivation for our decision. We must regain the lost trust. We can see that our image is improving again, but it is a long haul. It is a task that we take very seriously.

That is why we – together with our Totalkredit partners – will continue our efforts to meet our customers, to meet their evolving needs and to provide sound expert advice.

Yours sincerely



Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

	Nycredit Realkredit Group		
DKK million	H1/2016	H1/2015	FY 2015
RESULTS FROM CORE BUSINESS AND RESULTS FOR THE PERIOD			
Core income from			
- business operations	5,825	6,236	11,945
- senior and subordinated debt	(232)	(364)	(610)
- securities	21	21	38
Income from core business	5,614	5,893	11,373
Operating costs, depreciation and amortisation	2,366	2,420	5,005
Mandatory mortgage business contribution to the Danish Resolution Fund ¹	69	-	61
Profit from core business before impairment losses	3,179	3,473	6,307
Impairment losses on mortgage loans and advances	211	538	1,041
Impairment losses on bank loans and advances	(86)	(89)	(121)
Profit from core business	3,054	3,024	5,387
Value adjustment of interest rate swaps due to interest rate changes	(1,388)	864	685
Other value adjustment of interest rate swaps	76	(410)	(275)
Amortisation of goodwill and customer relationships	-	-	1,965
Investment portfolio income	533	491	750
Investment portfolio income, capital gains from the sale of strategic equities	-	-	103
Profit before tax	2,275	3,969	4,685
Tax	472	887	1,494
Profit for the period	1,803	3,082	3,191
Minority interests	1	-	-
Profit for the period excluding minority interests	1,802	3,082	3,191
Interest on Additional Tier 1 capital, charged against equity	116	80	197
Value adjustment of strategic equities against equity	(157)	306	7
SUMMARY BALANCE SHEET			
	30.06.2016	30.06.2015³	31.12.2015
Assets			
Receivables from credit institutions and central banks	43,706	47,410	23,253
Mortgage loans at fair value	1,127,725	1,119,080	1,119,101
Bank loans – excluding reverse repurchase lending	49,554	49,441	46,747
Bonds and equities	106,387	109,404	110,294
Remaining assets	79,922	81,773	84,394
Total assets	1,407,294	1,407,108	1,383,789
Liabilities and equity			
Payables to credit institutions and central banks	28,131	39,322	30,226
Deposits	69,547	65,935	62,599
Bonds in issue at fair value	1,142,561	1,146,975	1,137,314
Subordinated debt	11,260	4,646	11,006
Remaining liabilities	88,778	84,508	77,184
Equity	67,017	65,722	65,460
Total liabilities and equity	1,407,294	1,407,108	1,383,789
FINANCIAL RATIOS			
Profit for the period as % of average equity ²	5.4	10.0	5.0
Profit from core business before impairment losses as % pa of average equity ²	9.8	11.3	10.2
Profit from core business as % pa of average equity ²	9.4	9.8	8.6
Costs as % of core income from business operations	40.6	38.8	41.9
Total provisions for loan impairment – mortgage lending	5,494	5,628	5,694
Total provisions for loan impairment and guarantees – banking	2,649	3,403	2,952
Impairment losses for the period, % – mortgage lending	0.02	0.05	0.09
Impairment losses for the period, % – banking	(0.10)	(0.10)	(0.12)
Total capital ratio, %	24.8	20.3	23.9
Common Equity Tier 1 capital ratio, %	20.2	18.0	19.4
Internal capital adequacy requirement, %	11.6	12.0	11.8
Average number of full-time staff	3,648	3,785	3,757

¹ The item includes Nycredit Realkredit's and Totalkredit's mandatory contributions to the Danish Resolution Fund. The mortgage business had not made any contributions to similar schemes prior to Q3/2015.

² For the purpose of return on equity, the Additional Tier 1 (AT1) capital raised in 2015 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in profit for the year.

³ Adjusted for goodwill impairment of DKK 852m in Q4/2014, cf the supplementary, correcting disclosure for the Annual Report 2014 released on 5 November 2015.

The income statement format has been adjusted compared with 2015, now stating profit from core business, as this does not include value adjustment of interest rate swaps and goodwill impairment.

H1/2016 – IN BRIEF

RESULTS FOR H1/2016

The Nykredit Group recorded a profit before tax for H1/2016 of DKK 2,275m against DKK 3,969m in H1/2015.

Excluding the mandatory contribution by the mortgage business to the Danish Resolution Fund, profit from core business was DKK 3,123m, up DKK 99m on H1/2015.

Income from core business declined by DKK 279m to DKK 5,614m compared with H1/2015. The decline should be seen in light of the high mortgage activity level in H1/2015 due to a high refinancing level, whereas the level in 2016 was relatively low. Income in H1/2016 was also affected by lower income from the activities of Corporate & Institutional Banking and Nykredit Markets in Nykredit Bank.

Operating costs, depreciation and amortisation excluding the mandatory mortgage business contribution to the Danish Resolution Fund reduced by DKK 54m (2%).

The contribution to the Danish Resolution Fund was DKK 69m.

Impairment losses on loans and advances improved from a loss of DKK 449m in H1/2015 to a gain of DKK 125m in H1/2016. The positive trend derived entirely from mortgage lending.

Value adjustment of interest rate swaps was a loss of DKK 1,312m in H1/2016 against a gain of DKK 454m in H1/2015, equal to a negative earnings impact of DKK 1,766m. Of the negative value adjustment in H1/2016, DKK 1,388m was attributable to the swap rate development, which declined in H1/2016 partly due to the EU referendum in the UK.

Investment portfolio income grew by DKK 42m to DKK 533m.

The Group reported a post-tax profit of DKK 1,803m for H1/2016 compared with DKK 3,082m for H1/2015.

Equity was DKK 67,017m at end-H1/2016 against DKK 65,460m at end-2015, including Additional Tier 1 (AT1) capital of DKK 3,762m (EUR 500m raised in Q1/2015), which is recognised in equity for accounting purposes.

Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to the capital adequacy rules, came to DKK 61.6bn at end-H1/2016 against DKK 60.5bn at end-2015.

Profit from core business

Core income from business operations

Core income from business operations declined by DKK 411m, or 7%, to DKK 5,825m.

Core income from mortgage lending fell by DKK 340m, or 8%, to DKK 3,972m. The fall mainly stemmed from lower

activity income due to a drop in refinancing volumes relative to the high level in H1/2015. Gross new lending thus decreased from DKK 163bn in H1/2015 to a more normalised level of DKK 77bn in H1/2016. Income decreased in both Nykredit Realkredit and Totalkredit.

Nominal mortgage lending totalled DKK 1,108.4bn against DKK 1,114.3bn at end-2015. Totalkredit Partners recorded lending growth of DKK 5.3bn, whereas Retail and Wholesale Clients lending dropped by DKK 6.4bn and DKK 5.1bn, respectively.

Core income from banking totalled DKK 1,743m, down DKK 95m from H1/2015. This was mainly due to a DKK 167m decline in income from Wholesale Clients, prompted by lower income from the activities of Corporate & Institutional Banking and Nykredit Markets. Nykredit Markets recorded a high activity level in H1/2015.

Bank lending at amortised cost rose by DKK 2.8bn to DKK 49.6bn from DKK 46.7bn at end-2015, while deposits increased by DKK 6.9bn to DKK 69.5bn from DKK 62.6bn at end-2015.

Nykredit Bank's deposits at end-H1/2016 were affected by a DKK 1.7bn portfolio of deposits acquired from FIH Erhvervsbank A/S.

At end-H1/2016, Nykredit Bank's deposits exceeded lending by DKK 20.0bn compared with DKK 15.9bn at the beginning of the year.

Senior and subordinated debt

Nykredit's senior debt issues, including bail-inable bonds, came to DKK 24.4bn at end-H1/2016 against DKK 25.9bn at the beginning of the year, and net interest expenses amounted to DKK 128m against DKK 176m in H1/2015. Nykredit uses senior debt to fund supplementary collateral for covered bonds (SDOs) etc.

Nykredit had raised DKK 11.3bn of subordinated debt at end-H1/2016 compared with DKK 11.0bn at the beginning of the year. Net interest expenses came to DKK 104m against DKK 188m in H1/2015.

Core income from securities

The risk-free interest rate, which corresponds to the Danish central bank's average lending rate, fell from 0.06% to 0.05%. Income amounted to DKK 21m, the same as in H1/2015.

Operating costs, depreciation and amortisation

Operating costs and depreciation decreased by 2% from DKK 2,420m in H1/2015 to DKK 2,366m. Owing to the lower income level, costs as a percentage of core income from business operations grew from 38.8% to 40.6%.

The average staff number declined by 137 persons, or 4%, from 3,785 in H1/2015 to 3,648.

In H1/2016 costs were also influenced by a new mortgage business contribution of DKK 69m to the Danish Resolution Fund, which was established as at 1 July 2015.

Impairment losses on loans and advances

Impairment losses on loans and advances declined by a total of DKK 324m from DKK 449m in H1/2015 to DKK 125m. Impairment losses equalled negative 0.02% of total mortgage lending and negative 0.10% of total bank lending.

Impairment losses on mortgage lending declined by DKK 327m to DKK 211m. Impairment losses on mortgage lending to personal customers dropped by DKK 219m to DKK 103m, equal to 0.01% of lending. Impairment losses on mortgage lending to business customers dropped by DKK 108m to DKK 108m, equal to 0.03% of lending.

Impairment losses on bank lending changed by DKK 3m from a gain of DKK 89m in H1/2015 to a gain of DKK 86m. Retail and Wealth Management recorded an increase in impairment losses of DKK 7m and DKK 24m, respectively, whereas impairment losses in Wholesale Clients and Group Items reduced by DKK 28m to a total gain of DKK 113m in H1/2016.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 8.1bn at end-H1/2016 against DKK 8.5bn at the beginning of the year. In addition, provisions for value adjustment of interest rate swaps amounted to DKK 6.1bn against DKK 5.0bn at the beginning of the year.

Losses incurred on mortgage and bank lending for the period were DKK 732m against DKK 677m in H1/2015.

Value adjustment of interest rate swaps

Value adjustment produced a loss of DKK 1,312m in H1/2016 against a gain of DKK 454m in H1/2015, reflecting a fall in swap rates, which resulted in a loss of DKK 1,388m, and a reduction of DKK 76m in other provisions.

Losses incurred on terminated contracts totalled DKK 299m in H1/2016 against DKK 74m in H1/2015.

The Nykredit Group has no direct interest rate exposure from its portfolios of interest rate swaps due to interest rate hedging arrangements with major domestic and foreign banks. Therefore, value adjustments should in part be seen in the context of the uncertainty about the legal set-up of cooperative housing and customers' financial outlooks. The entire market value of swap contracts with customers having the lowest ratings has been adjusted to DKK 0.

Provisions for these interest rate swaps totalled DKK 6.1bn compared with DKK 5.0bn at end-2015.

Long-term swap rates were 1.1% at end-H1/2016. If the interest rate level changes by 1 percentage point, the value

adjustment will increase or decrease, as the case may be, by about DKK 1.9bn.

Investment portfolio income

Investment portfolio income amounted to DKK 533m against DKK 491m in H1/2015. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 477m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 56m.

Investment portfolio income equals excess income obtained from portfolios not allocated to the business areas in addition to risk-free interest. To this should be added the realised capital gains/losses from the sale of equities classified as available for sale (strategic equities).

The securities portfolio mainly consists of short-term government bonds and Danish covered bonds. Investments also include North and Central European government and covered bonds and, to a lesser extent, high-rated credit bonds.

The interest rate risk associated with the bond portfolio was largely eliminated through offsetting government bond sales or the use of interest rate swaps.

Tax

Tax calculated on profit for the period was DKK 472m, corresponding to an effective tax rate of 20.8%.

Additional Tier 1 capital

Nykredit issued EUR 500m worth of AT1 capital notes in February 2015. The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is treated as equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes and are recognised in equity. Interest calculated for H1/2016 totalled DKK 116m against DKK 80m for H1/2015.

RESULTS FOR Q2/2016

Results relative to Q1/2016

The Group recorded a profit before tax of DKK 1,380m in Q2/2016 against DKK 895m in Q1/2016.

Excluding the mandatory contribution by the mortgage business to the Danish Resolution Fund, profit from core business dropped by DKK 219m to DKK 1,452m in Q2/2016 against DKK 1,671m in Q1/2016.

Income from core business increased by DKK 44m from Q1/2016 to DKK 2,829m, while operating costs rose by DKK 36m to DKK 1,201m.

Impairment losses on loans and advances came to DKK 176m in Q2/2016, up DKK 227m on the very low level in Q1, when a gain of DKK 51m was recorded due to reversal of impairment provisions.

Value adjustment of interest rate swaps was a loss of DKK 510m in Q2/2016 against a loss of DKK 802m in Q1/2016.

Investment portfolio income came to DKK 473m against DKK 60m in Q1/2016.

Results relative to Q2/2015

Compared with a profit before tax of DKK 3,086m in Q2/2015, profit was down by DKK 1,706m to DKK 1,380m in Q2/2016. The main reason was higher negative value adjustments of interest rate swaps.

Excluding the mandatory contribution by the mortgage business to the Danish Resolution Fund, profit from core business dropped by DKK 73m relative to Q2/2015, for which a profit of DKK 1,525m was recorded.

Income from core business was DKK 2,829m, down DKK 13m on Q2/2015, whereas operating costs rose by DKK 4m from DKK 1,197m to DKK 1,201m in Q2/2016.

Impairment losses on loans and advances increased by DKK 56m to DKK 176m from DKK 120m in Q2/2015.

Value adjustment of interest rate swaps was a loss of DKK 510m in Q2/2016 against a gain of DKK 1,515m in Q2/2015.

Investment portfolio income amounted to DKK 473m against DKK 46m in Q2/2015.

OUTLOOK FOR 2016

In the Q1 Interim Report 2016, Management forecast profit from core business for 2016 in the range of DKK 4.5bn-5.0bn.

Based on the performance in Q1/2016 and Q2/2016, the full-year profit guidance is raised by DKK 0.5bn to around DKK 5.0bn-5.5bn.

In connection with the full-year guidance it should be noted that especially the Danish central bank's short-term interest rates, mortgage market activity and the level of loan impairment losses may affect results from core business. Loan impairment losses were very low in H1/2016.

OTHER

Nykredit Group plans stock exchange listing

Nykredit's Board of Directors and Committee of Representatives have decided to prepare for a stock exchange listing of Nykredit Holding A/S.

Stock exchange listing is necessary in order for Nykredit to be able to raise additional share capital in coming years as capital requirements must be expected to increase significantly due to new international regulation. Add to this the already significant variations in capital requirements under the current legislation due in part to property price and economic trends, but also to the fact that the authorities may amend the capital requirements in some areas.

Price adjustments at Totalkredit

As of 1 July 2016, the administration margins for all existing and new Totalkredit loans will be raised. This administration margin rise is the result of capital requirements already adopted and also aims to ensure a more limited use of interest-only loans, highly interest rate sensitive loans and loans with frequent refinancing.

Customers with long-term fixed-rate repayment loans will thus experience the smallest increase.

Reference is made to Nykredit's press release dated 4 February 2016.

Totalkredit partnership now also includes business mortgages

Having offered mortgage loans to homeowners for more than 25 years, the Totalkredit partnership has now entered the business mortgage market.

From April 2016, all partner banks can offer Totalkredit business mortgages. Totalkredit business mortgages are offered to the segments office and retail, private rental as well as industry and trades.

KundeKroner

KundeKroner is the Nykredit Group's customer benefits programme. The programme will initially be introduced to customers of Totalkredit.

Under the programme, customers will receive cash discounts that will be deducted from, for instance, the administration margins and fees paid by the customers to Nykredit. The Danish National Tax Board has affirmed that this will entail a reduction in their tax deduction on those administration margins and fees equal to the amount of the discount.

The customers will have a cash discount of around DKK 1,000 for each million kroner borrowed deducted from their administration margin payments. The amount will be deducted over four quarters, beginning with the administration margin payment for Q3/2017.

Issuance of bail-inable senior notes

Nykredit has launched its first bail-inable senior notes. At end-H1/2016, issues totalled DKK 3.7bn and an additional DKK 3.7bn was issued in early July 2016. Issuance of the remaining requirement of DKK 5bn-10bn is scheduled for 2016-2017. Going forward, the new funding type will replace most of the issuance of senior secured and senior unsecured debt to meet the existing supplementary collateral requirement.

New centre organisation strengthens customer focus

In mid-2016 Retail changed its organisation, focusing on customer proximity and creating a specialist environment, to attract more full-service customers. To accommodate the different needs of our customers, Nykredit has set up a team of advisers for SME owners, and Nykredit's advisory propositions for agricultural and other business customers are now

concentrated at fewer locations with specialist skills across the country.

Supreme Court ruling in case involving A/B Duegård in liquidation

On 11 May 2016, the Danish Supreme Court found for A/B Duegård in liquidation, ruling that the cooperative in the specific circumstances may be adjudicated bankrupt. The decision has not affected Nykredit's provisions relating to interest rate swaps or other exposures in the housing cooperative area.

Change in Nykredit Realkredit's Board of Directors

At Nykredit Realkredit's annual general meeting held on 16 March 2016, Helge Leiro Baastad and Per W. Hallgren were elected new members of the Board of Directors, replacing Steen E. Christensen and Jens Erik Udsen. Olav Bredgaard Brusen and Inge Sand joined the Board of Directors as staff-elected members, replacing Ina Nielsen and Lars Peter Skaarup.

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

Change in Nykredit's Group Executive Board

Effective from 1 September, Nykredit will be reorganising its Group Executive Board. In connection with the reorganisation, David Hellemann will be joining the Group Executive Board as Group Managing Director, responsible for the CFO/COO areas, which now also include the Totalkredit partnership. At the same time, David Hellemann will also join the Boards of Directors of Nykredit Bank A/S and Totalkredit A/S.

Bente Overgaard resigned from the Executive Board as well as the Boards of Directors of Nykredit Bank and Totalkredit as at 30 June 2016.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and other provisions, cf the Annual Report 2015.

Uncertainty as to recognition and measurement is described in detail in the accounting policies (note 1 of the Annual Report 2015), to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 46 of the Annual Report 2015, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

Credit ratings

S&P Global Ratings announced in July 2016 that it revised its outlook on Nykredit Realkredit's and Nykredit Bank's unsecured ratings from negative to stable. The rating outlook of senior secured debt was also changed from negative to stable.

According to S&P, the outlook was changed due to Nykredit's progress in the build-up of ALAC (Additional Loss-Absorbing Capacity). ALAC is a buffer of bail-inable debt serving to protect unsecured creditors in case of company bankruptcy. Most recently in June and July 2016, as the first financial business, Nykredit Realkredit issued so-called senior resolution notes, which count towards ALAC. Both issues amounted to EUR 500m.

Other events

No other events have occurred in the period up to the presentation of the H1 Interim Report 2016 which affect the Nykredit Group's financial position.

BUSINESS AREAS

Nykredit's governance and organisational structure is based on the following business areas:

- Retail, which serves Nykredit's personal customers and SMEs and is responsible for mortgage lending to Nykredit's personal customers arranged via Totalkredit.
- Totalkredit Partners, which is responsible for the Group's mortgage lending to personal and business customers arranged by local and regional banks.
- Wholesale Clients, which comprises Corporate & Institutional Banking (CIB) and Nykredit Markets.
- Wealth Management, which comprises Private Banking for clients with investable assets in excess of DKK 7m and Nykredit Asset Management.
- Group Items, which comprises income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

Gross income from customer business is generally allocated to the business areas which have supplied the individual products. With the exception of Private Banking for the wealthiest clients under Wealth Management, gross income attributable to the sales activities of Retail is subsequently reallocated to Retail in full. Correspondingly, Retail pays a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management attributable to the sales activities.

Adjustment of business areas

Effective from Q1/2016, the Group has set up a new business area, Wealth Management, comprising Private Banking for the wealthiest clients and Nykredit Asset Management, including Nykredit Portefølje Administration A/S, previously included in Wholesale Clients. In this connection, the distribution of income between Private Banking and Retail has been adjusted.

Effective from Q4/2015, Nykredit Leasing A/S's activities have been transferred from Wholesale Clients to Retail and a number of expenses, including IT expenses and management-related costs, previously allocated to Group Items have been reallocated to the business areas.

Comparative figures have been restated accordingly.

Adjustment of income statement format

The income statement format for the business areas has been adjusted compared with 2015, now stating profit from core business, as this does not include value adjustment of interest rate swaps.

Earnings

The Group's profit from core business grew by DKK 30m, or 1%, to DKK 3,054m against DKK 3,024m in H1/2015. Excluding the mandatory contribution by the mortgage business to the Danish Resolution Fund, profit from core business improved by DKK 99m, or 3%, to DKK 3,123m against DKK 3,024m in H1/2015.

RESULTS BY BUSINESS AREA ¹						
DKK million	Retail	Totalkredit Partners	Wholesale Clients	Wealth Management	Group Items	Total
H1/2016						
Core income from						
- customer activities, gross	2,790	1,300	1,182	503	50	5,825
- payment for distribution	273	-	(108)	(165)	-	-
Total business operations	3,063	1,300	1,074	338	50	5,825
- senior and subordinated debt	(48)	(72)	(4)	0	(108)	(232)
- securities	-	-	-	-	21	21
Income from core business	3,015	1,228	1,070	338	(37)	5,614
Operating costs	1,563	281	317	194	11	2,366
Operating costs, mandatory mortgage business contribution to the Danish Resolution Fund	49	1	19	0	-	69
Profit (loss) from core business before impairment losses	1,403	946	734	144	(48)	3,179
Impairment losses on loans and advances	267	8	(167)	23	(6)	125
Profit (loss) from core business	1,136	938	901	121	(42)	3,054
Value adjustment of interest rate swaps	(622)	-	(690)	0	-	(1,312)
Investment portfolio income	-	-	-	-	533	533
Profit before tax	514	938	211	121	491	2,275
Average allocated business capital ²	26,016	12,345	11,546	536	8,416	58,859
Profit from core business as % pa of average business capital	8.7	15.2	15.6	45.1	-	10.4

¹ Please refer to note 4 of the Financial Statements for complete segment financial statements with comparative figures.

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

Retail saw a decline in profit from core business of DKK 137m to DKK 1,136m. Income from business operations fell by DKK 212m, but at the same time costs reduced by DKK 58m and loan impairment losses by DKK 3m. Pre-tax profit was down DKK 1,009m, which in addition to the above items was adversely affected by a rise of DKK 872m in negative value adjustment of interest rate swaps.

Totalkredit Partners posted a profit increase of DKK 182m to DKK 938m, mainly attributable to a DKK 84m drop in income, a DKK 35m rise in costs and a DKK 283m decline in loan impairment losses.

Profit from core business in Wholesale Clients dropped by DKK 133m to DKK 901m due to a DKK 202m fall in income, mitigated by a DKK 10m cost reduction and a DKK 56m drop in loan impairment losses. Pre-tax profit was down DKK 1,028m, which in addition to the above items was adversely affected by a rise of DKK 895m in negative value adjustment of interest rate swaps.

Profit from core business in Wealth Management dropped by DKK 15m to DKK 121m, mainly as a result of a DKK 24m rise in loan impairment losses. Income and costs grew by DKK 53m and DKK 44m, respectively.

Group Items recorded a rise in pre-tax profit of DKK 175m to DKK 491m, primarily the result of a DKK 97m drop in interest expenses for senior and subordinated debt. Investment portfolio income rose by DKK 42m, which also had a positive earnings impact.

Market share of mortgage lending

The Group's share of total Danish private residential mortgage lending was 42.2%, which was unchanged on end-2015 and excluded loans arranged by Jyske Bank and others which are no longer part of the Totalkredit alliance. Nykredit's market share of the business customers segment, including agricultural customers, was 35.6%. The total market share, excluding loans arranged by Jyske Bank and others, was 39.5%, which is very satisfactory considering the portfolio mix.

RESULTS – RETAIL

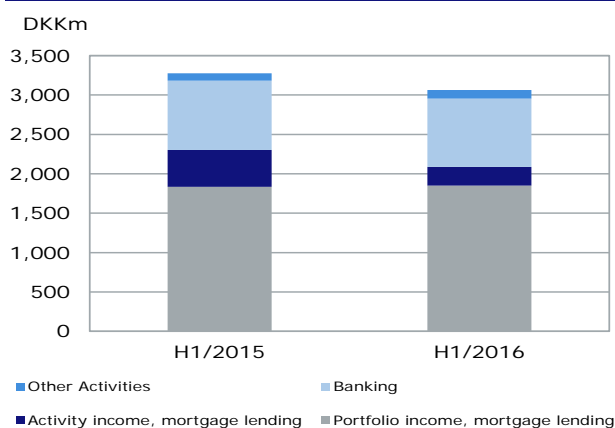
DKK million	H1/2016	H1/2015
Core income from		
- business operations	3,063	3,275
- senior debt	(48)	(62)
Income from core business	3,015	3,213
Operating costs	1,563	1,670
Mortgage business contribution to the Danish Resolution Fund	49	-
Profit from core business before impairment losses	1,403	1,543
Impairment losses on mortgage lending	264	274
Impairment losses on bank lending	3	(4)
Profit from core business	1,136	1,273
Value adjustment of interest rate swaps	(622)	250
Profit before tax	514	1,523

ACTIVITIES – RETAIL

DKK million	30.06.2016	31.12.2015
Mortgage lending		
Gross new lending*	24,051	49,497
Portfolio at nominal value, end of period	429,538	435,916
Impairment losses for the period as % of loans and advances*	0.06	0.06
Total impairment provisions, end of period		
Total impairment provisions	3,931	3,925
Total impairment provisions as % of loans and advances	0.92	0.90
Bank lending		
Loans and advances, end of period	27,721	27,054
Deposits, end of period	43,628	40,799
Impairment losses for the period as % of loans and advances*	0.04	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	1,680	1,784
Total impairment provisions as % of loans and advances	5.71	6.19
Guarantees, end of period	4,212	4,342
Provisions for guarantees, end of period	39	44

* For H1/2016 and H1/2015.
Other data from end-H1/2016 and end-2015.

CORE INCOME FROM BUSINESS OPERATIONS – RETAIL



RETAIL

The Retail business area provides mortgage and banking services to personal customers and SMEs, including agricultural customers, residential rental customers and personal wealth clients. Mortgage loans granted via Totalkredit to Nykredit's personal customers also form part of Retail. The activities of Nykredit Mægler A/S and Nykredit Leasing A/S are also included.

Nykredit serves its customers through 53 local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

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

H1/2016 in brief

In H1/2016, Retail Personal Banking continued to improve Nykredit's homeowner banking programme, BoligBank, with the introduction of more competitive prices and the launch of new services targeting homeowners. The number of BoligBank customers grew in H1/2016, showing a net increase of 5,200 customers.

Wealth management services strengthened in H1 following the set-up of 10 local Private Banking centres. The new Private Banking concept was launched at end-2015, and customer satisfaction surveys showed that our customers have embraced the new concept.

At end-H1/2016, Retail Business Banking introduced a new specialist organisation with increased focus on particularly cash management. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

The area has moreover focused on raising profitability and reducing risk exposures in line with Nykredit's capital targets.

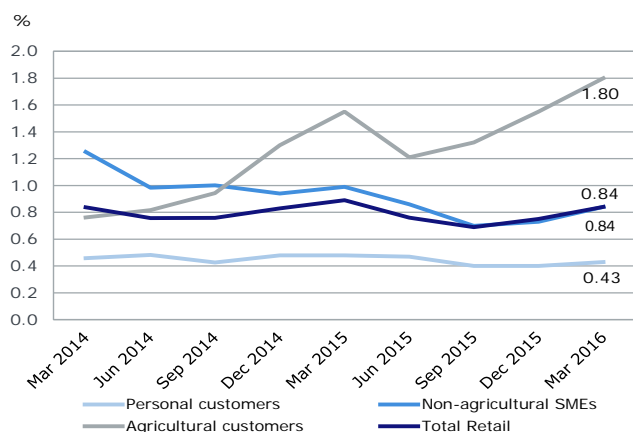
Activities

Retail Personal Banking saw a lower activity level in H1/2016 compared with the level in the same period last year when activity was exceptionally high due to the massive interest rate declines. Compared with H1/2015, gross new lending reduced by DKK 10.9bn to DKK 9.7bn.

Nominal mortgage lending amounted to DKK 189.1bn, down DKK 2.6bn on the beginning of the year.

Bank lending amounted to DKK 11.4bn against DKK 12.1bn at the beginning of the year. Bank deposits augmented by DKK 2.5bn in the same period to DKK 26.3bn. The increase in bank deposits was attributable to, for instance, the transfer of deposit accounts from FIH Erhvervsbank A/S to Nykredit in Q1/2016.

**ARREARS RATIO, MORTGAGE LENDING – RETAIL
75 DAYS PAST DUE**



Mortgage lending activity levels in Retail Business Banking in H1/2016 were affected by a weak market with subdued demand and almost unchanged interest rate levels. By contrast, H1/2015 was characterised by massive interest rate declines prompting significant remortgaging activity. Compared with the year before, gross new lending thus reduced by DKK 14.5bn to DKK 14.4bn.

Nominal mortgage lending amounted to DKK 240.4bn, down DKK 3.8bn on the beginning of the year.

Bank lending was up DKK 1.4bn to DKK 16.4bn on the beginning of the year, and deposits rose by DKK 0.3bn to DKK 17.4bn.

Results

Relative to H1/2015, profit from core business dropped by DKK 137m to DKK 1,136m in H1/2016.

Income from business operations decreased by DKK 212m, or 6%, to DKK 3,063m, mainly due to lower activity income. Impairment losses on loans and advances edged down by DKK 3m to DKK 267m.

Operating costs were down DKK 58m, or 3%, to DKK 1,612m.

Impairment losses on Retail's mortgage lending reduced from DKK 274m in H1/2015 to DKK 264m, while impairment of bank lending increased by DKK 7m to DKK 3m. Impairment losses represented 0.06% of mortgage lending and 0.04% of bank lending for the period under review.

Impairment losses on loans to personal customers grew by a total of DKK 75m, of which DKK 66m related to mortgage lending and DKK 9m to bank lending.

Impairment losses on loans to business customers declined by a total of DKK 77m, comprising a DKK 75m fall in mortgage lending and a DKK 2m fall in bank lending.

At end-H1/2016, impairment provisions totalled DKK 5,611m against DKK 5,709m at the beginning of the year.

Value adjustment of interest rate swaps was a loss of DKK 622m, which represented an adverse development of DKK 872m compared with H1/2015.

Arrears

At the March due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.84% against 0.89% at the same date in 2015.

RESULTS – TOTALKREDIT PARTNERS

DKK million	H1/2016	H1/2015
Core income from		
- business operations	1,300	1,384
- senior debt	(72)	(90)
Income from core business	1,228	1,294
Operating costs	281	247
Mortgage business contribution to the Danish Resolution Fund	1	-
Profit from core business before impairment losses	946	1,047
Impairment losses on mortgage lending	8	291
Profit from core business	938	756

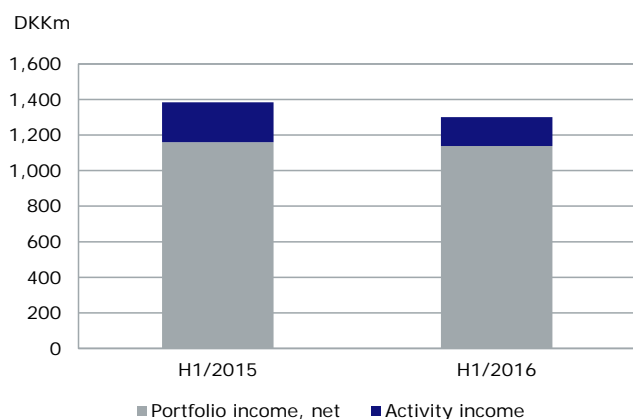
ACTIVITIES – TOTALKREDIT PARTNERS

DKK million	30.06.2016	2015
Mortgage lending		
Gross new lending*	39,444	91,030
Portfolio at nominal value, end of period	499,543	494,250
Impairment losses for the period as % of loans and advances*	0.00	0.06
Total impairment provisions, end of period		
Total impairment provisions	1,087	1,231
Total impairment provisions as % of loans and advances	0.22	0.25

* For H1/2016 and H1/2015.

Other data from end-H1/2016 and end-2015.

CORE INCOME FROM BUSINESS OPERATIONS – TOTALKREDIT PARTNERS



TOTALKREDIT PARTNERS

Under the Totalkredit brand, Totalkredit Partners provides mortgage loans to personal and business customers arranged via 59 Danish local and regional banks.

Totalkredit Partners'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. Risk 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.

H1/2016 in brief

As of 1 July 2016, the administration margins for all existing and new Totalkredit loans were raised. This rise is the result of the increased capital requirements and aims to ensure a more limited use of interest-only loans, highly interest rate sensitive loans and loans with frequent refinancing.

Totalkredit and its local and regional partner banks have extended their partnership to include secured homeowner loans and business mortgages. The secured homeowner loan allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans. Totalkredit business mortgages are offered to the segments office and retail, residential rental as well as industry and trades. The first business mortgages have now been granted, and 37 banks, representing the majority of banks having business customers with mortgage needs, have started offering business mortgages.

Activities

Totalkredit Partners saw a lower activity level in H1/2016 compared with the level in the same period last year when activity was exceptionally high due to the massive interest rate declines. Gross new lending in H1/2016 thus dropped by DKK 51.6bn on the same period the year before, amounting to DKK 39.4bn.

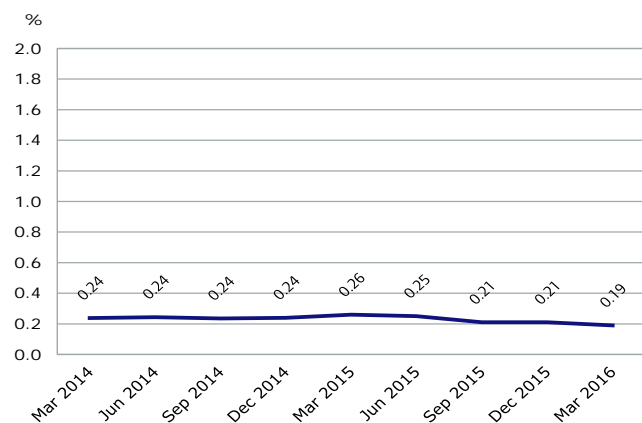
Nominal mortgage lending grew by DKK 5.3bn to DKK 499.5bn relative to end-2015. Loans distributed through former Totalkredit partner banks which are now managed directly by Totalkredit amounted to DKK 40bn at end-Q2/2016 against DKK 45bn at end-2015. Since Jyske Bank's exit from the partnership, loans worth DKK 48bn have been prepaid. Of this amount, DKK 9bn has subsequently been refinanced by other Totalkredit partner banks.

Results

Relative to H1/2015, profit from core business rose by DKK 182m to DKK 938m in H1/2016.

Income from business operations dropped by DKK 84m, or 6%, to DKK 1,300m, whereas impairment losses on loans and advances reduced by DKK 283m to DKK 8m.

**ARREARS RATIO, MORTGAGE LENDING – TOTALKREDIT PARTNERS
75 DAYS PAST DUE**



The fall in income from business operations was primarily attributable to declining remortgaging activity.

Operating costs went up by DKK 35m, or 14%, to DKK 282m. The rise was in part attributable to an increase in the number of staff. Add to this changes in intercompany settlements, as Totalkredit accounts for an increasing proportion of the Group's overall activities, including increased use of IT resources for new products etc.

Net expenses relating to senior debt came to DKK 72m against DKK 90m in H1/2015. The reduction was attributable to lower volumes of senior secured debt as well as declining interest rates.

Totalkredit Partners's net loan impairment losses declined by DKK 283m, or 97%, to DKK 8m after set-off against commission payable to partner banks.

At end-H1/2016, impairment provisions totalled DKK 1,087m against DKK 1,231m at the beginning of the year.

Arrears

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.19% against 0.26% at the same date in 2015.

RESULTS – WHOLESALE CLIENTS		
DKK million	H1/2016	H1/2015
Core income from		
- business operations	1,074	1,276
- senior debt	(4)	(7)
Income from core business	1,070	1,269
Operating costs	317	346
Mortgage business contribution to the Danish Resolution Fund	19	-
Profit from core business before impairment losses	734	923
Impairment losses on mortgage lending	(60)	(26)
Impairment losses on bank lending	(107)	(85)
Profit from core business	901	1,034
Value adjustment of interest rate swaps	(690)	205
Profit before tax	211	1,239

ACTIVITIES – WHOLESALE CLIENTS		
DKK million	30.06.2016	2015
Mortgage lending		
Gross new lending*	13,098	21,720
Portfolio at nominal value, end of period	175,778	180,846
Impairment losses for the period as % of loans and advances*	(0.03)	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	475	536
Total impairment provisions as % of loans and advances	0.27	0.30
Bank lending		
Loans and advances, end of period	18,657	17,762
Deposits, end of period	15,028	13,700
Impairment losses for the period as % of loans and advances*	(0.42)	(0.39)
Total impairment provisions, end of period		
Total impairment provisions	877	1,011
Total impairment provisions as % of loans and advances	4.49	5.39
Guarantees, end of period	1,471	1,242
Provisions for guarantees, end of period	25	55

* For H1/2016 and H1/2015.
Other data from end-H1/2016 and end-2015.

INCOME – NYKREDIT MARKETS		
DKK million	H1/2016	H1/2015
Customer activities, gross	386	513
Payment for distribution	(155)	(181)
Business income, net	231	332

WHOLESALE CLIENTS

The business area Wholesale Clients comprises activities with Nykredit's corporate and institutional clients, the public housing segment, large housing cooperatives and mortgage lending to business customers for properties abroad. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading. Wholesale Clients consists of the business units Corporate & Institutional Banking and Nykredit Markets.

H1/2016 in brief

Corporate & Institutional Banking saw robust loan demand in H1/2016 and consequently participated in a number of large transactions despite continued fierce price competition. Moreover, the recent initiatives regarding strategic financial advisory services have attracted new clients.

Market fluctuations were pronounced in H1/2016 – particularly up to the EU referendum in the UK. Clients and market participants focused on risk profiles and positions up to the referendum.

Nykredit Markets recorded growth in the client base in H1.

Together with Wealth Management, Nykredit Markets offers comprehensive advisory services to our customers. In H1/2016, the sale of Nykredit Asset Management products exceeded expectations.

Activities

Corporate & Institutional Banking's activity levels were lower than the high level in H1/2015, and gross new lending dropped by DKK 8.6bn to DKK 13.1bn.

Mortgage lending amounted to DKK 175.8bn at end-H1/2016, down DKK 5.1bn on the beginning of the year. The fall was particularly attributable to lending in Germany, where Nykredit has scaled down its lending.

Bank lending was up DKK 0.9bn to DKK 18.7bn on the beginning of the year. Bank deposits grew by DKK 1.3bn, totaling DKK 15.0bn.

Income in Nykredit Markets was affected by increased demand for interest rate derivatives in H1/2016.

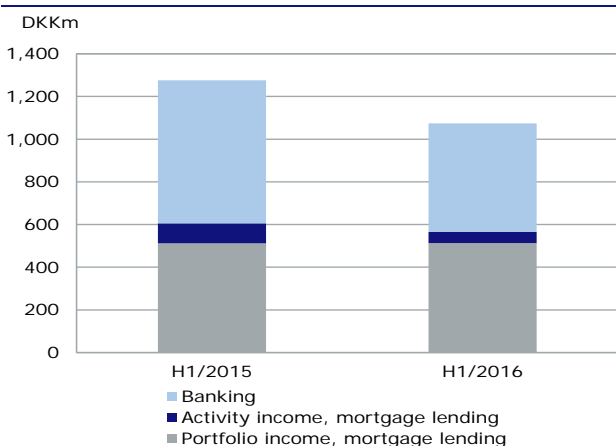
Results

Relative to H1/2015, profit from core business dropped by DKK 133m to DKK 901m in H1/2016.

Income from business operations fell by DKK 202m, or 16%, to DKK 1,074m, and impairment losses on loans and advances reduced by DKK 56m to a gain of DKK 167m, mainly driven by lower mortgage loan losses.

The fall in income from business operations was primarily attributable to declining income from banking operations and mortgage activity income.

**CORE INCOME FROM BUSINESS OPERATIONS
– WHOLESALE CLIENTS**



Nykredit Markets's income, after payment for distribution of DKK 155m in H1/2016 against DKK 181m the year before, declined year-on-year by DKK 101m to DKK 231m. This should be seen in the context of the very high activity levels in H1/2015.

Relative to H1/2015, Corporate & Institutional Banking's income fell by DKK 101m to DKK 843m.

Operating costs reduced by DKK 10m to DKK 336m.

Impairment losses on mortgage lending in Wholesale Clients reduced by DKK 34m to a gain of DKK 60m, while impairment losses on bank lending dropped by DKK 22m to a gain of DKK 107m. Impairment losses represented negative 0.03% of mortgage lending and negative 0.42% of bank lending for the period under review.

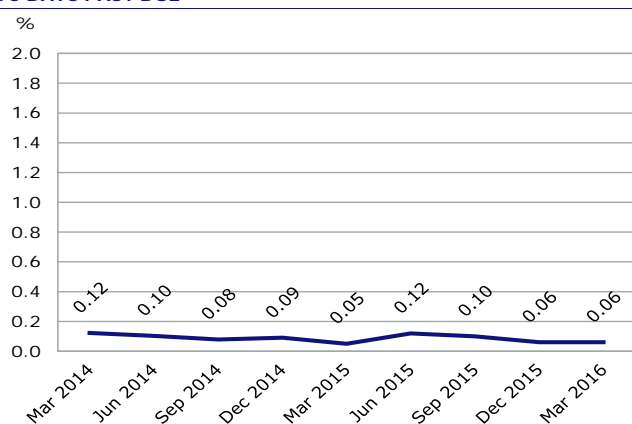
At end-H1/2016, impairment provisions totalled DKK 1,352m against DKK 1,547m at the beginning of the year.

Value adjustment of interest rate swaps was a loss of DKK 690m, which represented an adverse development of DKK 895m compared with H1/2015.

Arrears

At the March due date, 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.06% and thus remained at a low level. The arrears ratio was 0.05% at the same date in 2015.

**ARREARS RATIO, MORTGAGE LENDING – WHOLESALE CLIENTS
75 DAYS PAST DUE**



RESULTS – WEALTH MANAGEMENT		
DKK million	H1/2016	H1/2015
Core income from		
- business operations	338	285
- senior debt	0	0
Income from core business	338	285
Operating costs	194	150
Mortgage business contribution to the Danish Resolution Fund	0	-
Profit from core business before impairment losses	144	135
Impairment losses on mortgage lending	(1)	(1)
Impairment losses on bank lending	24	(0)
Profit from core business	121	136
Value adjustment of interest rate swaps	0	(1)
Profit before tax	121	135

ACTIVITIES – WEALTH MANAGEMENT		
DKK million	30.06.2016	2015
Mortgage lending		
Gross new lending*	389	641
Portfolio at nominal value, end of period	3,526	3,312
Impairment losses for the period as % of loans and advances*	(0.01)	(0.03)
Total impairment provisions, end of period		
Total impairment provisions	1	3
Total impairment provisions as % of loans and advances	0.03	0.09
Bank lending		
Loans and advances, end of period	2,289	1,922
Deposits, end of period	8,564	7,828
Impairment losses for the period as % of loans and advances*	1.06	(0.02)
Total impairment provisions, end of period		
Total impairment provisions	28	4
Total impairment provisions as % of loans and advances	1.21	0.21
Guarantees, end of period	391	327
Provisions for guarantees, end of period	-	-
Assets under management	149,575	143,812
Assets under administration	726,162	700,372
- of which Nykredit Group investment funds	67,874	66,394

* For H1/2016 and H1/2015.

Other data from end-H1/2016 and end-2015.

INCOME – NYKREDIT ASSET MANAGEMENT		
DKK million	H1/2016	H1/2015
Customer activities, gross	455	408
Payment for distribution	(257)	(234)
Business income, net	198	174

WEALTH MANAGEMENT

The business area Wealth Management, which was launched in Q1/2016 through the transfer of certain activities from Wholesale Clients, handles Nykredit's activities within asset and wealth management. Wealth Management comprises the business units Nykredit Asset Management and Private Banking for clients with investable assets in excess of DKK 7m.

Nykredit's asset management and portfolio administration services are undertaken by Nykredit Asset Management, including Nykredit Portefølje Administration A/S, and their products and solutions range from Nykredit Invest, Private Portfolio, Savings Invest and Pension Invest to discretionary asset management and administration agreements with institutional clients, foundations, businesses, public institutions and personal wealth clients.

H1/2016 in brief

Nykredit Asset Management delivered good investment results in H1/2016, but also made adjustments to the pricing structure of Nykredit's investment funds. In connection with the adaptation to MiFID II, almost all the funds ceased charging subscription fees at the beginning of the year.

Private Banking targeting clients with investable assets in excess of DKK 7m achieved significant client growth, both in terms of new clients and sophistication of existing client relationships. Combined with customised client propositions, the latter has been given particular focus.

Activities

Total assets under management went up by DKK 5.8bn to DKK 149.6bn at end-H1/2016 as a result of positive net sales and positive value adjustments.

Total assets under administration increased by DKK 25.8bn to DKK 726.2bn at end-H1/2016. The increase comprised net growth of DKK 19.0bn and price increases of DKK 6.8bn.

Private Banking for clients with investable assets in excess of DKK 7m saw satisfactory net asset growth in the period.

Results

Relative to H1/2015, profit from core business dropped by DKK 14m to DKK 121m in H1/2016.

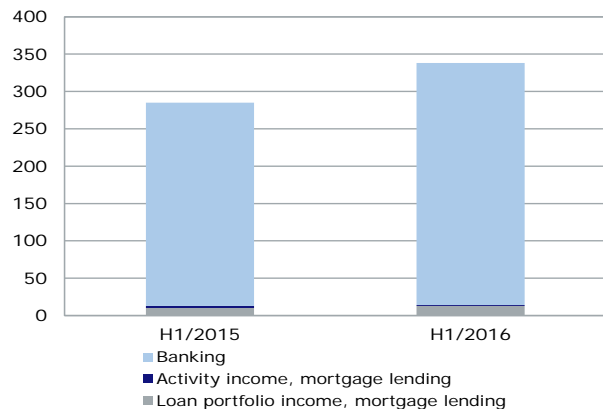
Income from business operations rose by DKK 53m, or 19%, to DKK 338m, while impairment losses on loans and advances grew from a gain of DKK 1m to losses of DKK 23m.

The entire rise in income from business operations was fully attributable to income from banking operations.

Nykredit Asset Management's income after payment for distribution of DKK 257m for H1/2016 against DKK 234m the year before, grew year-on-year by DKK 24m to DKK 198m.

**CORE INCOME FROM BUSINESS OPERATIONS
– WEALTH MANAGEMENT**

DKKm



Relative to H1/2015, Private Banking income rose by DKK 29m to DKK 140m.

Operating costs increased by DKK 44m, or 29%, to DKK 194m, primarily as a result of a rising activity level in Private Banking.

Impairment losses on mortgage lending in Wealth Management remained flat at a gain of DKK 1m, while impairment losses on bank lending increased from nil to DKK 24m. Impairment losses for the period represented negative 0.01% of mortgage lending and 1.06% of bank lending.

At end-H1/2016, impairment provisions totalled DKK 29m against DKK 7m at the beginning of the year.

RESULTS – GROUP ITEMS		
DKK million	H1/2016	H1/2015
Core income from		
- business operations	50	16
- senior and subordinated debt	(108)	(205)
- securities	21	21
Income from core business	(37)	(168)
Operating costs	11	7
Loss from core business before impairment losses		
Impairment losses on mortgage lending	-	-
Impairment losses on bank lending	(6)	0
Loss from core business	(42)	(175)
Investment portfolio income	533	491
Profit before tax	491	316

ACTIVITIES – GROUP ITEMS		
DKK million	30.06.2016	2015
Bank lending		
Loans and advances, end of period	888	8
Deposits, end of period	2,327	272
Total impairment provisions, end of period		
Total impairment provisions	-	53
Total impairment provisions as % of loans and advances	-	86.49
Guarantees, end of period	171	708
Provisions for guarantees, end of period	-	-

GROUP ITEMS

Some income statement and balance sheet items are not allocated to the business areas but are included in Group Items.

Group Items also includes Nykredit's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income". The activities of the companies Nykredit Ejendomme A/S and Ejendoms-selskabet Kalvebod A/S also form part of Group Items.

Results

Relative to H1/2015, profit before tax improved by DKK 175m to DKK 491m in H1/2016.

Income from business operations grew by DKK 34m to DKK 50m.

Net interest expenses on senior debt and Nykredit's subordinated debt saw a total decline of DKK 97m to DKK 108m in H1/2016, which was mainly attributable to a higher interest rate on one loan in Q1/2015.

Nykredit's core income from securities totalled DKK 21m, which was in line with the H1/2015 level. A contributing factor was a downtick from 0.06% to 0.05% in the average risk-free interest rate, which corresponds to the Danish central bank's average lending rate.

Core income from securities equals the return the Group could have obtained by placing its investment portfolios at the risk-free interest rate. Core income from securities also includes net interest expenses relating to Tier 2 capital.

Unallocated operating costs increased by DKK 4m to DKK 11m.

Loan impairment losses were a gain of DKK 6m compared with nil the year before.

Nykredit recorded investment portfolio income of DKK 533m against DKK 491m in H1/2015. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 477m. The investment portfolio of equities and equity instruments, which are value adjusted through profit or loss, generated DKK 56m.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. To this should be added the realised capital gains/losses on the sale of equities classified as available for sale (strategic equities). Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit and the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

CAPITAL, LIQUIDITY AND FUNDING

NYKREDIT REALKREDIT GROUP EQUITY (INCL NEW ADDITIONAL TIER 1 CAPITAL)

DKK million	30.06.2016	31.12.2015
Equity, beginning of period	65,460	58,650
Profit for the period	1,803	3,191
Fair value adjustment of equities available for sale	(157)	7
New Additional Tier 1 capital	-	3,731
Other adjustments	(89)	(119)
Equity, end of period	67,017	65,460

NYKREDIT REALKREDIT GROUP CAPITAL AND CAPITAL ADEQUACY

DKK million	30.06.2016	31.12.2015	30.06.2015
Credit risk	258,475	264,865	279,618
Market risk	26,038	27,958	27,089
Operational risk	19,636	18,397	18,397
Total risk exposure amount (REA)¹	304,149	311,220	325,103
Equity (incl new AT1 capital)	67,017	65,460	66,574
AT1/hybrid capital	(3,766)	(3,774)	(3,772)
CET1 capital deductions	(1,683)	(1,161)	(4,174)
Common Equity Tier 1 (CET1) capital	61,568	60,525	58,627
AT1/hybrid capital	3,718	3,831	3,830
AT1/hybrid capital deductions	(280)	(343)	(466)
Tier 1 capital	65,006	64,013	61,991
Tier 2 capital	10,787	10,820	4,471
Tier 2 capital additions/ deductions	(266)	(335)	(460)
Own funds	75,527	74,498	66,002
CET1 capital ratio, %	20.2	19.4	18.0
Tier 1 capital ratio, %	21.3	20.5	19.0
Total capital ratio, %	24.8	23.9	20.3
Internal capital adequacy requirement (Pillars I and II), %	11.6	11.8	12.0

Own funds and capital adequacy are specified further in note 2 of this report.

¹ Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA. Total REA subject to transitional rules was DKK 602bn at end-H1/2016, equal to a total capital ratio of 15.6%.

NYKREDIT REALKREDIT GROUP EQUITY AND OWN FUNDS

Equity

Equity was DKK 67.0bn at end-H1/2016, equal to a rise of DKK 1.6bn relative to the beginning of the year. The increase in equity was mainly attributable to profit for the period of DKK 1.8bn.

Equity carried for accounting purposes includes AT1 capital of EUR 500m (DKK 3.8bn), which Nykredit raised in Q1/2015. For capital adequacy purposes, AT1 capital is included in Tier 1 capital rather than in Common Equity Tier 1 (CET1) capital.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its Consolidated Financial Statements. Current value adjustment of these equities is recognised in equity via other comprehensive income, whereas value adjustments following a sale will be reclassified from equity to the income statement. The value of equities classified as available for sale totalled DKK 1,937m at end-H1/2016.

Capital and capital adequacy

Nykredit's own funds include CET1 capital, AT1 capital and Tier 2 capital after deductions. In order to comfortably meet the new capital requirements, Nykredit issued AT1 capital totalling EUR 500m in Q1/2015, which is included in Tier 1 capital for capital adequacy purposes.

Total own funds rose by DKK 1.0bn to DKK 75.5bn in H1/2016 compared with end-2015.

Nykredit's risk exposure amount (REA) has declined from DKK 311.2bn to DKK 304.1bn since end-2015 due to a fall in REA for credit risk; to this should be added reduced market risk in the run-up to the British EU referendum. The credit risk exposure has reduced, mainly due to increasing property prices and thus lower LTVs.

REA is expected to rise by around DKK 30bn following the implementation of a number of model changes, which are pending the approval of the Danish FSA, as at 30 September 2016. The model changes will mainly affect risk exposures of the mortgage business. To this should be added model changes concerning personal customers, which will increase REA by some DKK 5bn.

The total capital ratio was 24.8% against 23.9% at end-2015. The Tier 1 capital ratio was 21.3% and the CET1 capital ratio was 20.2% at end-H1/2016.

Nykredit's internal capital adequacy requirement was 11.6% at end-H1/2016 compared with 11.8% at end-2015.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish FSA. As a result, a special SIFI CET1 capital buffer requirement will apply to

Nykredit. The requirement of 2% will be phased in with 0.4% annually in the period 2015-2019.

NYKREDIT'S CAPITAL TARGETS 2019

As part of the annual review of the Group's overall capital policy and risk appetite, the Board of Directors of the Nykredit Realkredit Group has set a CET1 capital ratio target of 17.5% for 2019.

The Board's decision is based on the following:

- In 2019 the statutory requirement for the Nykredit Realkredit Group's CET1 capital ratio will be around 13%, to which should be added requirements resulting from the stress test exercises of the European Banking Authority (EBA) and the Danish FSA
- Nykredit must hold sufficient capital to ensure ratings with the credit rating agencies that are compatible with the Group's business plans
- The capital level must be market-consistent, corresponding to the level of the other large Nordic financial institutions
- In addition to this, especially three Nykredit characteristics must be allowed for in terms of capital:
 - Nykredit is currently not listed and therefore has more restricted access to capital markets than listed companies
 - Nykredit is one of the largest private bond issuers in Europe
 - Nykredit has a sizeable mortgage loan portfolio. The mortgage loans typically have long loan terms and are non-callable by Nykredit.

A number of model changes are expected to be implemented as at 30 September 2016 and will, together with other subsequent changes, result in an increase in risk exposures to the tune of DKK 35bn. The increase primarily relates to the mortgage business.

In addition to general fluctuations in property prices and arrears, Business Plan 2018 is expected to increase REA by another DKK 30bn towards 2019.

To this should be added adjustments to the detailed capital requirement calculations, resulting in part from the loss experience in the wake of the financial crisis. These adjustments are expected to add another DKK 25bn to REA in the coming years.

In addition to the above capital requirements, Nykredit's capital position will be adversely affected by some DKK 1.5bn as at 1 January 2018 following implementation of IFRS 9. The amount, which is a one-off item, corresponds to the estimated impact of the future impairment rules that will increase the Group's impairment provisions.

Based on the known capital rules, the CET1 capital target for 2019 is DKK 70bn, corresponding to 17.5% of REA of around DKK 400bn. Nykredit's capital policy is laid down annually in connection with the budgeting process.

Risk of changed capital requirements

There is a risk that the capital requirements will change further in the coming years. The Basel Committee has proposed a whole series of restrictions and tightening of the future regulation. The proposals will greatly impact the capital requirements for Nykredit's lending and thus the future requirement for CET1 capital.

First, a new capital floor is in the pipeline for IRB institutions in 2017. This is expected to be based on the Basel Committee's proposal for a new standardised approach for credit risk, which was published in December 2015. The Basel Committee has announced that the capital floor for IRB institutions is expected to be in the range of 60-90% of the standardised approach, which will increase REA markedly compared with today.

Secondly, the Basel Committee proposes to introduce floors to the parameters used in the internal models (PD and LGD). That will lead to considerable increases in the capital requirement for mortgage loans involving a particularly low risk of loss, such as mortgage loans to personal customers with low LTVs and attractive locations, for example in large towns or cities.

Thirdly, the Basel Committee has proposed various constraints on the sector's use of advanced models in selected areas going forward. This entails the risk that the capital requirement for particularly secure segments, including residential rental properties, increases significantly.

Lastly, the Basel Committee has revised the framework for calculating market risk. Depending on the final implementation of the minimum capital requirements for market risk, REA is expected to increase.

Each of the said regulatory measures will lead to increased capital requirements for lending with a low risk of loss, including especially mortgage lending.

Nykredit will work to preserve the existing principle of basing capital requirements on the observed risk of loss and thus the proven resilience of the Danish mortgage system.

In overall terms, the capital requirements for mortgage lending are likely to increase. Exactly how much will depend on the concrete implementation of the proposals in Europe and thereby into Danish law. The increased capital requirements will add an estimated DKK 15bn to the Group's CET1 capital requirement, corresponding to a CET1 capital level around DKK 85bn.

FUNDING AND LIQUIDITY

Most of Nykredit's assets consist of lending secured by mortgages on real estate. These loans are funded through issuance of mortgage covered bonds (SDOs and ROs). Mortgage covered bonds are issued by way of daily tap issuance coupled with refinancing auctions for ARMs and floating-rate bonds, etc. Further, the Group may issue senior debt to provide statutory supplementary collateral.

Bank lending is chiefly funded by deposits. At end-H1/2016, Nykredit Bank's deposits exceeded lending at amortised cost by DKK 20.1bn. At end-2015, deposits exceeded lending by DKK 16.0bn.

Liquidity

Nykredit's liquid assets are mainly liquid Danish and other Northern European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity. A smaller part is placed in money market deposits, equities and credit bonds.

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior secured and senior unsecured debt in issue, totalled DKK 90bn at end-H1/2016, which was unchanged on end-2015.

On 17 June 2016, the Danish FSA issued a decision on additional liquidity requirements for Danish SIFIs. In addition to the general Liquidity Coverage Ratio (LCR) requirement, Danish SIFIs must fulfil the LCR requirement in significant currencies except for SEK and NOK. The requirement applies at the consolidated level and only concerns EUR in Nykredit's case.

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of LCR, and the Danish FSA has set a minimum liquidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of DKK 28bn corresponding to at least 2.5% of total mortgage lending.

At end-H1/2016, the Nykredit Realkredit Group's LCR was 226%. The aggregate LCR of Nykredit's mortgage banks was 501%, while Nykredit Bank's LCR was 143%.

Negative interest rates

Denmark still has negative interest rates. Nykredit has adjusted its set-up related to bonds so that negative interest is offset against redemptions for investors, and borrowers are compensated for the negative interest by way of an increased principal payment on the loan.

Bullet covered bonds are traded at a premium resulting in a negative yield-to-maturity for borrowers and investors. Nykredit is therefore able to retain its mortgage lending margins even though interest rate levels are negative.

Benchmark bond series

Nykredit strives to build large, liquid benchmark bond series to obtain an effective pricing of its bonds. Nykredit Realkredit and Totalkredit's joint bond issuance contributes to creating large volumes. Liquidity is also supported by Nykredit's high market share and the market making arrangements between members of Nasdaq Copenhagen.

With the introduction of the LCR, banks increasingly prefer high-quality bonds, ie bonds with high outstanding amounts (> EUR 500m) and high ratings.

Nykredit strives to have a balanced product range that best suits our customers' needs and investors' increased preference for very liquid bond series.

Nykredit has announced a number of initiatives to improve the liquidity of bond series. For instance, it has been decided that the refinancing of ARMs on 1 April and 1 October will be phased out as the loan portfolio is refinanced. The adjustment will take place over a number of years to ensure an even distribution of refinancing volumes. In the longer term, the plan is to refinance ARMs on 1 January and 1 July. The Nykredit Group will continue the refinancing on 1 April and 1 October of other products, such as F-kort, which serves to deconcentrate the aggregate amount of SDOs maturing on the individual payment dates.

Issuance schedule for 2016

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

In the period towards 2020 Nykredit must build up a debt buffer, which must correspond to at least 2% of total mortgage lending when fully phased in. Nykredit has indicated that in order to maintain its long-term rating of A with S&P Global Ratings, the Nykredit Group will meet the additional loss-absorbing capacity (ALAC) criteria of this credit rating agency. The implication is that Nykredit must raise a special type of bail-inable senior debt or other subordinated capital.

Nykredit has launched its first bail-inable senior bonds (senior resolution notes). At end-H1/2016, issues totalled DKK 3.7bn and an additional DKK 3.7bn was issued in early July 2016. Issuance of the remaining DKK 5bn-10bn is scheduled for 2016-2017. Going forward, the new funding will replace most of the issuance of senior secured and senior unsecured debt to meet the existing supplementary collateral requirement.

CREDIT RATINGS

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

Nykredit Realkredit and Nykredit Bank each have a long-term unsecured rating of A and a short-term unsecured rating of A-1 with S&P. The rating outlook was negative at 30 June 2016. As mentioned under "Events since the balance sheet date", the outlook was changed to stable in July 2016.

Senior secured debt is rated AA- by S&P. The rating outlook was negative as at 30 June, but was changed to stable in July 2016.

The negative outlooks on certain ratings reflected S&P's view of the refinancing risk relating to ARMs with short-term funding and the fact that they awaited Nykredit's build-up of ALAC. According to S&P, the outlook was changed mainly thanks to Nykredit's progress in the build-up of ALAC.

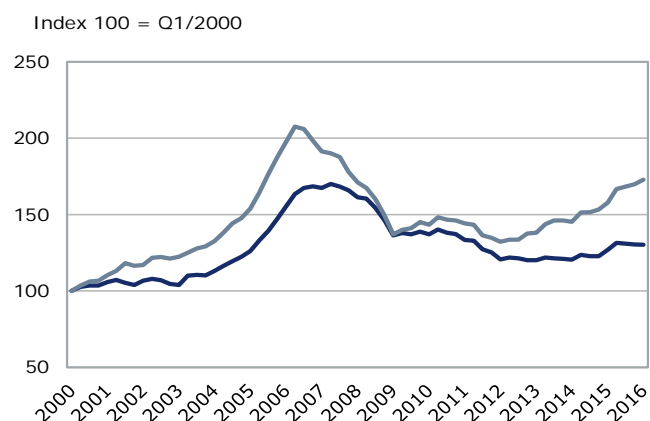
SDOs and ROs issued by Nykredit Realkredit and Totalkredit through rated capital centres are all rated AAA by S&P, which is the highest possible rating. The rating outlooks are stable.

Nykredit Realkredit and Nykredit Bank each have a long-term unsecured rating of A and a short-term unsecured rating of F1 with Fitch. The rating outlooks are stable.

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

LENDING

NYKREDIT REALKREDIT GROUP HOUSING PRICES IN DENMARK – INFLATION-ADJUSTED



Source: Association of Danish Mortgage Banks

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of DKK 1,158bn against DKK 1,161bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,128bn against DKK 1,119bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,108bn against DKK 1,114bn at end-2015.

Bank lending totalled DKK 49.6bn against DKK 46.7bn at the beginning of the year, up DKK 2.8bn. In addition, reverse repurchase lending amounted to DKK 30.4bn against DKK 39.5bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.1bn against DKK 8.5bn at the beginning of the year. Impairment provisions for receivables from credit institutions came to DKK 44m, the same level as at the beginning of 2016.

At end-H1/2016, guarantees came to DKK 6.2bn against DKK 6.9bn at the beginning of the year.

Incurred losses totalled DKK 732m in H1/2016 of which DKK 492m on mortgage lending and DKK 240m on bank lending.

NYKREDIT REALKREDIT GROUP LOANS, ADVANCES, GUARANTEES AND IMPAIRMENT LOSSES ON LOANS AND ADVANCES

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment losses on loans and advances, earnings impact	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	H1/2016	FY 2015
Mortgage lending						
Nykredit Realkredit	528,428	543,518	4,269	4,351	166	586
Totalkredit	579,957	570,806	1,226	1,343	45	455
Total	1,108,385	1,114,324	5,494	5,694	211	1,041
Bank lending						
Nykredit Bank	49,554	46,747	2,584	2,852	(52)	(114)
Total	49,554	46,747	2,584	2,852	(52)	(114)
Receivables from credit institutions						
Total	-	-	44	44	-	-
Reverse repurchase lending	30,350	39,467	-	-	-	-
Guarantees	6,245	6,942	65	100	(35)	(7)
Loan impairment, %¹						
Nykredit Realkredit	-	-	0.81	0.80	0.03	0.11
Totalkredit	-	-	0.21	0.24	0.01	0.08
Total	-	-	0.50	0.51	0.02	0.09
Nykredit Bank	-	-	4.96	5.75	(0.10)	(0.23)
Total	-	-	4.96	5.75	(0.10)	(0.23)

¹ Loan impairment excluding receivables from credit institutions, reverse repurchase lending and guarantees.
Note: Nominal mortgage lending, adjusted for intercompany lending and intercompany set-off.

MORTGAGE LENDING

At end-H1/2016, the credit exposure in terms of nominal mortgage lending was DKK 1,108bn, which is DKK 6bn lower than at the beginning of the year.

The security underlying mortgage lending is substantial. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset part of the losses incurred on mortgage loans against future commission payments to the partner banks which have distributed the loans.

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-H1/2016.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment decreased by DKK 200m from the beginning of the year to DKK 5,494m at end-H1/2016. Of the reversals, DKK 151m was related to private residential property, DKK 112m to private rental property, DKK 63m to office and retail and DKK 137m to agricultural property.

Private residential property accounted for DKK 151m of the reversals in H1/2016 and business property DKK 49m.

Total impairment provisions equalled 0.50% of total mortgage lending against 0.51% at the beginning of the year.

Earnings impact

Impairment losses on mortgage lending for the period were DKK 211m against DKK 538m in H1/2015. Of total impairment losses on loans and advances for the period, DKK 92m was attributable to the private residential segment and DKK 230m related to agricultural property. Private rental showed a reversal of DKK 92m.

NYKREDIT REALKREDIT GROUP DEBT OUTSTANDING RELATIVE TO ESTIMATED PROPERTY VALUES¹

DKK million/%	LTV (loan-to-value)						Total	LTV average % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Private residential	411,901	159,504	97,152	13,860	5,590	4,836	692,843	71
Private rental	75,591	26,252	13,063	1,890	1,002	1,112	118,909	67
Industry and trades	19,404	2,745	329	76	56	197	22,807	46
Office and retail	85,207	20,308	3,158	563	298	359	109,893	52
Agricultural	69,319	18,151	6,817	1,147	527	536	96,498	58
Public housing	-	-	-	-	-	-	69,670	
Other	13,421	2,681	805	67	26	105	17,105	51
Total, end-H1/2016	674,842	229,642	121,323	17,603	7,500	7,145	1,127,725	65
Total, end-2015	672,034	233,789	116,058	15,289	7,031	6,987	1,119,101	69

¹ Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the public housing segment. For this reason, LTVs of public housing offer no relevant risk data and have been excluded.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

NYKREDIT REALKREDIT GROUP PROVISIONS FOR MORTGAGE LOAN IMPAIRMENT BY PROPERTY TYPE¹

DKK million	30.06.2016		31.12.2015	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Private residential	2,079	92	2,230	562
Private rental ²	1,353	(92)	1,465	50
Industry and trades	232	(3)	244	45
Office and retail	453	(7)	516	104
Agricultural	1,233	230	1,096	342
Public housing	42	(7)	47	(60)
Other	101	(2)	96	(2)
Total	5,494	211	5,694	1,041

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

² Housing cooperatives are included in the property category Private rental.

NYKREDIT REALKREDIT GROUP
ARREARS RATIO – 75 DAYS PAST DUE

Due dates	Arrears relative to total mortgage payments	Debt outstanding affected by arrears relative to total debt outstanding	Debt outstanding affected by arrears
	%	%	DKK billion
2016			
- March	0.43	0.40	4.4
2015			
- December	0.38	0.41	4.5
- September	0.39	0.39	4.3
- June	0.42	0.48	5.4
- March	0.48	0.49	5.5
2014			
- December	0.42	0.50	5.6

Arrears

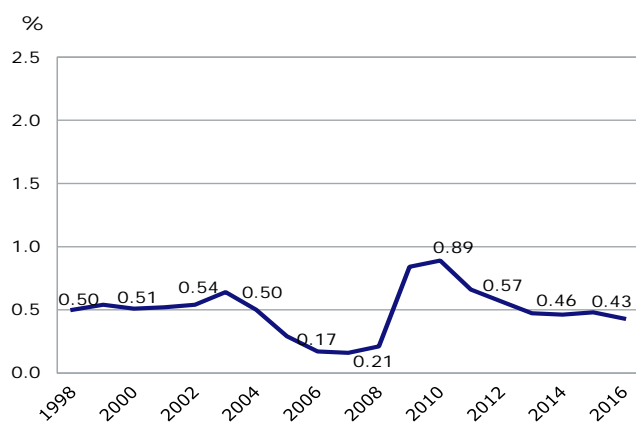
At the March due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.43% against 0.48% at the same time last year.

The Group's mortgage lending affected by arrears was 0.40% of total mortgage lending (bond debt outstanding) compared with 0.49% at the same date the previous year.

Properties acquired by foreclosure

In H1/2016, the Group acquired 85 properties by foreclosure and sold 117. At end-H1/2016, the property portfolio stood at 127 against 159 at the beginning of the year. Of this amount, residential property accounted for 81 against 72 at end-2015.

NYKREDIT REALKREDIT GROUP
ARREARS RATIO, MORTGAGE LENDING – 75 DAYS PAST DUE



BANK LENDING

Loans, advances and guarantees were DKK 86.1bn against DKK 93.2bn at the beginning of the year, down DKK 7.1bn. The decline chiefly stemmed from reverse repurchase lending, which fell back by DKK 9.1bn to DKK 30.4bn, whereas lending rose by DKK 2.8bn to DKK 49.6bn.

Bank loans and advances amounted to DKK 49.6bn against DKK 46.7bn at the beginning of the year. Nykredit Bank and FIH have entered into an agreement regarding the transfer of more than 5,000 personal customers and about 400 business customers, all having deposit accounts with FIH Direct Bank. The customer increase has increased Nykredit Bank's deposits by about DKK 1.7bn. Before provisions for loan impairment, loans and advances amounted to DKK 52.1bn against DKK 49.6bn at the beginning of the year.

Nykredit Bank recorded lending growth of 6.0%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model.

Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 2,584m against DKK 2,852m at the beginning of the year.

Impairment provisions for receivables from credit institutions came to DKK 23m at end-H1/2016, the same level as at end-2015.

Guarantees

Guarantees issued totalled DKK 6.2bn against DKK 6.9bn at the beginning of the year.

At end-H1/2016, provisions for guarantees amounted to DKK 65m against DKK 100m at the beginning of the year.

NYKREDIT REALKREDIT GROUP PROVISIONS FOR BANK LOAN IMPAIRMENT AND GUARANTEES BY SECTOR¹

DKK million	30.06.2016		31.12.2015	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	0	0	0	0
Agriculture, hunting, forestry and fishing	103	1	102	7
Manufacturing, mining and quarrying	185	(8)	225	39
Energy supply	3	(1)	3	(6)
Construction	230	4	232	11
Trade	59	(31)	88	1
Transport, accommodation and food service activities	108	13	104	32
Information and communication	16	1	17	(2)
Finance and insurance	121	(55)	224	18
Real estate	1,036	(68)	1,140	(287)
Other	191	(3)	231	5
Total business customers	2,052	(147)	2,366	(182)
Personal customers	597	61	586	61
Total	2,649	(86)	2,952	(121)
- of which provisions for losses on guarantees	65	(34)	100	(7)
Impairment provisions for credit institutions	23	-	23	-
Total including impairment provisions for credit institutions	2,672	(86)	2,975	(121)

¹ As the breakdown is based on public sector statistics, it is not directly comparable with the Group's business areas.

MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 June 2016 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

The Consolidated Financial Statements have been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

Copenhagen, 18 August 2016

Executive Board

Michael Rasmussen
Chief Executive Officer

Kim Duus
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Steffen Kragh
Chairman

Merete Eldrup
Deputy Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Hans Bang-Hansen

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Allan Kristiansen*

Bent Naur

Anders C. Obel

Erling Bech Poulsen

Inge Sand*

Leif Vinther*

* Staff-elected member

We are of the opinion that the Interim Financial Statements give a fair presentation of the Group's and the Parent Company's assets, liabilities, equity and financial position at 30 June 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial period 1 January – 30 June 2016.

We are furthermore of the opinion that the Management's Review gives a fair review of the development in the operations and financial circumstances of the Group and the Parent Company as well as a description of the material risk and uncertainty factors which may affect the Group and the Parent Company.

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

Statements of income and comprehensive income for 1 January – 30 June

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
H1/2015	H1/2016		Note	H1/2016	H1/2015
INCOME STATEMENT					
13,748	11,332	Interest income	5	14,482	17,242
11,155	8,940	Interest expenses	6	9,000	11,283
2,593	2,393	Net interest income		5,483	5,959
83	80	Dividend on equities		92	87
531	430	Fee and commission income		1,087	1,419
75	69	Fee and commission expenses		1,197	1,381
3,132	2,834	Net interest and fee income		5,464	6,084
52	(186)	Value adjustments	7	(740)	658
431	483	Other operating income		105	92
1,494	1,452	Staff and administrative expenses	8	2,250	2,268
98	82	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	103	119
-	68	Other operating expenses		82	34
224	166	Impairment losses on loans, advances and receivables	10	125	449
1,918	587	Profit from investments in associates and Group enterprises	11	6	4
3,717	1,950	Profit before tax		2,275	3,969
329	305	Tax	12	472	887
3,388	1,645	Profit for the period		1,803	3,082
Distribution of profit for the period					
3,308	1,529	Shareholder of Nykredit Realkredit A/S		1,686	3,002
-	-	Minority interests		1	-
80	116	Holders of Additional Tier 1 capital notes		116	80
3,388	1,645	Profit for the period		1,803	3,082
COMPREHENSIVE INCOME					
3,388	1,645	Profit for the period		1,803	3,082
Other comprehensive income					
Items that cannot be reclassified to profit or loss:					
12	0	Actuarial gains/losses on defined benefit plans		0	12
12	0	Total items that cannot be reclassified to profit or loss		0	12
Items that may be reclassified to profit or loss:					
-	-	Fair value adjustment of equities available for sale		(178)	332
-	-	Tax on fair value adjustment of equities available for sale		20	(26)
-	-	Total items that may be reclassified to profit or loss		(157)	306
12	0	Other comprehensive income		(157)	317
3,399	1,645	Comprehensive income for the period		1,646	3,399
Distribution of comprehensive income					
3,320	1,530	Shareholder of Nykredit Realkredit A/S		1,530	3,320
-	-	Minority interests		1	-
80	116	Holders of Additional Tier 1 capital notes		116	80
3,399	1,645	Comprehensive income for the period		1,646	3,399

Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2015	30.06.2016		Note	30.06.2016	31.12.2015
ASSETS					
351	3,502	Cash balances and demand deposits with central banks		4,931	3,095
18,210	20,489	Receivables from credit institutions and central banks	13	38,775	20,158
1,156,122	1,161,134	Loans, advances and other receivables at fair value	14	1,158,473	1,158,926
263	262	Loans, advances and other receivables at amortised cost	15	49,857	47,036
56,053	48,306	Bonds at fair value	16	102,605	106,200
Equities					
3,733	3,505	Equities measured at fair value through profit or loss		1,845	1,979
-	-	Equities available for sale		1,937	2,115
3,733	3,505	Total		3,782	4,094
122	127	Investments in associates		129	124
35,594	36,108	Investments in Group enterprises		-	-
217	203	Intangible assets	17	253	271
Land and buildings					
-	-	Investment properties		234	244
16	18	Owner-occupied properties		1,454	1,460
16	18	Total		1,688	1,704
204	173	Other property, plant and equipment		202	235
-	-	Current tax assets		130	0
103	40	Deferred tax assets		-	103
396	263	Assets in temporary possession		302	451
10,884	10,061	Other assets	18	45,806	41,171
191	315	Prepayments		361	221
1,282,458	1,284,506	Total assets		1,407,294	1,383,789

Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2015	30.06.2016		Note	30.06.2016	31.12.2015
LIABILITIES AND EQUITY					
17,724	20,756	Payables to credit institutions and central banks	19	28,131	30,226
-	-	Deposits and other payables	20	69,547	62,599
1,169,616	1,164,671	Bonds in issue at fair value	21	1,142,561	1,137,314
3,795	7,509	Bonds in issue at amortised cost	22	22,498	23,945
427	329	Other non-derivative financial liabilities at fair value	23	19,118	10,126
16	279	Current tax liabilities		556	142
-	-	Liabilities temporarily assumed		29	29
14,124	12,393	Other liabilities	24	46,134	42,305
-	-	Deferred income		8	7
1,205,701	1,205,936	Total payables		1,328,583	1,306,692
Provisions					
169	164	Provisions for pensions and similar obligations		170	175
70	-	Provisions for deferred tax		-	123
63	61	Repayable reserves in pre-1972 series		61	63
-	-	Provisions for losses under guarantees		65	100
88	72	Other provisions		137	169
390	297	Total provisions		434	630
10,907	11,260	Subordinated debt	25	11,260	11,006
Equity					
1,182	1,182	Share capital		1,182	1,182
Accumulated value adjustments					
1	1	- revaluation reserves		156	160
-	-	- value adjustment of equities available for sale		490	648
Other reserves					
6,288	6,809	- statutory reserves		-	-
26,787	26,787	- series reserves		26,787	26,787
27,427	28,471	- retained earnings		34,635	32,909
61,686	63,251	Shareholder of Nykredit Realkredit A/S		63,251	61,686
-	-	Minority interests		4	-
3,774	3,762	Holders of Additional Tier 1 capital		3,762	3,774
65,460	67,013	Total equity		67,017	65,460
1,282,458	1,284,506	Total liabilities and equity		1,407,294	1,383,789
OFF-BALANCE SHEET ITEMS					
-	-	Contingent liabilities	26	6,245	6,942
1,197	1,193	Other commitments		7,203	6,637
1,197	1,193	Total		13,448	13,579

Statement of changes in equity for 1 January – 30 June

DKK million

Nykredit Realkredit A/S

	Share capital ¹	Revaluation reserves	Statutory reserves ²	Series reserves	Retained earnings	Shareholder of Nykredit Realkredit A/S	Additional Tier 1 capital ³	Total equity
2016								
Equity, 1 January	1,182	1	6,288	26,787	27,427	61,686	3,774	65,460
Profit for the period	-	-	592	-	937	1,529	116	1,645
Total other comprehensive income	-	-	-	-	0	0	-	0
Total comprehensive income for the period	-	-	592	-	937	1,529	116	1,645
Transactions with holders								
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	12	12	(12)	-
Tax	-	-	-	-	24	24	-	24
Dividend from associates	-	-	(1)	-	1	-	-	-
Dividend from Group enterprises	-	-	(70)	-	70	-	-	-
Equity, 30 June	1,182	1	6,810	26,787	28,470	63,251	3,762	67,013
2015								
Equity, 1 January	1,182	2	3,147	30,975	24,197	59,502	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A/S	-	-	-	-	(852)	(852)	-	(852)
Equity, 1 January, as restated	1,182	2	3,147	30,975	23,344	58,650	-	58,650
Profit for the period	-	-	1,918	-	1,389	3,308	80	3,388
Other comprehensive income	-	-	-	-	12	12	-	12
Total comprehensive income for the period	-	-	1,918	-	1,401	3,320	80	3,399
Transactions with holders								
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(38)	(38)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	1	(1)	-
Tax	-	-	-	-	18	18	-	18
Dividend from associates	-	-	(2)	-	2	-	-	-
Dividend from Group enterprises	-	-	(35)	-	35	-	-	-
Realised from the sale of properties	-	(1)	-	-	1	-	-	-
Other adjustments	-	-	(0)	-	0	-	-	-
Equity, 30 June	1,182	1	5,028	30,975	24,764	61,950	3,772	65,722

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² The item relates to transfer to reserves for net revaluation according to the equity method. The item includes a non-distributable reserve fund of DKK 1,646m in Totalkredit. The reserves are non-distributable.

³ Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the bonds are consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the loan will be written down.

Statement of changes in equity for 1 January – 30 June

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ²	Total equity
2016									
Equity, 1 January	1,182	160	648	26,787	32,909	61,686	-	3,774	65,460
Profit for the period	-	-	-	-	1,686	1,686	1	116	1,803
Other comprehensive income	-	-	(157)	-	0	(157)	-	-	(157)
Total comprehensive income for the period	-	-	(157)	-	1,687	1,530	1	116	1,646
Transactions with holders									
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	12	12	-	(12)	-
Tax	-	-	-	-	24	24	-	-	24
Additions relating to acquisition of associate	-	-	-	-	-	-	3	-	3
Realised from the sale of properties	-	(4)	-	-	4	-	-	-	-
Equity, 30 June	1,182	156	490	26,787	34,635	63,251	4	3,762	67,017
2015									
Equity, 1 January	1,182	151	641	30,975	26,553	59,502	-	-	59,502
Impairment of goodwill relating to the acquisition of Forstædernes Bank A.	-	-	-	-	(852)	(852)	-	-	(852)
Equity, 1 January, as restated	1,182	151	641	30,975	25,701	58,650	-	-	58,650
Profit for the period	-	-	-	-	3,002	3,002	-	80	3,082
Other comprehensive income	-	-	306	-	12	317	-	-	317
Total comprehensive income for the period	-	-	306	-	3,014	3,319	-	80	3,399
Transactions with holders									
Issuance of Additional Tier 1 capital	-	-	-	-	-	-	-	3,731	3,731
Net transaction costs	-	-	-	-	(39)	(39)	-	-	(39)
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	(38)	(38)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	1	1	-	(1)	-
Tax	-	-	-	-	18	18	-	-	18
Realised from the sale of properties	-	(6)	-	-	6	-	-	-	-
Equity, 30 June	1,182	144	946	30,975	28,702	61,950	-	3,773	65,722

¹ The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

² Additional Tier 1 (AT1) capital is perpetual, and payment of principal and interest is discretionary. For accounting purposes, the AT1 capital is consequently treated as equity. On 26 February 2015, Nykredit issued EUR 500m (nominal) of AT1 capital, which may be redeemed from 26 October 2020. The AT1 capital carries an interest rate of 6.25% pa up to 26 October 2020, after which date the interest rate will be fixed every five years. If the Common Equity Tier 1 (CET1) capital ratio of Nykredit Realkredit A/S, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7.125%, the loan will be written down.

Cash flow statement for 1 January – 30 June

DKK million

	Nykredit Realkredit Group	
	H1/2016	H1/2015
Profit for the period	1,803	3,082
Non-cash operating items		
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	103	119
Profit from investments in associates	(6)	(4)
Impairment losses on loans, advances and receivables	125	449
Prepayments/deferred income, net	(138)	(71)
Tax calculated on profit for the period	472	887
Other adjustments	(323)	199
Total	232	1,580
Profit for the period adjusted for non-cash operating items	2,035	4,662
Change in working capital		
Loans, advances and other receivables	(2,493)	24,294
Deposits and payables to credit institutions	4,854	(4,839)
Bonds in issue	3,801	(20,191)
Other working capital	8,629	(17,807)
Total	14,791	(18,543)
Corporation tax paid, net	(213)	(67)
Cash flows from operating activities	16,613	(13,949)
Cash flows from investing activities		
Divestment of associates	-	1
Dividend received from associates	1	3
Purchase and sale of bonds and equities, net	3,907	21,979
Purchase of intangible assets	(28)	(32)
Purchase of property, plant and equipment	(18)	(23)
Sale of property, plant and equipment	1	21
Total	3,863	21,950
Cash flows from financing activities		
Redemption of subordinated debt	-	(6,699)
Issuance of Additional Tier 1 capital recognised in equity	-	3,731
Purchase and sale of self-issued subordinated debt instruments	(21)	56
Total	(21)	(2,912)
Total cash flows for the period	20,455	5,090
Cash and cash equivalents, beginning of period	23,253	42,288
Foreign currency translation adjustment of cash	0	32
Cash and cash equivalents, end of period	43,707	47,410
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	4,931	20,845
Receivables from credit institutions and central banks	38,775	26,565
Total	43,707	47,410

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20. Deposits and other payables	49
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Notes

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Interim Financial Statements for H1/2016 of the Parent Company have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on the Presentation of Financial Statements) issued by the Danish Financial Supervisory Authority (FSA).

Goodwill impairment – correction to the H1 Interim Financial Statements 2015

In 2015 the Danish FSA performed a partial review of Nykredit Realkredit's Financial Statements 2014, with special focus on the carrying amount of goodwill. According to the FSA, their review showed that goodwill related to the acquisition of Forstædernes Bank A/S was overvalued by DKK 852m in Nykredit Realkredit's Financial Statements 2014. As a result, a few items were adjusted retrospectively by DKK 852m for the financial year 2014 and for already presented interim reports for 2015. A summary of the corrections to the H1 Interim Report 2015 is shown in the table below. The corrections have been included in the comparative figures for H1/2015 in this H1 Interim Report 2016. It should be noted that the corrections for 2015 only affect the balance sheet and not the income statement or the capital ratios.

Change in the presentation of business areas

Effective from Q1/2016, the Group has launched a new business area, Wealth Management, comprising Private Banking for clients with investable assets in excess of DKK 7m and Nykredit Asset Management, including Nykredit Portefølje Administration A/S, which were previously included in Wholesale Clients. In this connection, the distribution of income between Private Banking for clients with investable assets in excess of DKK 7m and Retail has been adjusted.

Effective from Q4/2015, Nykredit Leasing A/S's activities have been transferred from Wholesale Clients to Retail and a number of expenses, including IT expenses and management-related costs, previously allocated to Group Items have been reallocated to the business areas.

Comparative figures for the business areas have been restated accordingly. Please refer to note 4 of this report.

The changes did not affect Nykredit Realkredit's or the Nykredit Realkredit Group's results, comprehensive income, balance sheet or equity.

Changed policy concerning the presentation of intercompany costs

In the financial statements of the Parent Company, Nykredit Realkredit A/S, intercompany transactions invoiced from Nykredit Realkredit A/S to other Group companies have so far been offset against the Parent Company's capacity costs.

To give a fairer presentation of the Parent Company's costs, the invoicing of intercompany transactions is recognised as income in "Other operating income" as of H1/2016.

The change only affects "Other operating income" and "Staff and administrative expenses" in the Parent Company's income statement. For H1/2016 this amounted to DKK 447m, while the amount was DKK 426m for H1/2015.

Comparative figures have been restated accordingly, and the changed policy did not affect the results, comprehensive income, balance sheet or equity for the periods concerned. The change did not affect the financial statements of the Nykredit Group.

IFRS 9

IFRS 9 is expected to be implemented for financial years beginning on 1 January 2018 or later (the standard has not yet been approved for use in the EU). Where the Nykredit Group is concerned, especially the new loan impairment rules will have a material impact on the Financial Statements. Nykredit expects the impact on equity of the future impairment provisions to be an estimated DKK 1.5bn as at 1 January 2018, equal to the increased loan impairment provisions after deduction of the tax effect.

New and amended standards, interpretations and reporting provisions

Reporting standards and interpretations in force as at 1 January 2016 have been implemented with no effect on results, comprehensive income, balance sheet or equity for the period.

Compared with the information disclosed in the accounting policies of the Annual Report 2015 (note 1), no new reporting standards or interpretations have been issued or approved which influence the H1 Interim Report 2016 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

Other information

The accounting policies are otherwise unchanged compared with the Annual Report 2015. For a full description of the Group's and the Parent Company's accounting policies, please refer to note 1 of the Annual Report 2015, which is available at nykredit.com/reports.

All figures in the Interim Financial Statements are rounded to the nearest million 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.

Restatement of goodwill impairment in the Financial Statements 2014

Effect on the H1 Interim Financial Statements 2015

DKK million	Nykredit Realkredit A/S		Nykredit Realkredit Group	
	Initial 30.06.2015	Restated 30.06.2015	Initial 30.06.2015	Restated 30.06.2015
Balance sheets				
Intangible assets	3,005	2,152	3,075	2,222
Balance sheet total	1,302,729	1,301,876	1,407,960	1,407,108
Equity	66,574	65,722	66,574	65,722

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2015	30.06.2016		30.06.2016	31.12.2015
2. CAPITAL AND CAPITAL ADEQUACY				
65,460	67,013	Equity for accounting purposes	67,017	65,460
-	-	Minority interests not included	(4)	-
(3,774)	(3,762)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,762)	(3,774)
61,686	63,251	Equity excluding Additional Tier 1 capital	63,251	61,686
(54)	(47)	Prudent valuation adjustment	(503)	(359)
(169)	(159)	Intangible assets excluding deferred tax liabilities	(244)	(275)
(1,767)	(1,553)	Provisions for expected losses in accordance with IRB approach	(1,331)	(1,116)
(244)	(262)	Other additions/deductions	(229)	(217)
1,197	713	Transitional adjustment of deductions	624	806
(1,038)	(1,308)	Common Equity Tier 1 capital deductions	(1,683)	(1,161)
60,648	61,943	Common Equity Tier 1 capital	61,568	60,525
3,731	3,720	Additional Tier 1 capital/hybrid capital	3,718	3,831
(27)	(30)	Additional Tier 1 capital/hybrid capital deductions	(24)	(22)
(514)	(299)	Transitional adjustment of deductions	(257)	(322)
3,190	3,391	Total Additional Tier 1 capital/hybrid capital after deductions	3,438	3,488
63,838	65,335	Tier 1 capital	65,006	64,013
10,821	10,787	Tier 2 capital	10,787	10,820
(530)	(311)	Transitional adjustment of deductions	(266)	(335)
74,129	75,811	Own funds	75,527	74,498
338,823	334,108	Credit risk	258,475	264,865
17,396	15,859	Market risk	26,038	27,958
11,266	10,806	Operational risk	19,636	18,397
367,484	360,773	Total risk exposure amount	304,149	311,220
Financial ratios				
16.5	17.1	Common Equity Tier 1 capital ratio, %	20.2	19.4
17.3	18.1	Tier 1 capital ratio, %	21.3	20.5
20.1	21.0	Total capital ratio, %	24.8	23.9

Capital and capital adequacy have been determined in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the Capital Requirements Regulation) as well as the Danish transitional rules laid down by the Danish FSA.

Nycredit Realkredit Group

	H1/2016			H1/2015		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
3. RESULTS FROM CORE BUSINESS AND OTHER ACTIVITIES						
Net interest income	4,978	505	5,483	5,232	727	5,959
Dividend on equities	9	83	92	4	83	87
Fee and commission income, net	(101)	(10)	(111)	49	(11)	38
Net interest and fee income	4,886	578	5,464	5,285	799	6,084
Value adjustments	623	(1,363)	(740)	517	142	659
Other operating income	105	-	105	92	-	92
Staff and administrative expenses	2,250	-	2,250	2,268	-	2,268
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	103	-	103	119	-	119
Other operating expenses	82	-	82	34	-	34
Impairment losses on loans and advances	125	-	125	449	-	449
Profit from investments	-	6	6	-	4	4
Profit (loss) before tax	3,054	(779)	2,275	3,024	945	3,969

¹ Results from Other Activities comprise negative value adjustment of interest rate swaps of DKK 1,312m (2015: positive value adjustment of DKK 454m) and investment portfolio income of DKK 533m (2015: DKK 491m).

Nykredit Realkredit Group

4. BUSINESS AREAS

RESULTS H1/2016	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
Core income from										
- customer activities, gross	1,230	1,560	2,790	1,300	796	386	1,182	503	50	5,825
- payment for distribution	160	113	273	-	47	(155)	(108)	(165)	-	-
Total business operations	1,390	1,673	3,063	1,300	843	231	1,074	338	50	5,825
- senior and subordinated debt	(20)	(28)	(48)	(72)	(4)	-	(4)	-	(108)	(232)
- core income from securities	-	-	-	-	-	-	-	-	21	21
Income from core business	1,370	1,645	3,015	1,228	839	231	1,070	338	(37)	5,614
Operating costs and depreciation of equipment ¹			1,563	281	183	134	317	194	11	2,366
Mortgage business contribution to the Danish Resolution Fund ¹			49	1	19	-	19	-	-	69
Profit (loss) from core business before impairment losses			1,403	946	637	97	734	144	(48)	3,179
Impairment losses on loans and advances	133	134	267	8	(167)	-	(167)	23	(6)	125
Profit (loss) from core business			1,136	938	804	97	901	121	(42)	3,054
Value adjustment of interest rate swaps	-	(622)	(622)	-	(692)	2	(690)	-	-	(1,312)
Investment portfolio income ²			-	-	-	-	-	-	533	533
Profit before tax			514	938	112	99	211	121	491	2,275
BALANCE SHEET										
Assets										
Mortgage loans at fair value	192,454	244,733	437,187	508,439	178,908	-	178,908	3,589	-	1,128,123
Reverse repurchase lending at fair value	-	-	-	-	-	30,350	30,350	-	-	30,350
Loans and advances at amortised cost	11,369	16,352	27,721	49	18,910	-	18,910	2,289	888	49,857
Assets by business area	203,823	261,085	464,908	508,488	197,818	30,350	228,168	5,878	888	1,208,330
Unallocated assets										198,964
Total assets										1,407,294
Liabilities and equity										
Bank deposits and other payables at amortised cost	26,267	17,361	43,628	-	15,028	-	15,028	8,564	2,327	69,547
Liabilities by business area	26,267	17,361	43,628	-	15,028	-	15,028	8,564	2,327	69,547
Unallocated liabilities										1,270,730
Equity										67,017
Total liabilities and equity										1,407,294

¹ Operating costs and depreciation of equipment for Retail Personal Banking and Retail Business Banking are presented and assessed jointly for internal reporting purposes.

² Investment portfolio income includes profit from equity investments and the sale of equity investments in associates of DKK 6m.

The business areas reflect Nykredit Realkredit's organisation and internal reporting. Retail serves personal customers as well as small and medium-sized enterprises (SMEs). Wholesale Clients comprises activities with corporate and institutional clients, securities trading and derivatives trading. Wealth Management comprises wealth and asset management activities. Group Items comprises Nykredit Bank's Treasury area as well as unallocated costs. Please refer to the business area section in the Management's Review.

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

Effective from Q1/2016, the Group has launched a new business area, Wealth Management, comprising Private Banking for clients with investable assets in excess of DKK 7m and Nykredit Asset Management, including Nykredit Portefølje Administration A/S, which were previously included in Wholesale Clients. In this connection, the distribution of income between Private Banking for clients with investable assets in excess of DKK 7m and Retail has been adjusted.

As a result of the above changes, profit before tax for H1/2016 was reduced by DKK 85m in Retail, remained unchanged in Totalkredit Partners, decreased by DKK 36m in Wholesale Clients, increased by DKK 121m in Wealth Management and remained unchanged in Group Items.

Notes

DKK million

Nykredit Realkredit Group

4. BUSINESS AREAS (CONTINUED)

RESULTS H1/2015	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
Core income from										
- customer activities, gross	1,365	1,615	2,980	1,384	901	513	1,414	442	16	6,236
- payment for distribution	169	126	295	-	43	(181)	(138)	(157)	-	-
Total business operations	1,534	1,741	3,275	1,384	944	332	1,276	285	16	6,236
- senior and subordinated debt	(26)	(36)	(62)	(90)	(7)	-	(7)	-	(205)	(364)
- core income from securities	-	-	-	-	-	-	-	-	21	21
Income from core business	1,508	1,705	3,213	1,294	937	332	1,269	285	(168)	5,893
Operating costs and depreciation of equipment ¹	-	-	1,670	247	180	166	346	150	7	2,420
Mortgage business contribution to the Danish Resolution Fund ¹	-	-	-	-	-	-	-	-	-	-
Profit (loss) from core business before impairment losses			1,543	1,047	757	166	923	135	(175)	3,473
Impairment losses on loans and advances	59	211	270	291	(111)	-	(111)	(1)	-	449
Profit (loss) from core business			1,273	756	868	166	1,034	136	(175)	3,024
Value adjustment of interest rate swaps	2	248	250	-	205	-	205	(1)	-	454
Investment portfolio income ²	-	-	-	-	-	-	-	-	491	491
Profit before tax			1,523	756	1,073	166	1,239	135	316	3,969
BALANCE SHEET AT 31 DECEMBER 2015										
Assets										
Mortgage loans at fair value	192,549	245,376	437,925	496,528	181,679	-	181,679	3,327	-	1,119,459
Reverse repurchase lending at fair value	-	-	-	-	-	39,467	39,467	-	-	39,467
Loans and advances at amortised cost	12,077	14,977	27,054	45	18,007	-	18,007	1,922	8	47,036
Assets by business area	204,626	260,353	464,979	496,573	199,686	39,467	239,153	5,249	8	1,205,962
Unallocated assets										177,827
Total assets										1,383,789
Liabilities and equity										
Bank deposits and other payables at amortised cost	23,781	17,018	40,799	-	13,700	-	13,700	7,828	272	62,599
Liabilities by business area	23,781	17,018	40,799	-	13,700	-	13,700	7,828	272	62,599
Unallocated liabilities										1,255,730
Equity										65,460
Total liabilities and equity										1,383,789

¹ Operating costs and depreciation of equipment for Retail Personal Banking and Retail Business Banking are presented and assessed jointly for internal reporting purposes.

² Investment portfolio income includes profit from equity investments and the sale of equity investments in associates of DKK 4m.

Effective from Q4/2015, Nykredit Leasing A/S's activities have been transferred from Wholesale Clients to Retail, and a number of expenses including IT expenses and Group management-related costs previously carried under Group Items have been reallocated to the business areas.

As a result of these changes and the changes introduced as from Q1/2016, profit before tax for H1/2015 reduced by a total of DKK 227m in Retail, remained unchanged in Totalkredit Partners, reduced by DKK 235m in Wholesale Clients, increased by DKK 135m in Wealth Management and increased by DKK 327m in Group Items.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2015	H1/2016	H1/2016	H1/2015
5. INTEREST INCOME			
6,102	5,172		
4,806	3,583		
2,102	2,066		
151	115		
278	336		
127	115		
49	63		
0	(10)		
226	(29)		
-	-		
-	-		
58	38		
13,899	11,448	14,718	17,717
(151)	(115)	(225)	(440)
(0)	(0)	(11)	(34)
13,748	11,333	14,482	17,242
Of which interest income from reverse repurchase lending entered as:			
0	(2)	(8)	(18)
-	-	(55)	(39)
6. INTEREST EXPENSES			
1	(25)	(9)	(2)
-	-	(15)	86
10,991	8,842	9,047	11,418
246	182	183	247
67	56	31	8
11,307	9,055	9,236	11,758
(151)	(115)	(225)	(440)
(0)	(0)	(11)	(34)
11,156	8,940	9,000	11,283
Of which interest expenses from repo transactions entered as:			
0	(28)	(29)	3
-	-	(38)	2

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2015	H1/2016	H1/2016	H1/2015
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
(4,087)	4,191	14,743	(15,962)
(11,532)	10,597	-	-
(86)	(18)	1	(4)
(571)	1,025	1,360	(599)
427	(164)	17	178
-	-	(11)	-
(1)	(2)	(4)	188
130	(1,038)	(2,114)	739
Liabilities measured at fair value through profit or loss			
4,241	(4,179)	(14,732)	16,118
11,532	(10,597)	-	-
52	(186)	(740)	658
a) Financial assets and liabilities classified at fair value on initial recognition.			
b) Financial assets and liabilities classified under the trading book.			
8. STAFF AND ADMINISTRATIVE EXPENSES			
24	38	38	24
978	965	1,427	1,400
491	449	785	843
1,494	1,452	2,250	2,268
Remuneration of Board of Directors and Executive Board			
Board of Directors			
2	2	2	2
Executive Board			
18	18	18	18
4	3	3	4
-	15	15	-
24	38	38	24
Bente Overgaard stepped down from the Group Executive Board on 30 June 2016 and will receive post-employment salary and termination benefits totalling DKK 12m in accordance with her contract. She will further receive special termination benefits equal to six months' salary. Bente Overgaard will remain available to Nykredit for a period of time.			
Staff expenses			
767	749	1,121	1,111
95	88	124	130
109	119	171	149
7	9	12	10
978	965	1,427	1,400
Number of staff			
2,860	2,683	3,648	3,785

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2015	H1/2016	H1/2016	H1/2015
9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
38	39	46	45
	- amortisation		
16	-	-	16
	- impairment losses		
Property, plant and equipment			
45	43	57	58
	- depreciation		
98	82	103	119
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
10 a. Earnings impact			
273	130	280	769
(79)	(7)	(98)	(323)
43	37	126	157
(45)	(32)	(67)	(67)
-	-	(35)	(0)
192	129	207	536
Total impairment losses on loans, advances and receivables, and provisions for guarantees			
46	30	38	59
(14)	7	3	(14)
-	-	(123)	(132)
224	166	125	449
Total			
10 b. Specification of impairment provisions for loans, advances and receivables			
2,965	2,904	5,896	6,690
1,322	1,386	2,226	2,279
4,287	4,290	8,122	8,970
Total impairment provisions			
Impairment provisions have been offset against the following items:			
4,126	4,108	5,221	5,335
139	160	273	293
-	-	2,584	3,298
21	21	44	44
4,287	4,290	8,122	8,970
Total impairment provisions			
10 c. Individual impairment provisions for loans and advances			
2,869	2,958	6,223	6,465
Impairment provisions, beginning of period			
564	432	1,032	1,408
(290)	(302)	(752)	(639)
(45)	(19)	(45)	(66)
(154)	(187)	(606)	(520)
2,943	2,882	5,852	6,647
Impairment provisions, end of period			

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2015	H1/2016	H1/2016	H1/2015
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)			
10 d. Collective impairment provisions for loans and advances			
1,401	1,393	2,324	2,602
(79)	(7)	(98)	(323)
1,322	1,386	2,226	2,279
10 e. Individual impairment provisions for receivables from credit institutions			
21	21	44	44
21	21	44	44
10 f. Specification of loans, advances and receivables from credit institutions with objective evidence of impairment			
14,009	13,701	20,248	21,240
2,943	2,882	5,852	6,647
11,065	10,819	14,395	14,593
36,101	29,279	117,425	120,135
1,322	1,386	2,226	2,279
34,779	27,892	115,199	117,856
29	29	54	54
21	21	44	44
8	8	10	10
10 g. Impairment provisions for properties acquired by foreclosure			
315	217	287	414
45	19	45	66
54	36	51	71
(8)	(6)	(13)	(12)
(106)	(110)	(130)	(159)
300	155	239	380
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".			
11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
4	6	6	4
1,915	581	-	-
1,918	587	6	4
12. TAX			
23.5	22.0	22.0	23.5
14.6	6.3	1.2	1.2
8.9	15.7	20.8	22.3
Permanent deviations are attributable to Group enterprises and associates as well as equities available for sale.			

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2015	30.06.2016		30.06.2016	31.12.2015
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
6,772	5,056	Receivables from central banks	18,915	6,772
11,004	13,807	Receivables from credit institutions	12,345	12,284
433	1,625	Reverse repurchase lending to credit institutions	7,516	1,102
18,210	20,489	Total	38,775	20,158
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
549,618	538,544	Mortgage loans	1,127,725	1,119,101
235	194	Arrears and outlays	397	358
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	30,350	39,467
12,891	11,218	Loans to Totalkredit serving as collateral in capital centres	-	-
593,377	611,178	Totalkredit mortgage loan funding	-	-
1,156,122	1,161,134	Total	1,158,473	1,158,926
		Of which genuine purchase and resale transactions	30,350	39,467
14 a. Mortgage loans				
570,913	544,356	Balance, beginning of period, nominal value	1,114,324	1,111,744
86,795	28,368	New loans	81,152	257,128
152	204	Indexation	204	152
926	(871)	Foreign currency translation adjustment	(871)	926
(11,815)	(6,254)	Ordinary principal payments	(10,373)	(18,974)
(102,615)	(36,571)	Prepayments and extraordinary principal payments	(76,051)	(236,652)
544,356	529,232	Balance, end of period, nominal value	1,108,385	1,114,324
(207)	(85)	Loans transferred relating to properties in temporary possession	(138)	(255)
231	229	Loans assumed by the Danish Agency for Governmental Management	229	231
544,380	529,375	Total	1,108,475	1,114,300
9,452	13,277	Adjustment for interest rate risk	24,472	10,198
Adjustment for credit risk				
(2,820)	(2,722)	Individual impairment provisions	(3,129)	(3,215)
(1,393)	(1,386)	Collective impairment provisions	(2,093)	(2,182)
549,618	538,544	Balance, end of period, fair value	1,127,725	1,119,101
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
28,894	29,973	Supplementary guarantees totalling	47,905	44,772
674	841	Interim loan guarantees totalling	13,176	12,913
2,749	2,277	Registration guarantees totalling	13,301	13,302
14 b. Arrears and outlays				
280	260	Arrears before impairment provisions	354	385
93	94	Outlays before impairment provisions	316	269
(138)	(160)	Individual impairment provisions for arrears and outlays	(273)	(297)
235	194	Total	397	358

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
14 c. Totalkredit mortgage loan funding			
576,910	593,432		
290,238	88,580		
(5,873)	(3,404)		
(267,843)	(77,876)		
593,432	600,732		
(54)	10,447		
593,377	611,178		
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-		
19	18		
-	-		
269	268		
288	286		
-	-		
-	-		
288	286		
(25)	(24)		
263	262		
16. BONDS AT FAIR VALUE			
39,046	29,167		
15,876	20,435		
-	-		
-	204		
39,224	29,967		
12,815	14,959		
4,013	3,380		
110,974	98,112		
(39,020)	(29,149)		
(26)	(18)		
(15,876)	(20,435)		
-	-		
-	(204)		
56,053	48,306		
8,221	5,499		

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
17. INTANGIBLE ASSETS			
-	-	14	14
-	-	18	20
117	162	166	117
100	41	41	100
-	-	15	20
217	203	253	271
17 a. Goodwill			
2,759	2,759	2,782	2,782
2,759	2,759	2,782	2,782
-	2,759	2,768	-
852	-	-	852
852	2,759	2,768	852
1,907	-	-	1,916
2,759	2,759	2,768	2,768
-	-	14	14
<p>The Danish Financial Supervisory Authority (FSA) has performed a partial review of Nykredit Realkredit's Financial Statements 2014, with special focus on the carrying amount of goodwill. According to the FSA, their review showed that goodwill was overvalued by DKK 852m in Nykredit Realkredit's Financial Statements 2014. As a result, goodwill has been adjusted by DKK 852m at end-2014.</p> <p>The budget period related to the impairment test for 2014 of Nykredit Bank A/S has been changed from 10 years to 5 years, as talks with the Danish FSA have established that the 10-year period was not adequately motivated, including that it is not documented by experience that the longer period provides a better basis of calculation. Furthermore, the FSA does not find that the applied business growth has been adequately documented. As a result of this correction, goodwill of DKK 852m has been written down for impairment in full. Goodwill has been attributed to the business area Group Items, and the impairment test is based on the expected cash flows of Nykredit Bank A/S.</p> <p>For further information, reference is made to note 1, Accounting policies, under General.</p>			
17 b. Fixed-term rights			
4,506	4,506	4,575	4,575
-	-	-	1
-	-	-	(1)
4,506	4,506	4,575	4,575
4,506	4,506	4,555	4,553
-	-	2	2
4,506	4,506	4,557	4,555
-	-	18	20

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
17. INTANGIBLE ASSETS (CONTINUED)			
17 c. Software			
931	1,002	Cost, beginning of period	1,002 931
71	84	Transferred from development projects in progress	84 71
1,002	1,085	Cost, end of period	1,085 1,002
807	884	Amortisation and impairment losses, beginning of period	884 807
3	-	Transferred from development projects in progress	- 3
63	39	Amortisation for the period	39 63
11	-	Impairment losses for the period	- 11
884	923	Amortisation and impairment losses, end of period	923 884
117	162	Balance, end of period	166 117
17 d. Development projects in progress			
87	100	Cost, beginning of period	100 87
86	27	Additions	27 86
(71)	(84)	Transferred to software	(84) (71)
(2)	(2)	Disposals	(2) (2)
100	41	Cost, end of period	41 100
-	-	Amortisation and impairment losses, beginning of period	- -
5	5	Impairment losses for the period	5 5
(3)	(3)	Transferred to software	(3) (3)
(2)	(2)	Disposals	(2) (2)
-	-	Amortisation and impairment losses, end of period	- -
100	41	Balance, end of period	41 100
17 e. Customer relationships			
110	110	Cost, beginning of period	145 145
110	110	Cost, end of period	145 145
53	110	Amortisation and impairment losses, beginning of period	125 55
8	-	Amortisation for the period	6 20
49	-	Impairment losses for the period	- 49
110	110	Amortisation and impairment losses, end of period	130 125
-	-	Balance, end of period	15 20
18. OTHER ASSETS			
7,213	6,309	Interest and commission receivable	5,047 6,388
177	152	Receivables from Group enterprises	- -
2,962	3,096	Positive market value of derivative financial instruments	37,191 31,579
227	229	Defined benefit plans	229 227
304	274	Other	3,339 2,977
10,884	10,061	Total	45,806 41,171

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2015	30.06.2016		30.06.2016	31.12.2015
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
1,336	1,158	Payables to credit institutions	12,086	8,543
-	-	Payables to central banks	57	-
16,388	19,598	Repo transactions with credit institutions	15,988	21,683
17,724	20,756	Total	28,131	30,226
20. DEPOSITS AND OTHER PAYABLES				
-	-	On demand	54,211	49,962
-	-	At notice	2,889	2,334
-	-	Time deposits	9,406	7,536
-	-	Special deposits	3,042	2,767
-	-	Total	69,547	62,599
21. BONDS IN ISSUE AT FAIR VALUE				
230,588	219,468	ROs	232,628	251,040
971,449	977,864	SDOs	977,864	971,449
18,155	12,820	Senior secured debt	12,820	18,155
4,320	4,306	Senior unsecured debt	4,306	4,320
1,224,512	1,214,458	Total	1,227,619	1,244,964
(54,896)	(49,788)	Self-issued bonds transferred from "Bonds at fair value" – note 16	(85,058)	(107,650)
1,169,616	1,164,671	Total	1,142,561	1,137,314
21 a. ROs				
222,555	211,225	ROs at nominal value	223,637	242,206
8,033	8,243	Fair value adjustment	8,991	8,834
230,588	219,468	ROs at fair value	232,628	251,040
(15,876)	(20,435)	Self-issued ROs transferred from "Bonds at fair value" – note 16	(30,760)	(34,506)
214,712	199,033	Total	201,868	216,534
24	25	Of which pre-issuance	25	24
15,331	15,691	ROs redeemed and maturing at next creditor payment date	16,348	16,191
21 b. SDOs				
970,081	962,380	SDOs at nominal value	962,380	970,081
1,368	15,485	Fair value adjustment	15,485	1,368
971,449	977,864	SDOs at fair value	977,864	971,449
(39,020)	(29,149)	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(54,038)	(72,774)
932,429	948,715	Total	923,827	898,675
2,408	3,076	Of which pre-issuance	3,076	2,408
57,889	37,364	SDOs redeemed and maturing at next creditor payment date	37,364	57,889
21 c. Senior secured debt				
17,503	12,197	Senior secured debt at nominal value	12,197	17,503
652	623	Fair value adjustment	623	652
18,155	12,820	Senior secured debt at fair value	12,820	18,155
-	(204)	Self-issued senior secured debt transferred from "Bonds at fair value" – note 16	(260)	(370)
18,155	12,616	Total	12,560	17,784
118	-	Senior secured debt maturing at next creditor payment date	-	118

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
21. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)			
21 d. Senior unsecured debt			
4,320	4,292	4,292	4,320
(0)	14	14	(0)
4,320	4,306	4,306	4,320
22. BONDS IN ISSUE AT AMORTISED COST			
-	-	15,846	22,179
26	18	18	26
3,789	3,779	3,779	3,789
-	3,716	3,716	-
30	37	37	30
3,846	7,551	23,397	26,024
-	-	(856)	(2,028)
(26)	(18)	(18)	(26)
(25)	(24)	(24)	(25)
3,795	7,509	22,498	23,945
23. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE			
-	-	14,792	7,438
427	329	4,326	2,689
427	329	19,118	10,126
24. OTHER LIABILITIES			
9,551	7,219	9,321	11,776
3,154	3,600	32,701	27,287
1,419	1,574	4,111	3,241
14,124	12,393	46,134	42,305

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
25. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital, Additional Tier 1 capital and hybrid capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nom EUR 600m. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every 5 years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7%, the loan will be written down.			
4,602	4,713	4,713	4,602
Nom EUR 800m. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next 5 years.			
5,932	6,175	6,175	5,932
Nom EUR 50m. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first 2 years after issuance. In the remaining loan term, the interest rate will be fixed every 6 months.			
373	373	373	373
10,907	11,260	11,260	10,907
Additional Tier 1 capital/hybrid capital			
-	-	-	100
Nom DKK 100m. The loan is perpetual and carries an interest rate of 1.7% pa above 3M Cibur ¹			
-	-	-	100
Total Additional Tier 1 capital/hybrid capital			
-	-	-	(1)
Portfolio of self-issued bonds			
10,907	11,260	11,260	11,006
Total subordinated debt			
10,821	10,804	10,804	10,921
Subordinated debt that may be included in own funds			
29	-	-	29
Costs related to raising and redeeming subordinated debt			
6,699	-	100	6,699
Extraordinary principal payments and redemption of subordinated debt in the financial period			

¹ Following approval by the Danish FSA, Nykredit Bank's hybrid loan of DKK 100m was redeemed in May 2016.

Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2015	30.06.2016	30.06.2016	31.12.2015
26. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	-	-
1,197	1,193	6,245	6,942
		7,203	6,637
1,197	1,193	13,448	13,579
26 a. Contingent liabilities			
-	-	1,143	1,706
-	-	234	284
-	-	4,868	4,952
-	-	6,245	6,942
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
26 b. Other commitments			
-	-	5,828	5,299
1,197	1,193	1,375	1,338
1,197	1,193	7,203	6,637

"Other" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds and non-callable lease payments.

26. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

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

Nykredit participates in the mandatory Danish deposit guarantee scheme. A new scheme was introduced in 2015, as the Danish Guarantee Fund took over the activities and assets of the Danish Guarantee Fund for Depositors and Investors on 1 June 2015. The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of failing institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 2015. The Danish Resolution Fund is financed by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions pay an annual amount to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

BEC is an IT provider of Nykredit Bank. According to BEC's articles of association, Nykredit Bank may terminate its membership of BEC giving five years' notice to expire at the end of a financial year. Should the membership terminate for other reasons related to Nykredit Bank, compensation will be payable to BEC as defined in BEC's articles of association. If a bank merges and ceases being an independent bank, the BEC membership terminates without notice or subject to a transitional scheme.

Nykredit Realkredit has issued a letter of comfort stating that Nykredit Realkredit will contribute capital to Nykredit Bank to ensure that Nykredit Bank's Tier 1 capital calculated according to the Basel II rules does not fall below 12-13%. However, Nykredit Realkredit will not contribute capital to Nykredit Bank if that will bring Nykredit Realkredit's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.

Nykredit Realkredit is jointly taxed in Denmark with Foreningen Nykredit (the Nykredit Association) 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.

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

27. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, Group enterprises and associates of Nykredit Realkredit A/S as stated in the Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in H1/2016.

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

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

Significant related party transactions prevailing/entered into in H1/2016 include:

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

As a part of the Group's joint funding activities, Nykredit Realkredit A/S has funded mortgage loans granted by its subsidiary Totalkredit A/S on an ongoing basis.

Totalkredit A/S funds its lending by issuing a master bond for each capital centre with Nykredit Realkredit A/S as the only creditor. The master bond constitutes security for Nykredit Realkredit A/S's issuance of covered bonds (ROs and SDOs) and serves to ensure that Totalkredit A/S transfers all payments to bondholders under the loans and advances granted by Totalkredit A/S to Nykredit Realkredit A/S, no later than at the same time as Nykredit Realkredit A/S makes payments to bondholders. The bondholders therefore enjoy the same security as if the Totalkredit loans had been granted directly from Nykredit Realkredit A/S's own balance sheet.

Nykredit Realkredit A/S has granted loans, cf section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 11.2bn at 30 June 2016. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

Agreement on the distribution of mortgage loans to personal customers via Totalkredit A/S (this agreement was concluded on the same terms as apply to other partners, including commission payments).

Nykredit Realkredit A/S has granted loans of DKK 2.0bn to Totalkredit A/S in the form of subordinated debt.

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.

28. FAIR VALUE DISCLOSURES

Listed prices

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

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and the use of generally accepted calculation methods as well as valuation and estimation techniques such as discounted cash flows and option models.

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

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

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

The valuation of derivatives further includes so-called Debt Value Adjustment (DVA) of transactions with customers with negative market values. The determination of DVA resembles that of CVA, but DVA is based on a curve of A ratings, which corresponds to Nykredit's rating. Net value adjustment due to DVA and CVA comprised DKK 365m at 30 June 2016.

Upon entering into financial derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital.

The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2016, the non-amortised minimum margin amounted to DKK 415m compared with DKK 430m at end-2015. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

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

Unobservable inputs

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

The positive market values of a number of interest rate swaps with customers in the lowest rating categories have been adjusted for increased credit risk based on additional CVA. The adjustment uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost. Interest rate swaps which have been fair value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty are also included in the category Unobservable inputs. These counterparties are all rated 0, and OEI has thus been identified for these customers. Following value adjustment, the fair value came to DKK 737m at 30 June 2016. Credit value adjustments came to DKK 5,690m at 30 June 2016 (2015: DKK 4,845m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by around +/- DKK 199m.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 5.4bn (2015: DKK 5.4bn) and DKK 0.0bn (2015: DKK 0.0bn), respectively, were attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 541m in H1/2016 (0.8% of equity at 30 June 2016). The earnings impact for 2015 was estimated at DKK 538m (0.8% of equity at 31 December 2015).

Transfers between categories

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

In 2016 and 2015, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and in all material respects concerned interest rate swaps, as regards financial instruments with positive market values.

Transfers between the categories Listed prices and Observable inputs mainly resulted from redeemed bonds that were reclassified on redemption. Redeemed bonds (usually comprised by Listed prices) are transferred to Observable inputs on the last day before the coupon date, as there is no access to official prices in active markets. At 30 June 2016, the amount was DKK 4.2bn against DKK 0.5bn at end-2015.

No transfers were made between the categories Listed prices and Unobservable inputs.

Notes

DKK million

Nykredit Realkredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

Assets and liabilities recognised at fair value by measurement category (IFRS hierarchy)

	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
30 June 2016					
Assets:					
Recognised in the trading book:					
- reverse repurchase lending to credit institutions and central banks	-	7,516	-	7,516	
- other reverse repurchase lending	-	30,350	-	30,350	
- bonds at fair value	86,278	16,085	242	102,605	
- equities measured at fair value through profit or loss	340	-	1,505	1,845	
- positive fair value of derivative financial instruments	115	36,339	737	37,191	
Recognised through the fair value option:					
- mortgage loans, arrears and outlays	-	1,128,123	-	1,128,123	
Recognised as available for sale:					
- equities available for sale	1,027	-	909	1,937	
Other assets recognised at fair value:					
- owner-occupied properties	-	-	1,454	1,454	
- investment properties	-	-	234	234	
- assets in temporary possession	-	-	302	302	
Total	87,760	1,218,412	5,383	1,311,556	
Percentage	6.7	92.9	0.4	100	
Liabilities:					
Recognised in the trading book:					
- repo transactions with credit institutions and central banks	-	15,988	-	15,988	
- other non-derivative financial liabilities at fair value incl negative securities portfolios	4,326	14,792	-	19,118	
- negative fair value of derivative financial instruments	83	32,619	-	32,701	
Recognised through the fair value option:					
- bonds in issue at fair value	1,138,702	3,829	30	1,142,561	
Total	1,143,111	67,228	30	1,210,368	
Percentage	94.4	5.6	0.0	100	
Assets and liabilities measured on the basis of unobservable inputs					
	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	2,155	286	2,315	622	5,378
Value adjustment recognised in the income statement	(57)	(2)	48	234	223
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	30	-	30
Purchases for the period	226	5	80	-	311
Sales for the period	(335)	(47)	(58)	-	(440)
Transferred from Listed prices and Observable inputs ¹	-	-	-	46	46
Transferred to Listed prices and Observable inputs ²	-	-	-	(165)	(165)
Fair value, end of period, assets	1,990	242	2,415	737	5,383
Fair value, beginning of period, liabilities					
	-	-	-	31	31
Value adjustment recognised in the income statement	-	-	-	(1)	(1)
Fair value, end of period, liabilities	-	-	-	30	30

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

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

Nykredit Realkredit Group

28. FAIR VALUE DISCLOSURES (CONTINUED)

Assets and liabilities recognised at fair value by measurement category (IFRS hierarchy)

31 December 2015	Listed prices	Observable inputs	Unobservable inputs	Total fair value	
Assets:					
Recognised in the trading book:					
- reverse repurchase lending to credit institutions and central banks	-	1,102	-	1,102	
- other reverse repurchase lending	-	39,467	-	39,467	
- bonds at fair value	98,302	7,611	287	106,199	
- equities measured at fair value through profit or loss	545	-	1,435	1,979	
- positive fair value of derivative financial instruments	64	30,894	621	31,579	
Recognised through the fair value option:					
- mortgage loans, arrears and outlays	-	1,119,459	-	1,119,459	
Recognised as available for sale:					
- equities available for sale	1,235	-	880	2,115	
Other assets recognised at fair value:					
- owner-occupied properties	-	-	1,460	1,460	
- investment properties	-	-	244	244	
- assets in temporary possession	-	-	451	451	
Total	100,146	1,198,533	5,378	1,304,057	
Percentage	7.7	91.9	0.4	100	
Liabilities:					
Recognised in the trading book:					
- repo transactions with credit institutions and central banks	-	21,683	-	21,683	
- other non-derivative financial liabilities at fair value incl negative securities portfolios	2,689	7,438	-	10,126	
- negative fair value of derivative financial instruments	84	27,203	-	27,287	
Recognised through the fair value option:					
- bonds in issue at fair value	1,134,547	2,736	31	1,137,314	
Total	1,137,319	59,060	31	1,196,410	
Percentage	95.1	4.9	0.0	100	
Assets and liabilities measured on the basis of unobservable inputs					
Fair value, beginning of period, assets	2,320	180	2,015	1,312	5,826
Value adjustment recognised in the income statement	(1)	2	229	(409)	(179)
Unrealised capital gains and losses recognised in "Other comprehensive income"	17	-	(72)	-	(55)
Purchases for the period	281	44	551	-	875
Sales for the period	(462)	(57)	(408)	-	(927)
Transferred from Listed prices and Observable inputs ¹	-	118	-	183	302
Transferred to Listed prices and Observable inputs ²	-	-	-	(465)	(465)
Fair value, end of period, assets	2,155	286	2,315	621	5,378
Fair value, beginning of period, liabilities	-	-	-	297	297
Transferred to Listed prices and Observable inputs ²	-	-	-	(297)	(297)
Purchases for the year	-	-	-	31	31
Fair value, end of period, liabilities	-	-	-	31	31

¹ Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps individually adjusted for increased credit risk.² Transfers to Observable inputs from Unobservable inputs principally consist of interest rate swaps for which individual adjustment for increased credit risk is no longer required.

Notes

DKK million

Nykredit Realkredit A/S	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013	H1/ 2012
29. FIVE-YEAR FINANCIAL HIGHLIGHTS					
SUMMARY INCOME STATEMENT					
Net interest income	2,393	2,593	2,122	2,142	2,715
Net fee income	442	539	307	317	494
Net interest and fee income	2,834	3,132	2,430	2,460	3,209
Value adjustments	(186)	52	480	316	383
Other operating income	483	431	393	358	321
Staff and administrative expenses	1,452	1,494	1,554	1,632	1,527
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	82	98	88	366	351
Other operating expenses	68	-	53	3	0
Impairment losses on loans, advances and receivables	166	224	871	513	419
Profit from investments in associates and Group enterprises	587	1,918	884	722	544
Profit before tax	1,950	3,717	1,620	1,342	2,160
Tax	305	329	109	126	389
Profit for the period	1,645	3,388	1,511	1,216	1,771
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2016	30.06.2015	30.06.2014	30.06.2013	30.06.2012
Assets					
Receivables from credit institutions and central banks	23,991	23,934	26,119	26,393	30,074
Mortgage loans	538,544	560,350	596,476	603,804	617,753
Totalkredit mortgage loan funding	611,178	596,145	527,157	489,751	459,795
Bonds and equities	51,811	53,417	34,492	16,780	53,524
Remaining assets	58,982	68,030	73,426	81,652	74,748
Total assets	1,284,506	1,301,876	1,257,671	1,218,380	1,235,895
Liabilities and equity					
Payables to credit institutions and central banks	20,756	20,978	16,642	14,703	67,983
Bonds in issue	1,164,671	1,189,717	1,142,266	1,109,237	1,073,781
Subordinated debt	11,260	4,546	15,056	10,859	11,015
Remaining liabilities	20,807	20,913	23,476	24,954	26,232
Equity	67,013	65,722	60,231	58,627	56,884
Total liabilities and equity	1,284,506	1,301,876	1,257,671	1,218,380	1,235,895
OFF-BALANCE SHEET ITEMS					
Other commitments	1,193	1,019	1,093	1,318	1,805
FINANCIAL RATIOS¹					
Total capital ratio, %	21.0	17.7	17.6	17.1	16.0
Tier 1 capital ratio, %	18.1	16.7	16.7	17.1	16.0
Return on equity before tax, %	2.9	6.0	2.7	2.3	3.9
Return on equity after tax, %	2.5	5.4	2.5	2.1	3.2
Income: cost ratio	2.10	3.05	1.63	1.53	1.94
Foreign exchange position, %	0.7	0.3	1.0	0.5	0.9
Loans and advances: equity (loan gearing)	8.0	8.5	9.9	10.3	10.9
Growth in loans and advances for the period, %	(2.8)	(3.1)	(0.7)	(1.2)	1.7
Total impairment provisions, %	0.79	0.75	0.63	0.37	0.30
Impairment losses for the period, %	0.03	0.04	0.14	0.08	0.07
Return on capital employed, %	0.13	0.26	0.12	0.10	0.14

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2015.

Notes

DKK million

Nykredit Realkredit Group	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013	H1/ 2012
29. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	5,483	5,959	5,511	4,869	5,348
Net fee income	(18)	125	(21)	(27)	266
Net interest and fee income	5,464	6,084	5,490	4,842	5,614
Value adjustments	(740)	658	(238)	838	215
Other operating income	105	92	89	111	106
Staff and administrative expenses	2,250	2,268	2,385	2,482	2,341
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	103	119	106	383	368
Other operating expenses	82	34	87	40	6
Impairment losses on loans, advances and receivables	125	449	1,049	929	991
Profit from investments in associates and Group enterprises	6	4	4	49	9
Profit before tax	2,275	3,969	1,719	2,006	2,238
Tax	472	887	381	317	537
Profit for the period	1,803	3,082	1,337	1,690	1,701
Value adjustment and reclassification of strategic equities against equity	(157)	306	173	(474)	70
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2016	30.06.2015	30.06.2014	30.06.2013	30.06.2012
Assets					
Receivables from credit institutions and central banks	43,707	47,410	36,133	38,859	61,440
Mortgage loans	1,127,725	1,119,080	1,143,883	1,133,557	1,120,214
Bank loans, excluding reverse repurchase lending	49,554	49,441	46,908	50,354	55,203
Bonds and equities	106,387	109,404	118,624	70,579	95,773
Remaining assets	79,922	81,773	98,799	111,028	101,002
Total assets	1,407,294	1,407,108	1,444,348	1,404,378	1,433,632
Liabilities and equity					
Payables to credit institutions and central banks	28,131	39,322	49,656	49,319	100,888
Deposits and other payables	69,547	65,935	61,764	63,245	55,281
Bonds in issue	1,142,561	1,146,975	1,138,266	1,086,408	1,066,902
Subordinated debt	11,260	4,646	15,243	11,085	11,254
Remaining liabilities	88,778	84,508	119,188	135,694	142,423
Equity	67,017	65,722	60,231	58,627	56,884
Total liabilities and equity	1,407,294	1,407,108	1,444,348	1,404,378	1,433,632
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	6,245	8,394	6,351	5,779	6,191
Other commitments	7,203	5,593	7,488	8,094	9,278
FINANCIAL RATIOS¹					
Total capital ratio, %	24.8	20.3	19.3	20.0	17.5
Tier 1 capital ratio, %	21.3	19.0	18.1	20.0	17.5
Return on equity before tax, %	3.2	6.8	3.2	2.7	4.1
Return on equity after tax, %	2.5	5.4	2.5	2.1	3.2
Income:cost ratio	1.82	2.50	1.52	1.41	1.63
Foreign exchange position, %	0.7	0.4	1.2	0.4	0.6
Loans and advances:equity (loan gearing)	18.0	18.0	20.5	21.0	21.2
Growth in loans and advances for the period, %	(1.0)	(0.5)	(1.2)	1.6	3.7
Total impairment provisions, %	0.67	0.74	0.70	0.59	0.58
Impairment losses for the period, %	0.01	0.04	0.08	0.07	0.08
Return on capital employed, %	0.13	0.22	0.09	0.12	0.12

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 50 in the Annual Report 2015.

Nykredit Realkredit A/S

30. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 June 2016	Profit (loss) for H1/2016	Equity, 30 June 2016	Profit for 2015	Equity, 31 December 2015
Nykredit Realkredit A/S (Parent Company), Copenhagen, a)	-	1,645	67,013	3,198	65,460
Totalkredit A/S, Copenhagen, a)	100	849	19,461	1,500	18,613
Nykredit Bank A/S, Copenhagen, b)	100	(317)	15,800	1,542	16,117
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	49	531	85	482
Nykredit Leasing A/S, Gladsaxe, e)	100	37	559	66	522
Nykredit Mægler A/S, Copenhagen, c)	100	35	109	45	144
Nykredit Ejendomme A/S, Copenhagen, d)	100	15	525	47	510
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	(2)	207	24	209
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	(8)	110	12	118
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	7	93	12	87
Nykredit Adm. V A/S, Copenhagen, f)	100	0	1	0	1
Bolighed A/S, c)	50	1	8	1	7
	Number of staff	Revenue*	Profit (loss) before tax	Tax	Government aid received
Denmark: Companies and activities appear from the Group structure above	3,636	15,669	2,276	472	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	5	(1)	0	-
Sweden: Nykredit Bank A/S, branch, b) ¹	-	-	-	-	-

¹ The branch in Sweden ceased its activities in January 2015 and is expected to be wound up entirely by the end of 2017.

* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

- a) Mortgage bank
- b) Bank
- c) Estate agency business
- d) Property company
- e) Leasing business
- f) No activity
- g) Investment management company
- h) Holding company, no independent activities

Nykredit Realkredit A/S is 100% owned by and consolidated with Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements of Foreningen Nykredit (in Danish) and Nykredit Holding A/S are available from:

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

Seven-quarter financial highlights

DKK million

Nykredit Realkredit Group	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014
Core income from							
Business operations	2,932	2,892	2,823	2,885	2,946	3,290	3,021
Senior and subordinated debt	(115)	(118)	(127)	(120)	(111)	(253)	(241)
Securities	11	11	10	7	7	14	36
Income from core business	2,828	2,785	2,706	2,773	2,842	3,051	2,816
Operating costs, depreciation and amortisation	1,235	1,166	1,364	1,220	1,197	1,223	1,338
Mortgage business contribution to the Danish Resolution Fund ¹	35	34	61	-	-	-	-
Profit from core business before impairment losses	1,593	1,586	1,280	1,553	1,645	1,828	1,478
Impairment losses on loans and advances	176	(51)	227	244	120	329	893
Profit from core business	1,417	1,637	1,053	1,309	1,525	1,499	585
Value adjustment of interest rate swaps	(510)	(802)	198	(242)	1,515	(1,061)	(1,369)
Amortisation of goodwill and customer relationships	-	-	49	1,916	-	-	852
Investment portfolio income	473	61	372	(10)	47	445	(99)
Profit (loss) before tax	1,380	895	1,574	(859)	3,087	883	(1,736)
Tax	282	191	374	233	690	197	(237)
Profit (loss) for the period	1,098	705	1,200	(1,092)	2,397	686	(1,498)
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	2	(1)	(0)	(2)	4	8	4
Value adjustment of strategic equities	(141)	(16)	(247)	52	149	157	15
Other adjustment of strategic equities	-	-	-	(103)	-	-	-
Fair value adjustment incl tax of owner-occupied properties	-	-	15	-	-	-	(25)
Total other comprehensive income	(139)	(18)	(233)	(53)	153	164	(6)
Comprehensive income for the period	959	687	967	(1,145)	2,550	850	(1,505)

¹ In the calculation of equity, Additional Tier 1 capital/hybrid capital is considered as a financial obligation for accounting purposes, and the dividends for the period are included as interest expenses in profit/loss for the period.

Seven-quarter financial highlights (continued)

DKK million

Nykredit Realkredit Group	30.06.2016	31.03.2016	31.12.2015	30.09.2015	30.06.2015 ²	31.03.2015 ²	31.12.2014 ²
SUMMARY BALANCE SHEET, END OF PERIOD							
Assets							
Cash balances and receivables from credit institutions and central banks	43,707	28,798	23,253	36,732	47,410	70,932	42,288
Mortgage loans at fair value	1,127,725	1,122,218	1,119,101	1,118,029	1,119,080	1,137,833	1,137,099
Bank loans, excluding reverse repurchase lending	49,554	48,972	46,747	47,506	49,441	49,404	50,494
Bonds and equities	106,387	116,892	110,294	102,786	109,404	104,795	131,383
Remaining assets	79,922	83,276	84,394	83,371	81,773	97,683	96,037
Total assets	1,407,294	1,400,157	1,383,789	1,388,425	1,407,108	1,460,647	1,457,301
Liabilities and equity							
Payables to credit institutions and central banks	28,131	44,015	30,226	35,117	39,322	38,860	44,863
Deposits and other payables	69,547	59,583	62,599	61,581	65,935	67,733	65,232
Bonds in issue at fair value	1,142,561	1,135,251	1,137,314	1,134,618	1,146,975	1,181,483	1,167,163
Subordinated debt	11,260	11,240	11,006	4,684	4,646	11,417	11,394
Remaining liabilities	88,778	83,929	77,184	87,847	84,508	97,952	109,998
Equity	67,017	66,137	65,460	64,577	65,722	63,203	58,650
Total liabilities and equity	1,407,294	1,400,157	1,383,789	1,388,425	1,407,108	1,460,647	1,457,301
FINANCIAL RATIOS							
Profit (loss) for the period as % pa of average equity ¹	6.6	4.2	7.5	(7.5)	15.4	4.5	(10.1)
Profit from core business before impairment losses as % pa of average equity ¹	9.8	9.9	8.0	9.7	10.5	12.2	9.9
Profit from core business as % pa of average equity ¹	8.7	10.2	6.5	8.2	9.7	10.0	3.9
Total provisions for loan impairment and guarantees	8,144	8,322	8,646	8,911	9,032	9,274	9,173
Impairment losses for the period, %	0.01	(0.00)	0.02	0.02	0.01	0.03	0.07
Total capital ratio, %	24.8	24.0	23.9	21.7	20.3	18.9	18.2
Tier 1 capital ratio, %	21.3	20.6	20.5	20.4	19.0	17.6	17.2
Average number of full-time staff	3,648	3,660	3,757	3,763	3,785	3,827	3,971

¹ In the calculation of equity, Additional Tier 1 capital is considered as a financial obligation for accounting purposes, and dividends for the period are included as interest expenses in profit/loss for the period.

² Q4/2014 has been adjusted for goodwill impairment of DKK 852m relating to Nykredit's acquisition of Forstædernes Bank in 2008. The adjustment affects Q4/2014, Q1/2015 and Q2/2015. For further information, reference is made to note 1, Accounting policies, under General.

Seven-quarter financial highlights (continued)

DKK million

Nykredit Realkredit Group	Q2/ 2016	Q1/ 2016	Q4/ 2015	Q3/ 2015	Q2/ 2015	Q1/ 2015	Q4/ 2014
Summary income statement							
Net interest income	2,656	2,827	2,886	3,032	2,904	3,054	2,926
Net fee income	31	(50)	(147)	(72)	68	57	126
Net interest and fee income	2,687	2,777	2,739	2,960	2,973	3,111	3,051
Value adjustments	34	(774)	477	(484)	1,382	(724)	(1,745)
Other operating income	65	40	58	44	45	47	41
Staff and administrative expenses	1,138	1,112	1,270	1,120	1,129	1,139	1,215
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	55	48	110	1,955	53	66	931
Other operating expenses	42	40	94	60	16	18	44
Impairment losses on loans, advances and receivables	176	(51)	227	244	120	329	893
Profit (loss) from investments in associates	6	(0)	2	2	4	(0)	0
Profit (loss) before tax	1,380	895	1,574	(858)	3,087	883	(1,736)
Tax	282	191	374	233	690	197	(237)
Profit (loss) for the period	1,098	705	1,200	(1,092)	2,397	686	(1,498)
Other comprehensive income							
Actuarial gains/losses on defined benefit plans	2	(1)	(0)	(2)	4	8	4
Value adjustment of strategic equities	(141)	(16)	(247)	52	149	157	15
Other adjustment of strategic equities	-	-	-	(103)	-	-	0
Fair value adjustment incl tax of owner-occupied properties	-	-	15	-	-	-	(25)
Total other comprehensive income	(139)	(18)	(233)	(53)	153	164	(6)
Comprehensive income for the period	959	687	967	(1,144)	2,549	850	(1,505)
FINANCIAL RATIOS¹							
Total capital ratio, %	24.8	24.0	23.9	21.7	20.3	18.9	18.2
Tier 1 capital ratio, %	21.3	20.6	20.5	20.4	19.0	17.6	17.2
Return on equity before tax, %	1.8	1.3	2.1	(1.4)	5.2	1.7	(2.9)
Return on equity after tax, %	1.4	1.0	1.5	(1.8)	4.1	1.4	(2.5)
Income:cost ratio	1.85	1.75	1.77	0.73	3.47	1.68	0.44
Foreign exchange position, %	0.7	0.6	0.4	0.2	0.4	0.1	0.4
Loans and advances:equity (loan gearing)	19.1	19.4	19.5	19.8	19.4	19.3	20.9
Growth in loans and advances for the period, %	(0.4)	(0.6)	0.5	0.2	0.2	(0.7)	(0.5)
Total impairment provisions, %	0.67	0.68	0.71	0.73	0.74	0.75	0.74
Impairment losses for the period, %	0.01	(0.00)	0.02	0.02	0.01	0.03	0.07

¹ Financial ratios are based on the Danish FSA's definitions and guidelines. As a result, the calculation of financial ratios is based on profit/loss for the period including value and other adjustment of strategic equities. Definitions appear from note 50 in the Annual Report 2015

SUMMARY CAPITAL ADEQUACY

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2015	30.06.2016		30.06.2016	31.12.2015
60,648	61,943	Common Equity Tier 1 capital	61,568	60,525
3,190	3,391	Total Additional Tier 1 capital/hybrid capital after deductions	3,438	3,488
63,838	65,335	Tier 1 capital	65,006	64,013
74,129	75,811	Own funds	75,527	74,498
367,484	360,773	Total risk exposure amount	304,149	311,220
16.5	17.1	CET1 capital ratio, %	20.2	19.4
17.3	18.1	Tier 1 capital ratio, %	21.3	20.5
20.1	21.0	Total capital ratio, %	24.8	23.9

Nykredit Bank Group			Nykredit Holding Group	
31.12.2015	30.06.2016		30.06.2016	31.12.2015
15,743	15,320	Common Equity Tier 1 capital	61,299	60,272
87	-	Total Additional Tier 1 capital/hybrid capital after deductions	764	845
15,831	15,320	Tier 1 capital	62,063	61,117
16,145	15,662	Own funds	65,272	64,398
76,311	78,094	Total risk exposure amount	303,160	310,294
20.6	19.6	CET1 capital ratio, %	20.2	19.4
20.7	19.6	Tier 1 capital ratio, %	20.4	19.6
21.1	20.0	Total capital ratio, %	21.5	20.7

Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 as well as the Danish transitional rules laid down by the Danish FSA.

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.