

To Nasdaq Copenhagen
and the press

17 August 2017

INTERIM REPORT – NYKREDIT REALKREDIT GROUP 1 JANUARY – 30 JUNE 2017

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

– Today we are able to deliver the best half-year results ever. We have recorded growth, attracted new customers and seen higher activity in both Nykredit Bank and Totalkredit – while also lowering our costs. This shows that our efforts to make Nykredit more customer-centric, more efficient and more profitable have the intended effect.

– I am especially pleased that the Nykredit Group contributes to driving progress in all parts of Denmark. Two of three new mortgage loans to homeowners in the rural districts originated from our Group in H1, and we granted every three new business mortgage loans in the same areas.

Nykredit Realkredit Group, H1 results				
DKK million	H1/2017	H1/2016	Change	
Income from core business	6,616	5,553	1,063	
Operating costs, depreciation and amortisation	2,365	2,435	70	
Impairment losses on loans and advances	(448)	125	573	
Profit from core business	4,699	2,993	1,706	
Legacy derivatives	1,366	(1,251)	2,617	
Investment portfolio income	803	533	270	
Profit before tax	6,868	2,275	4,593	
Tax	1,436	472	(964)	
Profit	5,432	1,803	3,629	

Contact

For further comments, please contact Nykredit Press Relations at tel +45 44 55 14 50.

Nykredit Realkredit A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Tel +45 44 55 10 00
www.nykredit.com
CVR no 12 71 92 80

Contents

MANAGEMENT COMMENTARY	2
Group Chief Executive's Statement	3
Financial highlights	4
H1/2017 – summary	5
H1/2017	5
Results for Q2/2017	7
Outlook for 2017	7
Other	7
Uncertainty as to recognition and measurement	8
Material risks	8
Events since the balance sheet date	8
Business areas	9
Retail	10
Totalkredit Partners	12
Wholesale Clients	14
Wealth Management	16
Group Items	18
Capital, liquidity and funding	19
Equity and own funds	19
Funding and liquidity	20
Credit ratings	21
Lending	23
Mortgage lending	24
Bank lending	26
MANAGEMENT STATEMENT	27
Statement by the Board of Directors and the Executive Board on the Interim Report	27
FINANCIAL STATEMENT	28
Statements of income and comprehensive income	28
Balance sheets	30
Statement of changes in equity	32
Cash flow statement	34
Notes	35
MANAGEMENT COMMENTARY (CONTINUED)	58

GROUP CHIEF EXECUTIVE'S STATEMENT

Over the past few years Nykredit has striven to become more customer-centric, more profitable and more efficient. We have scoured the Group for efficiencies and savings.

These efforts are mirrored in our half-year results – the best Nykredit has ever delivered. It should be added, however, that our results also reflect one-off income and general economic growth, but even excluding these circumstances, our results are highly satisfactory.

All Nykredit staff members have good reason to be proud of this. They have demonstrated their unyielding commitment and dedication to develop Nykredit's core business and make it much sounder and stronger than it was just a few years ago. But our efforts do not stop here. Our everyday focus will be to continue improving Nykredit's core business.

In urban and rural districts – at all times

Nykredit is Denmark's largest loan provider – a systemically important financial institution. This means that we have a great responsibility to our customers and to Denmark, being a small, open economy.

At Nykredit, we consider it our special task and duty to provide loans to homeowners, agricultural customers and businesses. In urban and rural districts. At all times.

We are fully committed to this task. We do not only offer loans in the cities. Two of three new mortgage loans to homeowners in the rural districts originated from our Group, and we granted every three new business mortgage loans in the same areas. We are proud of this position. It is a position that requires commitment and a position that we want to maintain.

During the financial crisis, Nykredit was the one to maintain lending activity, while others declined. This way, we were able to support our customers and the Danish economy and we want to be able to do this again in case of another crisis.

But no matter what, we can never guarantee that Nykredit is able to meet this positive commitment. It is impossible to make such guarantees in a world so changeable and unpredictable as the present. But we can use the sound economic climate and our good results to offer as much certainty as possible that we will continue our lending activity throughout Denmark, no matter what the future may hold.

Sound and strong core business

First and foremost, a sound and strong core business will and must make a difference to our customers. Over the past few years, we have launched a wide range of customer propositions in Nykredit Bank. Every day, in collaboration with our business partners, Totalkredit strives to offer the best advice and service to our joint customers. We are pleased to learn that our efforts produce results. Both Nykredit Bank and Totalkredit are welcoming many new customers, and our

lending volumes are increasing. In the Bank, more and more customers are also entrusting us to manage their savings.

A precondition for a sound and strong core business is maximum profitability and efficiency. We are therefore pleased that we have managed to cut our cost:income ratio from 55.6% to 34.7% over the past four years, reflecting higher income and lower costs. This is important because the higher the income relative to expenses, the better we are prepared for sudden drops in income or increases in expenses. This is exactly why rating agencies, authorities and investors focus on sound and strong core businesses.

In other words, a sound and strong core business is the first defence against crises, new regulation and other conditions that might impinge on our lending capacity throughout Denmark at any time. A sound and strong core business is also a precondition for the Group's ability to raise equity capital.

Finally, a strong core business is a precondition for Nykredit to be able to keep abreast of the times, develop digital solutions and generally optimise every aspect of our business to meet our customers' expectations.

Customers share in Nykredit's success

For Nykredit, our good performance has an extra dimension: Our customers share in our success.

Nykredit is the only systemically important financial institution in Denmark owned by a financial mutual, Forenet Kredit, the objective of which is to ensure that Nykredit's profit benefits the customers of the Nykredit Group through for example the KundeKroner benefits programme.

At end-September, homeowners with Totalkredit loans will receive their first KundeKroner loyalty bonuses. Customers will receive quarterly cash discounts equal to a 0.1 percentage point reduction in their annual administration margin payments. Specifically, this means that customers will pay DKK 1,000 less per year on a DKK 1m loan.

Until now, we have guaranteed that this programme will run until and including Q2 next year, but due to our performance so far in 2017, we can now guarantee that the programme will continue for another year until and including Q2/2019. We will continue working on the Nykredit Group's future customer discounts model. Of course, we aim to ensure that our customers are rewarded every year for being customers of a financial mutual.

Yours sincerely



Michael Rasmussen
Group Chief Executive

FINANCIAL HIGHLIGHTS

Nykredit Realkredit Group	H1/	H1/	Q2/	Q2/	FY
DKK million	2017	2016	2017	2016	2016
PROFIT FROM CORE BUSINESS AND PROFIT FOR THE PERIOD					
Core income from					
- business operations	6,820	5,764	3,370	2,933	12,159
- senior and subordinated debt	(247)	(232)	(118)	(114)	(494)
- securities	43	21	21	10	46
Income from core business	6,616	5,553	3,273	2,829	11,711
Operating costs, depreciation and amortisation	2,365	2,435	1,187	1,236	5,260
Profit from core business before impairment losses	4,251	3,118	2,086	1,593	6,451
Impairment losses on mortgage lending	(241)	211	(274)	246	821
Impairment losses on bank lending	(207)	(86)	(153)	(70)	(141)
Profit from core business	4,699	2,993	2,513	1,417	5,771
Legacy derivatives	1,366	(1,251)	1,029	(510)	(763)
Gain on sale of owner-occupied properties	-	-	-	-	369
Investment portfolio income	803	533	338	473	1,331
Profit before tax	6,868	2,275	3,880	1,380	6,708
Tax	1,436	472	797	282	1,379
Profit for the period	5,432	1,803	3,083	1,098	5,329
Minority interests	-	1	-	1	-
Profit for the period, excluding minority interests	5,432	1,802	3,083	1,097	5,329
Other comprehensive income, value adjustment of strategic equities	125	(157)	128	(141)	331
Other comprehensive income, remaining items	(10)	-	(10)	2	12
Comprehensive income for the period	5,547	1,646	3,201	959	5,672
Interest on Additional Tier 1 capital charged against equity	115	116	58	58	233
SUMMARY BALANCE SHEET					
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	31.12.2016
Assets					
Receivables from credit institutions and central banks	33,704	43,707	33,704	43,707	34,829
Mortgage loans at fair value	1,140,548	1,127,725	1,140,548	1,127,725	1,124,693
Bank loans excluding reverse repurchase lending	57,544	49,554	57,544	49,554	55,003
Bonds and equities	95,088	106,387	95,088	106,387	116,555
Remaining assets	52,814	79,921	52,814	79,921	69,526
Total assets	1,379,698	1,407,294	1,379,698	1,407,294	1,400,606
Liabilities and equity					
Payables to credit institutions and central banks	14,420	28,131	14,420	28,131	21,681
Deposits	69,442	69,547	69,442	69,547	65,415
Bonds in issue at fair value	1,140,474	1,142,561	1,140,474	1,142,561	1,152,383
Subordinated debt	10,956	11,260	10,956	11,260	11,078
Remaining liabilities	67,999	88,778	67,999	88,778	79,092
Equity	76,407	67,017	76,407	67,017	70,957
Total liabilities and equity	1,379,698	1,407,294	1,379,698	1,407,294	1,400,606
FINANCIAL RATIOS					
Profit for the period (after tax) as % pa of average equity ¹	15.3	5.4	17.1	6.6	8.0
Profit from core business before impairment losses as % pa of average equity ¹	11.8	9.6	11.4	9.8	9.6
Profit from core business as % pa of average equity ¹	13.1	9.2	13.8	8.7	8.6
Costs as % of core income from business operations	34.7	42.2	35.2	42.1	43.3
Total provisions for loan impairment – mortgage lending	5,167	5,494	5,167	5,494	5,751
Total provisions for loan impairment and guarantees – bank lending	2,269	2,649	2,269	2,649	2,590
Impairment losses for the period, % – mortgage lending	(0.02)	0.02	(0.02)	0.02	0.07
Impairment losses for the period, % – bank lending	(0.23)	(0.10)	(0.17)	(0.08)	(0.15)
Total capital ratio, %	25.5	24.8	25.5	24.8	23.0
Common Equity Tier 1 capital ratio, %	20.9	20.2	20.9	20.2	18.8
Internal capital adequacy requirement, %	10.1	11.6	10.1	11.6	10.2
Average number of staff, full-time equivalent	3,537	3,648	3,514	3,636	3,648

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

As stated in the Annual Report 2016 and in note 1, Accounting policies, of this H1 Interim Report, the presentation of certain derivatives was altered in Q4/2016, which changed the recognition in the income statement of these and core income from business operations. Comparative figures for previous periods have been restated.

H1/2017 – SUMMARY

H1/2017

The Nykredit Realkredit Group delivered a positive and satisfactory performance in H1/2017 driven by good customer activity, decent investment portfolio income and positive macroeconomic trends, which led to for example low impairment losses on loans and advances. On top of this, the Group received one-off income from the settlement of two large housing cooperative exposures.

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

The subsidiary Totalkredit A/S saw a continued rise in lending in H1 and reached a historic milestone of a nominal DKK 600bn.

Activity levels in business banking and Nykredit Markets were high, and growth in the customer base and business volumes was satisfactory. The commercial estate agency activities of Nybolig Erhverv were sold as part of the refocusing of Nykredit.

Operating costs dropped as a result of our cost discipline. Impairment provisions were a large gain, as impairments from previous years relating to two large housing cooperative exposures were reversed, and impairment levels were generally low. The low impairment level in H1/2017 was driven by particularly positive trends in most of Nykredit's customer segments at the same time and is consequently not expected to persist in the coming years. Moreover, value adjustment of the Bank's swap transactions was positive in H1 as a result of interest rate movements and recovery of losses previously incurred on swap transactions with, for example, the above-mentioned two large housing cooperatives.

The Nykredit Realkredit Group's profit before tax thus rose from DKK 2,275m in H1/2016 to DKK 6,868m in H1/2017. Of the total earnings growth of DKK 4,593m, DKK 1,005m was attributable to the settlement of two large housing cooperative exposures, where the trustee's property sale generated one-off income in the form of reversed loan impairment of DKK 266m and recovery of losses on swap transactions of DKK 739m.

Growth in profit from core business totalled DKK 1,706m, up from DKK 2,993m to DKK 4,699m, including the above one-off income of DKK 266m relating to loan impairment losses. In terms of non-core business, legacy derivatives saw a positive change of DKK 2,617m, inclusive of the above one-off income of DKK 739m. Moreover, investment portfolio income remained at a high level and improved by DKK 270m.

Core income from business operations

Core income from business operations totalled DKK 6,820m, up DKK 1,056m, or 18%, on H1/2016. The income growth was primarily driven by increased income from swaps currently offered by the Bank and rising income in Totalkredit as a result of higher activity levels and changed pricing. In H1, the changed pricing resulted in additional net income of about DKK 280m, corresponding to 4% of the Group's core income from business operations. Income also grew thanks to a positive earnings performance by Nykredit Markets and Wealth Management.

Core income from mortgage bank operations was DKK 4,408m against DKK 3,972m in H1/2016. Nominal mortgage lending grew by DKK 13bn to DKK 1,120bn against DKK 1,107bn at end-2016. Totalkredit Partners and the Wholesale Clients and Wealth Management divisions recorded lending growth of DKK 11.8bn, DKK 4.6bn and DKK 1.4bn, respectively, whereas Retail lending dropped by DKK 4.5bn following run-off of customers exclusively having mortgage products and no banking products with Nykredit. However, Nykredit recorded net growth in the customer base in the period. Lending growth totalled DKK 13.3bn, of which DKK 6.8bn for personal customers and DKK 6.5bn for business customers.

The Group's market share of total Danish private residential mortgage lending was 43.1% against 42.8% at end-2016, excluding loans arranged by Jyske Bank, which is no longer part of the Totalkredit alliance. Nykredit's market share of the business customers segment, including agricultural customers, was 36.6%. The total market share, excluding loans arranged by banks that were previously part of the Totalkredit alliance, was 40.0%. Unlike previously, the market share is now determined on the basis of the Danish central bank's statistics.

Core income from banking products amounted to DKK 2,268m against DKK 1,682m in H1/2016. The increase was driven by positive value adjustment of core business derivatives and rising activity levels. DKK 391m of the increase was attributable to Retail and DKK 192m to Wholesale Clients.

Bank lending rose by DKK 2.5bn to DKK 57.5bn from DKK 55.0bn at end-2016, while deposits increased by DKK 4.0bn to DKK 69.4bn from DKK 65.4bn at end-2016.

Nykredit Bank's customer deposits exceeded lending by DKK 11.9bn at end-H1/2017 compared with DKK 10.4bn at the beginning of the year.

Senior and subordinated debt

Nykredit's senior debt issues, including bail-inable bonds, totalled DKK 25.5bn at end-H1/2017 against DKK 26.8bn at the beginning of the year, and net interest expenses amounted to DKK 113m against DKK 128m in H1/2016. Nykredit uses senior debt to fund supplementary collateral for covered bonds (SDOs) etc.

Nykredit had raised DKK 11.0bn of subordinated debt at end-H1/2017 compared with DKK 11.1bn at the beginning of the year. Net interest expenses came to DKK 134m against DKK 104m in H1/2016.

Core income from securities

Income amounted to DKK 43m, up DKK 22m on H1/2016.

Operating costs, depreciation and amortisation

Total costs went down by 3% from DKK 2,435m in H1/2016 to DKK 2,365m, and costs as a percentage of core income from business operations consequently came to 34.7%.

The average headcount was reduced by 111 people, or 3%, from 3,648 in H1/2016 to 3,537.

Costs	H1/	H1/
DKK million	2017	2016
Operating costs, depreciation and amortisation	2,365	2,435
Operating costs, depreciation and amortisation as % of core income from business operations	34.7	42.2

Impairment losses on loans and advances

Impairment losses on loans and advances equalled a gain of DKK 448m in H1/2017 against a loss of DKK 125m in H1/2016. Impairment losses represented negative 0.02% of total mortgage lending and negative 0.23% of total bank lending.

The positive change of DKK 573m primarily reflected extensive reversal of impairment provisions previously made as a result of generally improved credit quality in H1 and favourable economic trends benefitting most of Nykredit's customer segments at the same time. To this should be added the recovery of a loss of DKK 266m resulting from the trustee's winding up of two large housing cooperatives, of which DKK 83m was attributable to mortgage lending and DKK 183m to bank lending.

Impairment losses on mortgage lending thus changed from a loss of DKK 211m in H1/2016 to a gain of DKK 241m. Impairment losses on mortgage lending to personal customers reduced by DKK 11m to DKK 92m, which represented 0.01% of lending. Impairment losses on mortgage lending to business customers developed favourably and declined by DKK 441m to a gain of DKK 333m, equal to negative 0.08% of lending.

Bank loan impairment and guarantee provisions changed from a gain of DKK 86m in H1/2016 to a gain of DKK 207m.

Nykredit's impairment provisions for potential future losses on mortgage and bank lending totalled DKK 7.4bn at end-H1/2017 against DKK 8.3bn at the beginning of the year. In addition, value adjustment of interest rate swaps of DKK 3.9bn was made, of which credit value adjustments amounted to DKK 3.3bn, comprising DKK 2.7bn relating to legacy derivatives and DKK 0.6bn relating to other items.

Write-offs on mortgage and bank lending for the period were DKK 612m against DKK 732m in H1/2016.

Legacy derivatives

The presentation of derivatives has been changed compared with the H1 Interim Report 2016.

In H1/2016, the presentation included credit value adjustment of swaps involving an increased risk of loss. These value adjustments have not been part of our core business. In the Financial Statements for 2016, the presentation was changed, and certain interest rate swaps in the financial highlights and the presentation of business areas were presented as a separate item: Legacy derivatives, comprising all net income from a number of derivatives which we no longer offer to our customers. Reference is made to note 1, Accounting policies.

Value adjustments were a gain of DKK 1,366m against a loss of DKK 1,251m in H1/2016. This was driven by several factors in 2017 such as changes in interest rates and credit spreads as well as a positive effect from maturity reduction. To this should be added a one-off gain of DKK 739m resulting from the trustee's winding up of two large housing cooperatives.

The portfolio of legacy derivatives had a total market value of DKK 5.9bn against DKK 6.7bn at end-2016. The portfolio was written down to DKK 3.2bn at end-H1/2017 against DKK 3.4bn at end-2016.

Investment portfolio income

Investment portfolio income came to DKK 803m against DKK 533m in H1/2016. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 548m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 255m.

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 liquid Danish and other Northern European government and covered 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 1,436m, corresponding to 20.9% of profit before tax.

Equity

The Nykredit Realkredit Group's equity stood at DKK 76.4bn at end-H1/2017 against DKK 71.0bn at end-2016.

Equity includes Additional Tier 1 capital of EUR 500m (DKK 3.8bn). The notes are perpetual, and payment of principal and interest is discretionary, for which reason the issue is recognised in equity for accounting purposes. Correspondingly, interest expenses relating to the issue are recorded as dividend for accounting purposes and are recognised in equity. Interest calculated for H1/2017 totalled DKK 115m, which was unchanged from the same period last year.

Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to the capital adequacy rules, came to DKK 71.0bn at end-H1/2017 against DKK 65.9bn at end-2016.

RESULTS FOR Q2/2017

Results relative to Q1/2017

The Group recorded a profit before tax of DKK 3,880m in Q2/2017 against DKK 2,988m in Q1/2017. The upturn was in part driven by one-off income totalling DKK 1,005m relating to two large housing cooperatives as referred to above, of which DKK 266m resulted from loan impairment losses and DKK 739m from non-core business swaps (legacy derivatives).

Profit from core business grew by DKK 327m to DKK 2,513m from DKK 2,186m in Q1/2017.

Income from core business went down by DKK 70m, or 2%, on Q1 to DKK 3,273m. The decline was attributable to Nykredit Markets.

Operating costs totalled DKK 1,187m in Q2/2017, equal to a DKK 9m, or 1%, rise compared with Q1. The rise stemmed from impairment losses on intangible assets.

Impairment losses on loans and advances developed positively to a gain of DKK 427m compared with a gain of DKK 21m in Q1/2017, resulting partly from a one-off income of DKK 266m, see above.

Legacy derivatives generated a gain of DKK 1,029m in Q2/2017 against a gain of DKK 337m in Q1. The rise was partly driven by a one-off income of DKK 739m as referred to above.

Investment portfolio income dropped to DKK 338m from DKK 465m in Q1.

Results relative to Q2/2016

The Group recorded a profit before tax of DKK 3,880m in Q2/2017 against DKK 1,380m in Q2/2016. The rise was partly driven by one-off income totalling DKK 1,005m relating to two large housing cooperatives, see above. Moreover, growth in Q2/2017 was generally affected by the same circumstances as the first six months of the year.

Profit from core business grew by DKK 1,096m to DKK 2,513m from DKK 1,417m in Q2/2016.

Income from core business went up DKK 444m, or 16%, on Q2/2016 to DKK 3,273m.

Operating costs totalled DKK 1,187m in Q2/2017, down DKK 49m, or 4%, on Q2/2016, which should be seen in light of the Group's focus on cutting costs.

Impairment losses on loans and advances developed positively to a gain of DKK 427m compared with a loss of DKK 176m in Q2/2016, resulting partly from a one-off income of DKK 266m, see above.

Legacy derivatives generated a gain of DKK 1,029m in Q2/2017 against a loss of DKK 510m in Q2/2016. The rise resulted partly from a one-off income of DKK 739m as referred to above.

Investment portfolio income dropped to DKK 338m against DKK 473m in Q2/2016.

OUTLOOK FOR 2017

We have raised our guidance for the full year 2017.

In the Annual Report 2016, Nykredit Realkredit's guidance for profit from core business in 2017 was on a level with 2016 when profit was DKK 5.8bn.

The strong growth in Nykredit's customer activities in Q1 continued into Q2 and is forecast to generate higher-than-expected business income for the full year. At the same time, impairment losses on loans and advances, including the positive outcome of two large housing cooperative exposures, saw a particularly positive trend in H1. Even though this level of impairment is not expected to continue in H2, total impairments for the full year are expected to be low. Therefore, Management expects profit from core business in 2017 to increase considerably compared with 2016 to DKK 7.0bn-8.0bn.

The most significant uncertainty factors in respect of our guidance for 2017 relate mainly to movements in interest rate markets but also to uncertainty about loan impairment losses.

OTHER

Nykredit Group prepares for IPO

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

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

Customer loyalty bonuses

The first KundeKroner loyalty bonuses will soon be paid out to all personal customers of Totalkredit. Customers having a Totalkredit mortgage loan with a debt outstanding of DKK 1m will receive DKK 1,000 the first year. Under the programme, customers will receive quarterly cash discounts amounting to 0.1% pa of the debt outstanding. The amount will be offset against their administration margin payments, beginning with the payment for Q3/2017. We aim to pay out KundeKroner to our customers each year and have thus already at this point decided to maintain KundeKroner at the same level up to and including Q2/2019.

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

Issuance of bail-inable senior notes

Nykredit launched its first issue of bail-inable senior notes in 2016 and continued issuance in H1/2017, and issues totalled DKK 13.3bn at end-H1. On the basis of currently known liquidity requirements, Nykredit does not expect notable issuance of senior resolution notes (SRN) for the remainder of 2017.

Recoveries on claims previously written off in housing cooperatives

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

Sale of Nybolig Erhverv

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

Sale of headquarters building

Nykredit has concluded a sales agreement for the headquarters building at Otto Mønstedes Plads/Anker Heegaards Gade. The property will be conveyed to the buyer in H2/2017. The Financial Statements for H1 were not affected by the sale, but a minor income will be recognised in H2/2017 as a result of the transaction.

Effect of new IFRS 9 accounting standard

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

Nykredit's processes of preparing models and implementing the standard have not yet been concluded, but the implementation is currently expected to result in an increase in

total impairment provisions of DKK 1.0bn-1.5bn, inclusive of the tax effect. Determination of the level still involves some uncertainty.

Change in Nykredit Realkredit's Board of Directors

At Nykredit Realkredit A/S's annual general meeting held on 16 March 2017, Vibeke Krag was elected new member of the Board of Directors, replacing Anders C. Obel.

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

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment and unlisted financial instruments and are described in detail in the accounting policies (note 1 of the Annual Report 2016), to which reference is made.

MATERIAL RISKS

The Group's most material risks are described in detail in note 46 of the Annual Report 2016, to which reference is made.

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the H1 Interim Report 2017 which materially affect the 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 (small and medium-sized enterprises) and is responsible for mortgage lending to Nykredit's personal customers arranged via Totalkredit.
- Totalkredit Partners, which is responsible for the Group's mortgage lending to personal and business customers arranged by local and regional banks.
- Wholesale Clients, which comprises Corporate & Institutional Banking (CIB) and Nykredit Markets.
- Wealth Management, which comprises Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite.
- Group Items, which comprises other income and costs not allocated to the business areas as well as core income from securities and investment portfolio income.

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 income statement format

As stated in the Annual Report 2016 and in note 1, Accounting policies, of this Interim Report, the presentation of certain derivatives was altered in Q4/2016, which changed the recognition in the income statement of these and core income from business operations. Comparative figures for previous periods have been restated.

Earnings

The Nykredit Realkredit Group's profit from core business was up DKK 1,706m, or 57%, to DKK 4,699m in H1/2017 against DKK 2,993m in H1/2016. The Group's profit before tax by business area appears from the table below. The results of each business area are described in more detail on the following pages.

Results by business area ¹						
DKK million	Retail	Totalkredit Partners	Wholesale Clients	Wealth Management	Group Items	Total
H1/2017						
Core income from						
- customer activities, gross	3,240	1,550	1,440	609	(19)	6,820
- payment for distribution	329	-	(152)	(177)	-	-
Total business operations	3,569	1,550	1,288	432	(19)	6,820
- senior and subordinated debt	(49)	(54)	(4)	-	(140)	(247)
- securities	-	-	-	-	43	43
Income from core business	3,520	1,496	1,284	432	(116)	6,616
Operating costs	1,533	294	297	209	32	2,365
Profit (loss) from core business before impairment losses	1,987	1,202	987	223	(148)	4,251
Impairment losses on mortgage lending	(176)	69	(134)	-	-	(241)
Impairment losses on bank lending	(25)	-	(182)	-	-	(207)
Profit (loss) from core business	2,188	1,133	1,303	223	(148)	4,699
Legacy derivatives	307	-	1,059	-	-	1,366
Investment portfolio income	-	-	-	-	803	803
Profit before tax	2,495	1,133	2,362	223	655	6,868

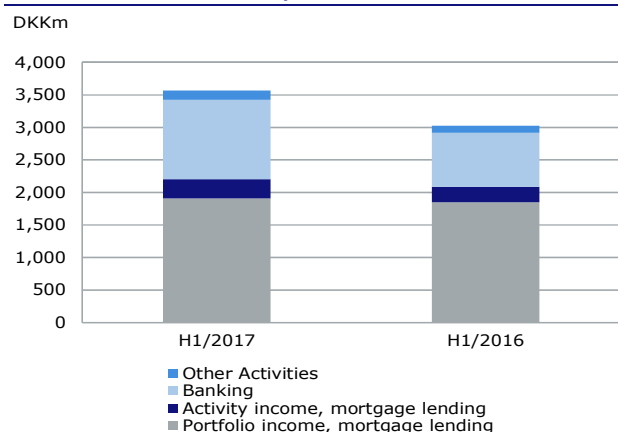
¹ Please refer to note 3 of the Financial Statements for complete segment financial statements with comparative figures.

Results – Retail		
DKK million	H1/2017	H1/2016
Core income from		
- business operations	3,569	3,026
- senior debt	(49)	(48)
Income from core business	3,520	2,978
Operating costs	1,533	1,612
Profit from core business before impairment losses	1,987	1,366
Impairment losses on mortgage lending	(176)	264
Impairment losses on bank lending	(25)	3
Profit from core business	2,188	1,099
Legacy derivatives	307	(585)
Profit before tax	2,495	514

Activities – Retail		
DKK million	30.06.2017	2016
Mortgage lending		
Gross new lending*	24,861	24,051
Portfolio at nominal value	417,059	421,601
Impairment losses for the period as % of loans and advances*	(0.04)	0.06
Total impairment provisions, end of period		
Total impairment provisions	3,889	4,347
Total impairment provisions as % of loans and advances	0.93	1.03
Banking		
Loans and advances	32,059	30,079
Deposits	45,134	43,037
Impairment losses for the period as % of loans and advances*	(0.10)	0.04
Total impairment provisions, end of period		
Total impairment provisions	1,593	1,716
Total impairment provisions as % of loans and advances	4.73	5.39
Guarantees	4,591	4,510
Provisions for guarantees	50	43

* Activity determined for H1/2017 and H1/2016.
Other data from end-H1/2017 and end-2016.

Core income from business operations – Retail



RETAIL

Retail consists of the business units Retail Personal Banking and Retail Business Banking and provides mortgage and banking services to personal customers and SMEs, including agricultural customers, residential rental customers and Private Banking Retail's 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 43 local customer centres and the nationwide sales and advisory centre Nykredit Direkte®. 18 of these centres serve business customers, while ten centres have specialist wealth management teams that serve our Private Banking clients. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

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

H1/2017 – summary

Since the beginning of H1/2017, Retail Personal Banking has intensified its focus on wealth clients in Nykredit's homeowner banking programme, BoligBank. Specialist teams are responsible for all wealth management services to Retail customers in ten customer centres. The number of new Private Banking clients grew satisfactorily in H1. Growth in the number of full-service BoligBank customers continued in H1/2017 and increased business volumes within especially banking, investment and pension products.

Retail Business Banking continued to improve the business banking programme, Nykredit ErhvervsBank. The increase in business customers taking their daily banking to Nykredit has been satisfactory.

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

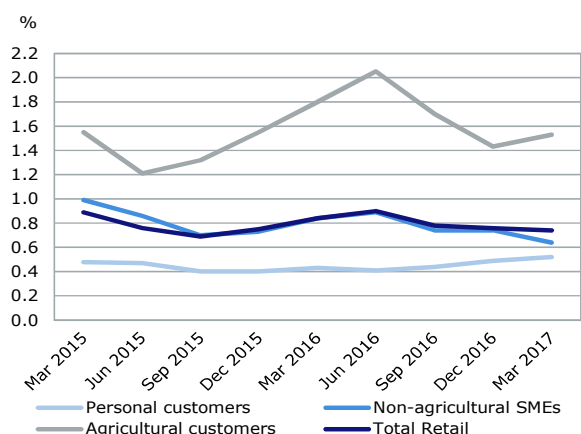
The partnership between Nykredit and Lunar Way, a fintech company, got off to a good start, and Lunar Way saw an average monthly customer growth of 20% in Q2. Lunar Way's first credit product was also launched showing decent client uptake in the same quarter.

Activities

Retail Personal Banking's activity level was higher in H1/2017 than in the same period last year. Compared with the previous year, gross new lending rose by DKK 0.9bn to DKK 10.6bn.

Nominal mortgage lending in Retail Personal Banking came to DKK 179.6bn against DKK 183.4bn at the beginning of the year. The decline was driven by run-off of customers with a single mortgage facility and no banking business with Nykredit.

Arrears ratio, mortgage lending – Retail 75 days past due



Lending in Retail Personal Banking totalled DKK 12.4bn compared with DKK 12.0bn at the beginning of the year. Bank deposits rose by DKK 1.6bn in the same period to DKK 27.4bn.

Gross new lending in Retail Business Banking was DKK 14.3bn, which was on a level with 2016, while nominal mortgage lending came to DKK 237.4bn.

Lending in Retail Business Banking increased by DKK 1.6bn to DKK 19.7bn, and deposits grew by DKK 0.5bn to DKK 17.6bn.

Results

Profit from core business went up by DKK 1,089m year-on-year to DKK 2,188m in H1/2017.

Income from business operations rose by DKK 543m, or 18%, to DKK 3,569m, mainly driven by increased income from swaps currently offered by the Bank. Mortgage loan portfolio income increased slightly owing to changed pricing.

Net expenses relating to senior debt came to DKK 49m compared with DKK 48m in H1/2016.

Operating costs went down by 5% from DKK 1,612m in H1/2016 to DKK 1,533m.

Impairment losses on Retail's mortgage lending changed from a loss of DKK 264m in H1/2016 to a gain of DKK 176m, while impairment losses on bank lending changed from a loss of DKK 3m to a gain of DKK 25m. Impairment losses represented negative 0.04% of mortgage lending and negative 0.10% of bank lending.

Impairment losses on loans to Retail's personal customers declined by a total of DKK 80m, of which DKK 73m related to mortgage lending and DKK 7m to bank lending. Impairment losses on loans to business customer declined by a total of DKK 388m, of which DKK 367m related to mortgage lending and DKK 21m to bank lending.

At end-H1/2017, impairment provisions totalled DKK 5,482m against DKK 6,063m at the beginning of the year.

Legacy derivatives had a positive earnings impact of DKK 307m, a positive change of DKK 892m compared with H1/2016. In both years, the value adjustment resulted from business customers, including small housing cooperatives.

Arrears

At the March due date, Retail's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.74% against 0.84% at the same date in 2016.

Results – Totalkredit Partners

DKK million	H1/2017	H1/2016
Core income from		
- business operations	1,550	1,300
- senior debt	(54)	(72)
Income from core business	1,496	1,228
Operating costs	294	282
Profit from core business before impairment losses	1,202	946
Impairment losses on mortgage lending	69	8
Profit from core business	1,133	938

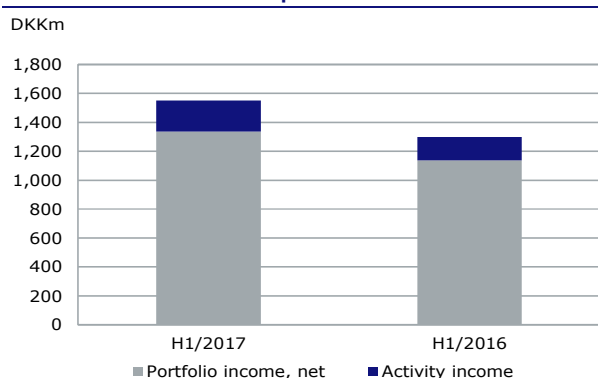
Activities – Totalkredit Partners

DKK million	30.06.2017	2016
Mortgage lending		
Gross new lending*	47,859	39,444
Portfolio at nominal value	515,552	503,767
Impairment losses for the period as % of loans and advances*	0.01	0.00
Total impairment provisions, end of period		
Total impairment provisions	923	987
Total impairment provisions as % of loans and advances	0.18	0.20

* Activity determined for H1/2017 and H1/2016.

Other data from end-H1/2017 and end-2016.

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 57 Danish local and regional banks. Mortgage loans arranged by Nykredit are included in the business area Retail.

Totalkredit Partners's business concept is based on partner banks being responsible for customer services and covering a proportion of the risk of loss relating to the loan portfolio. The banks' share of realised losses is offset against future commission payments from Totalkredit to its partner banks and is recognised in the income statement as a reduction in impairment losses on loans and advances.

H1/2017 – summary

The Totalkredit alliance is developing a joint IT platform, which will ensure that the alliance as a whole is better positioned to offer customers the best home financing options in the coming years. This is a large and complex project, which involves numerous stakeholders. Two of the collaborating IT partners have implemented the first part of the platform, offering customers and advisers a better overview of customers' aggregate facilities, now also including Totalkredit mortgage loans. From May 2017 and until end-H1, customers and advisers have thus looked up customers' mortgage loans making more than three million searches via their respective online banking services.

Totalkredit's partnership with local and regional partner banks also includes secured homeowner loans and business mortgages. The secured homeowner loan allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans. Totalkredit business mortgages are offered to the segments office and retail, residential rental as well as industry and trades. 39 banks, representing the majority of banks having business customers with mortgage needs, have started offering business mortgages.

Activities

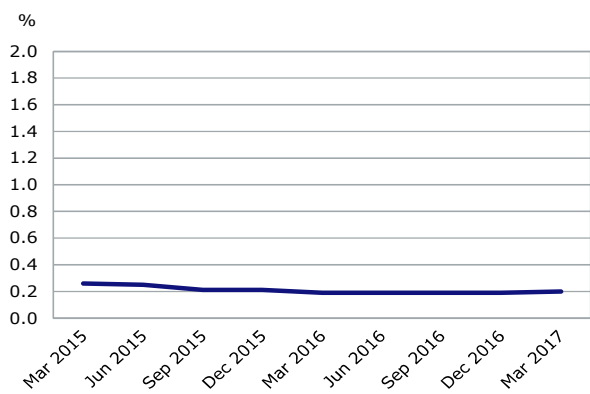
Totalkredit Partners's activity level was higher in H1/2017 than in the same period last year. Gross new lending thus rose to DKK 47.9bn in H1/2017 compared with DKK 39.4bn year-on-year.

Totalkredit Partners's nominal mortgage lending grew by DKK 11.8bn relative to end-2016 to DKK 515.6bn. As a result, total lending by Totalkredit A/S, a subsidiary entity, for the first time exceeded a nominal DKK 600bn. Loans distributed through former Totalkredit partner banks, which are now managed directly by Totalkredit, amounted to DKK 30bn at end-H1/2017 against DKK 34bn at end-2016. Since Jyske Bank's exit from the partnership, Totalkredit loans worth DKK 57bn have been prepaid. Of this amount, DKK 12bn has subsequently been refinanced by other Totalkredit partner banks.

Results

Profit from core business went up by DKK 195m year-on-year to DKK 1,133m in H1/2017.

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



Income from business operations grew by DKK 250m, or 19%, to DKK 1,550m, mainly driven by increasing loan portfolio income caused by increasing lending and changed pricing.

Net expenses relating to senior debt came to DKK 54m compared with DKK 72m in H1/2016.

Operating costs increased by DKK 12m, or 4%, to DKK 294m. The increase was attributable to development of the new mortgage lending platform.

Totalkredit Partners's net loan impairment losses rose by DKK 61m to DKK 69m after set-off of the partner banks' share of realised losses.

At end-H1/2017, impairment provisions totalled DKK 923m against DKK 987m at the beginning of the year.

Arrears

At the March due date, Totalkredit Partners's 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.20% against 0.19% at the same date in 2016.

Results – Wholesale Clients		
DKK million	H1/2017	H1/2016
Core income from		
- business operations	1,288	1,050
- senior debt	(4)	(4)
Income from core business	1,284	1,046
Operating costs	297	336
Profit from core business before impairment losses	987	710
Impairment losses on mortgage lending	(134)	(60)
Impairment losses on bank lending	(182)	(107)
Profit from core business	1,303	877
Legacy derivatives	1,059	(666)
Profit before tax	2,362	211

Activities – Wholesale Clients		
DKK million	30.06.2017	2016
Mortgage lending		
Gross new lending*	15,947	13,098
Portfolio at nominal value	180,986	176,405
Impairment losses for the period as % of loans and advances*	(0.07)	(0.03)
Total impairment provisions, end of period		
Total impairment provisions	352	415
Total impairment provisions as % of loans and advances	0.19	0.24
Banking		
Loans and advances	21,825	21,554
Deposits	11,310	12,207
Impairment losses for the period as % of loans and advances*	(0.81)	(0.42)
Total impairment provisions, end of period		
Total impairment provisions	600	805
Total impairment provisions as % of loans and advances	2.68	3.60
Guarantees	1,669	1,445
Provisions for guarantees	8	9

* Activity determined for H1/2017 and H1/2016.
Other data from end-H1/2017 and end-2016.

Income – Nykredit Markets		
DKK million	H1/2017	H1/2016
Customer activities, gross	432	388
Payment for distribution	(195)	(155)
Business income, net	237	233

WHOLESALE CLIENTS

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

H1/2017 – summary

In 2017, Corporate & Institutional Banking saw decent demand for bank and mortgage financing. Moreover, strategic financial advisory services and capital market transactions continue to attract interest.

Income in Nykredit Markets was driven by high customer activity across all customer segments in H1/2017, including the addition of new customers and an increased amount of assets under management per client.

Nykredit Markets, Private Banking Elite and Retail Business Banking continue to strengthen collaboration to improve services to wealth clients. Nykredit Markets provides comprehensive advisory services and offers wealth clients tailored solutions using a mix of products from Nykredit Markets and Nykredit Asset Management.

Activities

Corporate & Institutional Banking recorded higher activity levels in H1/2017 than in the same period in 2016, and gross new lending went up by DKK 2.8bn to DKK 15.9bn.

Mortgage lending amounted to DKK 181.0bn at end-H1/2017, up DKK 4.6bn on the beginning of the year.

Bank lending was up DKK 0.3bn on the beginning of the year to DKK 21.8bn. Bank deposits dropped by DKK 0.9bn to DKK 11.3bn.

Activity in Nykredit Markets in H1/2017 was high, driven by customers' and market participants' focus on risk profiling and positioning. In general, there was an increased demand for interest rate derivatives and corporate bonds.

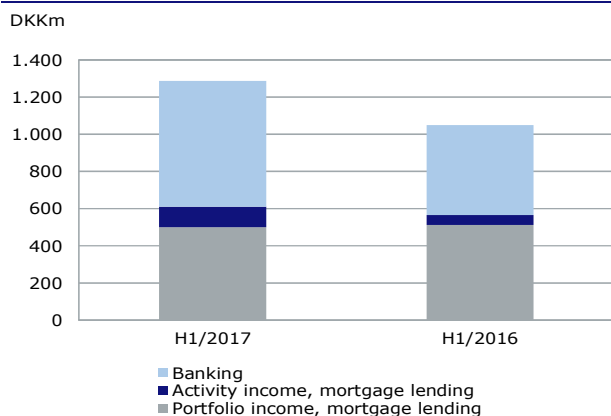
Results

Profit from core business went up by DKK 426m year-on-year to DKK 1,303m in H1/2017.

Income from business operations grew by DKK 238m, or 23%, to DKK 1,288m, mainly driven by higher banking income relative to swaps currently offered as well as deposit and lending activities. Furthermore, there was a slight increase in mortgage income.

Of total income, DKK 1,051m was attributable to Corporate & Institutional Banking, up DKK 234m year-on-year.

Core income from business operations – Wholesale Clients



Nykredit Markets's income after payment for distribution went up by DKK 4m compared with last year to DKK 237m.

Operating costs reduced by DKK 39m, or 12%, to DKK 297m.

Impairment losses on lending reduced by DKK 149m net compared with H1/2016. This included a one-off income of DKK 266m resulting from the trustee's winding up of two large housing cooperatives of which DKK 83m was attributable to mortgage lending and DKK 183m to bank lending.

Impairment losses on mortgage lending in Wholesale Clients changed from a gain of DKK 60m in H1/2016 to a gain of DKK 134m, while impairments on bank lending changed from a gain of DKK 107m to a gain of DKK 182m. Impairment losses represented negative 0.07% of mortgage lending and negative 0.81% of bank lending for the period under review.

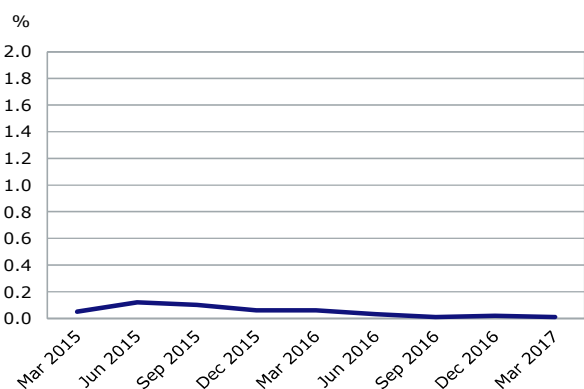
At end-H1/2017, impairment provisions totalled DKK 952m against DKK 1,220m at the beginning of the year.

Legacy derivatives produced a gain of DKK 1,059m compared with H1/2016, equal to a positive change of DKK 1,726m. For both years, value adjustment concerns swaps with housing cooperatives, including a one-off income of DKK 739m in H1/2017 concerning two large housing cooperatives.

Arrears

At the March due date, Wholesale Clients's 75-day mortgage loan arrears as a percentage of mortgage payments due were 0.01% and thus remained at a low level. The arrears ratio was 0.06% at the same date in 2016.

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



Results – Wealth Management		
DKK million	H1/2017	H1/2016
Core income from		
- business operations	432	338
- senior debt	-	-
Income from core business	432	338
Operating costs	209	194
Profit from core business before impairment losses	223	144
Impairment losses on mortgage lending	-	(1)
Impairment losses on bank lending	-	24
Profit from core business	223	121
Legacy derivatives	-	-
Profit before tax	223	121

Activities – Wealth Management		
DKK million	30.06.2017	2016
Mortgage lending		
Gross new lending*	857	389
Portfolio at nominal value	6,808	5,362
Impairment losses for the period as % of loans and advances*	(0.01)	(0.01)
Total impairment provisions, end of period		
Total impairment provisions	3	2
Total impairment provisions as % of loans and advances	0.05	0.04
Banking		
Loans and advances	3,113	2,603
Deposits	11,373	9,522
Impairment losses for the period as % of loans and advances*	0.02	1.06
Total impairment provisions, end of period		
Total impairment provisions	17	17
Total impairment provisions as % of loans and advances	0.54	0.65
Guarantees	751	549
Provisions for guarantees	-	-
Assets under management	152,404	136,514
Assets under administration	798,734	786,549
- of which Nykredit Group investment funds	83,672	74,648

* Activity determined for H1/2017 and H1/2016.
Other data from end-H1/2017 and end-2016.

Income – Wealth Management		
DKK million	H1/2017	H1/2016
Customer activities, gross	609	503
Payment for distribution	(177)	(165)
Business income, net	432	338

WEALTH MANAGEMENT

The business area Wealth Management handles Nykredit's asset and wealth management activities. Wealth Management comprises the business units Nykredit Asset Management, Nykredit Portefølje Administration and Private Banking Elite. The latter is targeted at clients with investable assets in excess of DKK 7m.

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

H1/2017 – summary

Nykredit Asset Management saw a rise in assets under management and delivered good investment results in H1/2017.

84% of Nykredit Asset Management's investment strategies (GIPS composites) generated above-benchmark returns in H1/2017, and 88% generated above-benchmark returns over the past three years. This is considered satisfactory. In H1/2017, especially investments in Danish government and covered bonds, including the hedge funds of Nykredit Alpha, performed extraordinarily well.

Private Banking Elite continued to deliver satisfactory client growth and financial performance in H1.

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

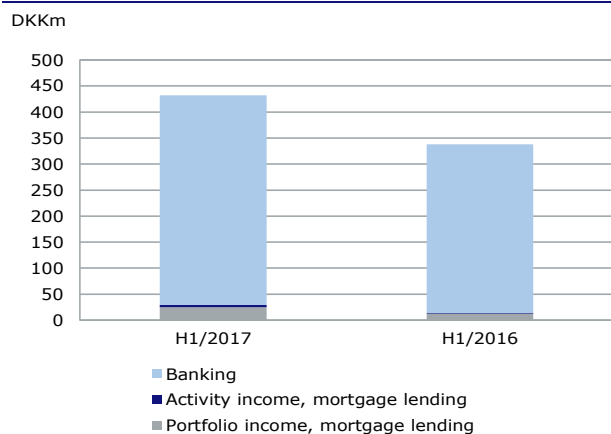
Activities

Assets under management grew by DKK 15.9bn to DKK 152.4bn at end-H1/2017 as a result of positive net sales, positive value adjustments and other returns. Compared with previously, assets under management were determined according to a new definition based on the rules of MiFID II.

Total assets under administration went up by DKK 12.2bn to DKK 798.7bn at end-H1/2017. The increase comprised net outflows of DKK 11.7bn and capital gains as well as other returns of DKK 23.9bn.

Private Banking Elite, which is behind part of the total assets under management, recorded satisfactory net growth in H1.

Core income from business operations – Wealth Management

**Results**

Profit from core business went up by DKK 102m year-on-year to DKK 223m in H1/2017.

Income from business operations grew by DKK 94m, or 28%, to DKK 432m, which was mainly attributable to income from banking operations.

Operating costs were DKK 209m, up DKK 15m, or 8%. The increase should primarily be seen against the backdrop of the Group's intensified focus on the Private Banking area.

Results – Group Items		
DKK million	H1/2017	H1/2016
Core income from		
- business operations	(19)	50
- senior and subordinated debt	(140)	(108)
- securities	43	21
Loss from core business	(116)	(37)
Operating costs	32	11
Loss from core business before impairment losses	(148)	(48)
Impairment losses on bank lending	-	(6)
Loss from core business	(148)	(42)
Investment portfolio income	803	533
Profit before tax	655	491

Activities – Group Items		
DKK million	30.06.2017	2016
Banking		
Loans and advances	547	767
Deposits	1,625	649
Total impairment provisions, end of period		
Total impairment provisions	-	-
Total impairment provisions as % of loans and advances	-	-
Guarantees	213	190
Provisions for guarantees	-	-

GROUP ITEMS

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

Group Items also includes Nykredit's total return on the securities portfolio, 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 the year before, profit before tax rose by DKK 164m to DKK 655m in H1/2017. The rise can primarily be ascribed to higher investment portfolio income.

Income from business operations decreased by DKK 69m to a loss of DKK 19m, while net interest expenses on senior debt and Nykredit's subordinated debt saw a total increase of DKK 32m to DKK 140m in H1/2017.

Nykredit's core income from securities was DKK 43m, up DKK 22m on H1/2016. Core income from securities equals the return the Group could have obtained on investment portfolios at the risk-free interest rate. Core income from securities also includes net interest expenses for Tier 2 capital.

Unallocated operating costs increased by DKK 21m to DKK 32m.

Impairment losses on loans and advances were DKK 0m against a gain of DKK 6m in H1/2016.

Nykredit's investment portfolio income came to DKK 803m against DKK 533m in H1/2016. Investment portfolio income from bonds, liquidity and interest rate instruments was DKK 548m. Investment portfolio income from equities and equity instruments, which are value adjusted through profit or loss, was DKK 255m.

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 from 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 Additional Tier 1 capital)			
DKK million	H1/2017	FY 2016	
Equity, beginning of period	70,957	65,460	
Profit for the period	5,432	5,329	
Fair value adjustment of equities available for sale	125	331	
Other adjustments	(107)	(163)	
Equity, end of period	76,407	70,957	

Nykredit Realkredit Group			
Capital and capital adequacy			
DKK million	30.06.2017	31.12.2016	30.06.2016
Credit risk	295,004	304,275	258,475
Market risk	21,892	25,437	26,038
Operational risk	21,246	19,636	19,636
Total risk exposure amount (REA)¹	338,141	349,348	304,149
Equity (incl AT1 capital)	76,407	70,957	67,017
AT1 capital	(5,406)	(5,409)	(3,766)
CET1 capital additions/deductions	(29)	315	(1,683)
Common Equity Tier 1 capital	70,972	65,863	61,568
Additional Tier 1 capital	3,875	3,800	3,718
AT1 capital deductions	(132)	(124)	(280)
Tier 1 capital	74,715	69,539	65,006
Tier 2 capital	11,516	11,315	10,787
Tier 2 capital additions/deductions	27	(255)	(266)
Own funds	86,258	80,599	75,527
CET1 capital ratio, %	20.9	18.8	20.2
Tier 1 capital ratio, %	22.0	19.9	21.3
Total capital ratio, %	25.5	23.0	24.8
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.1	10.2	11.6

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 603bn at end-H1/2017, equal to a minimum total capital ratio of 14.3%.

The determination includes a deduction of DKK 143m, cf the mention in note 2 of the Financial Statements.

EQUITY AND OWN FUNDS

Equity

The Nykredit Realkredit Group's equity carried for accounting purposes was DKK 76.4bn at end-H1/2017, up DKK 5.5bn on the beginning of the year. The increase in equity was mainly attributable to profit for the period of DKK 5.4bn.

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

Capital and capital adequacy

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

The risk exposure amount (REA) totalled DKK 338bn at end-H1/2017, which was lower than at the turn of the year. The decline was driven by minor adjustments to the credit risk models, rising housing prices and lower market risk than at the turn of the year.

The total capital ratio was 25.5% at the end of H1/2017 against 23.0% at end-2016. The Tier 1 capital ratio was 22.0% compared with 19.9% at end-2016, and the Common Equity Tier 1 capital ratio was 20.9% compared with 18.8% at end-2016.

Nykredit's internal capital adequacy requirement was 10.1% at end-H1/2017, the same as at end-2016.

Capital targets

The Board of Directors of the Nykredit Realkredit Group has set a CET1 capital ratio target of 17.5% for 2019. The capital policy is reviewed annually.

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% of the current REA assuming a Pillar II capital requirement of 2-3%, and depending on the economic climate, including whether the countercyclical capital buffer is activated or not.
- To this 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 strategy.
- The capital level must be market-consistent, corresponding to the levels of other large Nordic financial issuers, as 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.
- Nykredit must be able to handle movements in REA as a result of the general economic conditions and the development in property prices, interest rates, impairments, amended regulation, etc.

At present and subject to the current market expectations, Nykredit has set its capital target at 15-16% of REA after its initial public offering. This level is deemed to correspond to the market standards of large listed financial issuers.

Nykredit currently has more restricted access to capital markets than listed companies. It is difficult for Nykredit's main shareholder to contribute capital today, if, for instance, general economic conditions, new regulation etc should make it necessary.

This is part of the reasons why Nykredit's Board of Directors decided to prepare Nykredit for listing on the stock exchange in order to ensure greater capital flexibility.

Risk of increased capital requirements

There is a risk that the capital requirements will be tightened further in the coming years.

The Basel Committee has proposed to introduce a new so-called capital floor requirement for credit institutions using internal models, implying that the institutions may become subject to a minimum capital requirement across risk types (credit, market and operational risk) that makes up a proportion of the capital requirement calculated using the standardised approach.

The Basel Committee is contemplating a capital floor at 70-75% of the standardised approach, which will increase Nykredit's REA markedly compared with today. The capital floor requirement will particularly impact mortgage loans as they have a very low risk of loss, which will not be allowed for in the risk determination if a capital floor is introduced. It may therefore result in significant increases in the capital requirement for mortgage loans in general and for private residential mortgage loans with LTVs over 55% in particular.

Moreover, the EU discusses proposed revisions to the EU's capital requirements framework, including changes to the rules for calculating the capital requirements for market risk. This proposal may result in higher capital requirements and may also have a negative impact on the Danish covered bond market, as it may become significantly more expensive for banks and mortgage lenders to trade in covered bonds. This may result in lower bond liquidity, more volatile yields and higher residential mortgage rates.

Nykredit's capital requirements will ultimately depend on the wording of the Basel standards, their implementation in the EU, and the new market and rating standards for large Nordic financial issuers.

Based on the current proposal, Nykredit finds that the increased capital requirements may potentially add an estimated DKK 15bn to Nykredit's CET1 capital requirement under the current capital policy.

Against this backdrop, it is very satisfactory that with the increase in earnings in 2016 and 2017 together with decreasing REA driven by higher property prices, the Common Equity Tier 1 capital ratio stood at 20.9% at end-H1/2017.

In this connection it is important to bear in mind that markets will often expect the large established institutions to adapt to new legislation relatively fast, even if legislation prescribes a longer formal phase-in period of the requirements.

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

FUNDING AND LIQUIDITY

Nykredit coordinates its liquidity and funding at Group level and generally issues bonds, senior debt and capital instruments out of Nykredit Realkredit A/S.

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

Bank lending is chiefly funded by deposits. At end-H1/2017, Nykredit Bank's deposits exceeded lending by DKK 11.9bn. At end-2016, deposits exceeded lending by DKK 10.4bn.

Liquidity

Nykredit's liquid assets are mainly liquid Danish and other Northern European government and covered bonds. These securities are eligible as collateral in the repo market and with central banks and are thus directly applicable for raising liquidity.

The unencumbered part of the liquid assets of the Group's mortgage banks, including proceeds from senior secured and senior unsecured debt in issue, totalled DKK 84bn at end-H1/2017 against DKK 88bn at end-2016.

At end-H1/2017, the Nykredit Realkredit Group's Liquidity Coverage Ratio (LCR) was 338%. The aggregate LCR of Nykredit's mortgage banks was 1,486%, and 243% including the minimum liquidity requirement. The LCR of Nykredit Bank was 154%. At end-H1/2017, the Nykredit Realkredit Group's LCR in EUR was 325%.

Nykredit has been granted an exemption from including some of the mortgage-related cash flows in the determination of the LCR, and the Danish FSA has set a minimum li-

quidity requirement. In practice, the requirement means that Nykredit must hold a stock of liquid assets of DKK 29bn corresponding to at least 2.5% of total mortgage lending. The stock of liquid assets eligible to meet the minimum liquidity requirement amounted to DKK 69bn at end-H1/2017.

In June 2016, the Danish FSA introduced an additional liquidity requirement for Danish SIFIs. Danish SIFIs must fulfil the LCR requirement not only in DKK but also in significant currencies except for SEK and NOK. The requirement will be phased in by October 2017 and only concerns EUR in Nykredit's case.

Negative interest rates

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

Bullet covered bonds are traded at a premium resulting in a negative yield-to-maturity for borrowers and investors.

Nykredit's mortgage loan margin is a margin that is added to the funding rate. Nykredit's mortgage loan margin is not affected by the negative interest rate levels.

Benchmark bond series

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

With the introduction of the LCR, investors increasingly prefer to invest in bonds with high outstanding amounts (> EUR 500m) and high ratings.

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

Nykredit has announced a number of initiatives to improve the liquidity of bond series. For instance, the refinancing of ARMs on 1 April and 1 October will be phased out as the loan portfolio is refinanced. This will take place over a number of years to ensure an even distribution of refinancing volumes. In the longer term, Nykredit's plans to refinance ARMs on 1 January and 1 July. The Nykredit Group will continue refinancing other products on 1 April and 1 October, which will serve to deconcentrate the aggregate amount of bonds maturing on the individual payment dates.

Another initiative is transferring loans in Capital Centre D to Capital Centre G as the loans are refinanced. This will pool all covered bonds subject to refinancing in Capital Centre G. Nykredit expects this change to improve the pricing of bonds in Capital Centre G due to improved liquidity and credit ratios.

As scheduled, Nykredit's fixed-rate callable covered bonds will consequently close for new issuance on 31 August 2017. The closing takes effect as part of the usual 3-year cycle of fixed-rate bonds implying a change of maturity class. As at 1 September 2017, new lending will be based on issuance in new fixed-rate callable covered bonds with or without interest-only options.

Issuance schedule for 2017

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

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

In H1/2017, Nykredit issued senior resolution notes (SRN) – a special form of bail-inable debt – of about DKK 6bn. At end-H1, SRN in issue thus totalled DKK 13.3bn.

On the basis of currently known liquidity requirements, Nykredit does not expect noticeable issuance of SRN for the remainder of 2017.

Nykredit Realkredit is exempt from the minimum requirement for own funds and liabilities eligible for bail-in (MREL). Nykredit Bank, on the other hand, will likely have to meet the MREL requirement. Under the MREL framework, credit institutions must hold a buffer of bail-inable liabilities that can be written down upon resolution in order to absorb future losses without involving the Danish government. Nykredit Bank has concluded an agreement on long-term intercompany funding for the purpose of meeting the MREL requirement.

CREDIT RATINGS

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

S&P Global Ratings

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

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

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

Fitch Ratings

Nykredit Realkredit and Nykredit Bank each have a long-term rating of A and a short-term rating of F1 with Fitch Ratings. The rating outlook is stable.

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

Moody's Investors Service

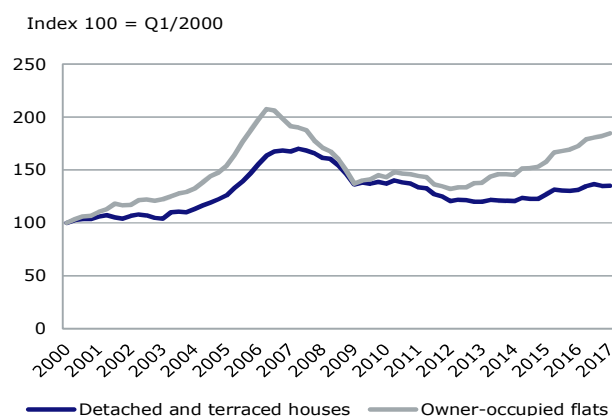
Moody's Investors Service continues to publish unsolicited ratings for some companies of the Nykredit Group.

Listing of ratings

A table listing Nykredit's credit ratings with S&P and Fitch Ratings is available at nykredit.com/ir.

LENDING

Housing prices in Denmark – inflation-adjusted



Source: Finance Denmark

The Group recorded total mortgage and bank lending, excluding reverse repurchase lending, of a nominal amount of DKK 1,178bn against DKK 1,162bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,141bn compared with DKK 1,125bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,120bn against DKK 1,107bn at end-2016.

Bank lending totalled DKK 57.5bn against DKK 55.0bn at the beginning of the year, up DKK 2.5bn. Reverse repurchase lending came to DKK 21.5bn against DKK 30.1bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 7.4bn against DKK 8.3bn 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 the year.

At end-H1/2017, guarantees were DKK 7.2bn against DKK 6.7bn at the beginning of the year.

Incurred losses totalled DKK 612m in H1/2017 of which DKK 452m on mortgage lending and DKK 161m 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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	H1/2017	FY 2016
Mortgage lending, nominal value						
Nykredit Realkredit	514,721	516,176	4,101	4,620	(303)	770
Totalkredit	605,685	590,959	1,067	1,130	61	51
Total	1,120,405	1,107,135	5,167	5,751	(241)	821
Bank lending						
Nykredit Bank	57,544	55,003	2,210	2,538	(214)	(93)
Total	57,544	55,003	2,210	2,538	(214)	(93)
Receivables from credit institutions	-	-	44	44	-	-
Total	-	-	44	44	-	-
Reverse repurchase lending	21,511	30,091				
Guarantees	7,224	6,694	59	52	7	(48)
Loan impairment, % ¹						
Nykredit Realkredit	-	-	0.80	0.89	(0.06)	0.15
Totalkredit	-	-	0.18	0.19	0.01	0.01
Total	-	-	0.46	0.52	(0.02)	0.07
Nykredit Bank	-	-	3.70	4.41	(0.36)	(0.16)
Total	-	-	3.70	4.41	(0.36)	(0.16)

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

MORTGAGE LENDING

At end-H1/2017, Nykredit's credit exposure in terms of nominal mortgage lending was DKK 1,120bn, up DKK 13bn from DKK 1,107bn at the beginning of the year.

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

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-H1/2017.

Total provisions for mortgage loan impairment

Total provisions for mortgage loan impairment decreased by DKK 583m from the beginning of the year to DKK 5,167m at end-H1/2017. Of this decline, DKK 66m was attributable to owner-occupied dwellings, DKK 336m to private rental property, DKK 75m to industry and trades, DKK 15m to office and retail as well as DKK 84m to agricultural property.

Of the reduction in H1/2017, DKK 66m stemmed from owner-occupied dwellings and DKK 517m from business property.

Total impairment provisions equalled 0.46% of total mortgage lending against 0.52% at the beginning of the year.

Earnings impact

Impairment losses on mortgage lending for the period were a gain of DKK 241m against a gain of DKK 211m in H1/2016. Of impairment losses on loans and advances for the period, DKK 98m was attributable to owner-occupied dwellings and DKK 17m related to agricultural property. Private rental and industry and trades reversals of DKK 316m and DKK 37m were recorded, respectively.

Profit for the period came to DKK 241m including a one-off gain of DKK 83m resulting from the settlement of two large housing cooperative exposures.

Nykredit Realkredit Group

Debt outstanding relative to estimated property values

Fair value DKK million/%	LTV (loan-to-value)						Total	LTV average, % ¹
	0-40	40-60	60-80	80-90	90-100	>100		
Owner-occupied dwellings	430,202	163,477	93,100	9,724	3,852	3,083	703,439	69
Private rental	80,337	27,010	11,811	1,407	714	696	121,973	64
Industry and trades	15,786	2,972	519	160	133	702	20,271	54
Office and retail	87,665	21,509	2,971	497	302	517	113,461	52
Agriculture	67,923	18,090	6,362	941	409	362	94,089	58
Public housing	-	-	-	-	-	-	71,280	-
Other	12,977	2,342	613	42	21	39	16,034	48
Total, end-H1/2017	694,891	235,400	115,377	12,771	5,431	5,399	1,140,548	63
Total end-2016	680,121	231,599	116,067	14,400	6,364	6,091	1,124,693	64

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

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

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

Nykredit Realkredit Group

Provisions for mortgage loan impairment by property type¹

DKK million	H1/2017		31.12.2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Owner-occupied dwellings	2,054	98	2,120	247
Private rental	997	(316)	1,333	(96)
Industry and trades	113	(37)	188	(23)
Office and retail	514	(4)	529	82
Agriculture	1,363	17	1,447	628
Public housing	37	1	35	(11)
Other	90	0	99	(6)
Total	5,167	(241)	5,751	821

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

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
2017			
- March	0.38	0.39	4.40
2016			
- December	0.37	0.48	5.30
- September	0.39	0.40	4.50
- June	0.43	0.48	4.80
- March	0.43	0.40	4.40
2015			
- December	0.38	0.41	4.50

Arrears

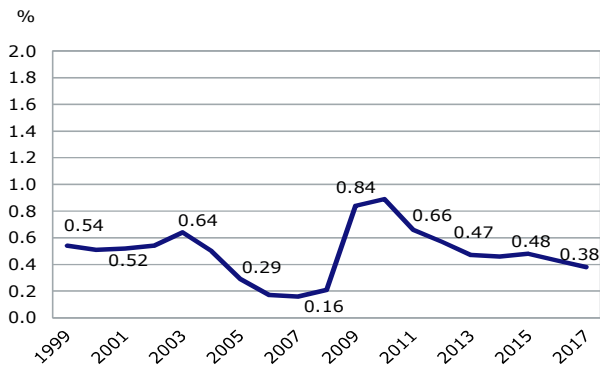
At the March due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.38% against 0.43% at the same date the year before.

The Group's mortgage lending affected by arrears was 0.39% of total mortgage lending (bond debt outstanding) compared with 0.40% at the same time the previous year.

Properties acquired by foreclosure

In H1/2017, the Group acquired 58 properties by foreclosure and sold 76. At end-H1/2017, the property portfolio stood at 96 against 114 at the beginning of the year of which 48 were owner-occupied dwellings against 66 at end-2016.

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



BANK LENDING

Bank lending amounted to DKK 57.5bn against DKK 55.0bn at the beginning of the year. Before provisions for loan impairment, loans and advances amounted to DKK 59.7bn against DKK 57.5bn at the beginning of the year.

Reverse repurchase lending amounted to DKK 21.5bn against DKK 30.1bn at the beginning of the year. Guarantees issued totalled DKK 7.2bn against DKK 6.7bn at the beginning of the year.

Nykredit Bank recorded lending growth of 16.9%, excluding reverse repurchase lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 2,210m against DKK 2,538m at the beginning of the year.

Impairment provisions for receivables from credit institutions came to DKK 23m at end-H1/2017, the same level as at end-2016.

Guarantees

Guarantees issued totalled DKK 7.2bn against DKK 6.7bn at the beginning of the year.

At end-H1/2017, provisions for guarantees amounted to DKK 59m against DKK 52m at the beginning of the year.

Nykredit Realkredit Group

Provisions for bank loan impairment and guarantees by sector¹

DKK million	H1/2017		FY 2016	
	Total impairment provisions	Earnings impact	Total impairment provisions	Earnings impact
Public sector	-	-	-	-
Agriculture, hunting, forestry and fishing	99	8	96	14
Manufacturing, mining and quarrying	165	(4)	185	24
Energy supply	2	-	3	(1)
Construction	162	(40)	206	(41)
Trade	89	38	57	(36)
Transport, accommodation and food service activities	92	18	114	35
Information and communication	18	-	18	16
Finance and insurance	87	(36)	119	(97)
Real estate	723	(246)	950	(304)
Other	224	28	222	14
Total business customers	1,661	(234)	1,969	(376)
Personal customers	607	27	621	235
Total	2,268	(207)	2,590	(141)
- of which provisions for losses under guarantees	59	7	52	(48)
Impairment provisions for credit institutions	23	-	23	-
Total including impairment provisions for credit institutions	2,291	(207)	2,613	(141)

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

Earnings impact

Provisions for bank loan impairment and guarantees for the period were a gain of DKK 207m compared with a gain of DKK 86m in H1/2016.

The total gain of DKK 207m for the period including one-off income of DKK 183m resulting from the settlement of two large housing cooperative exposures.

MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 June 2017 of 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 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, 17 August 2017

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

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

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

Executive Board

Michael Rasmussen
Group Chief Executive

Kim Duus
Group Managing Director

David Hellemann
Group Managing Director

Søren Holm
Group Managing Director

Anders Jensen
Group Managing Director

Board of Directors

Steffen Kragh
Chairman

Merete Eldrup
Deputy Chairman

Nina Smith
Deputy Chairman

Helge Leiro Baastad

Hans Bang-Hansen

Olav Bredgaard Brusen*

Michael Demsitz

Per W. Hallgren

Marlene Holm*

Vibeke Krag

Allan Kristiansen*

Bent Naur

Erling Bech Poulsen

Inge Sand*

Leif Vinther*

* Staff-elected member

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit Group	Note	H1/2017	H1/2016	Q2/2017	Q2/2016
INCOME STATEMENT					
Interest income	5	13,908	14,482	6,951	7,070
Interest expenses	6	8,086	9,000	4,034	4,415
Net interest income		5,822	5,483	2,917	2,656
Dividend on equities		123	92	91	69
Fee and commission income		1,265	1,087	646	595
Fee and commission expenses		1,425	1,197	723	633
Net interest and fee income		5,786	5,464	2,931	2,687
Value adjustments	7	2,860	(740)	1,618	34
Other operating income		135	105	92	65
Staff and administrative expenses	8	2,177	2,250	1,085	1,138
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	116	103	71	55
Other operating expenses		71	82	31	42
Impairment losses on loans, advances and receivables	10	(448)	125	(427)	176
Profit from investments in associates and Group enterprises	11	4	6	0	6
Profit before tax		6,868	2,275	3,880	1,380
Tax	12	1,436	472	797	282
Profit for the period		5,432	1,803	3,083	1,098
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		5,316	1,686	3,025	1,040
Minority interests		-	1	-	1
Holders of Additional Tier 1 capital notes		115	116	58	58
Profit for the period		5,432	1,803	3,083	1,098
COMPREHENSIVE INCOME					
Profit for the period		5,432	1,803	3,083	1,098
OTHER COMPREHENSIVE INCOME					
Items that cannot be reclassified to profit or loss:					
Actuarial gains/losses on defined benefit plans		(10)	0	(10)	2
Total items that cannot be reclassified to profit or loss		(10)	0	(10)	2
Items that can be reclassified to profit or loss:					
Fair value adjustment of equities available for sale		135	(178)	129	(149)
Tax on fair value adjustment of equities available for sale		(10)	20	(1)	8
Total items that can be reclassified to profit or loss		125	(157)	128	(141)
Other comprehensive income		115	(157)	118	(139)
Comprehensive income for the period		5,547	1,646	3,201	959
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		5,432	1,530	3,143	901
Minority interests		-	1	-	1
Holders of Additional Tier 1 capital notes		115	116	58	58
Comprehensive income for the period		5,547	1,646	3,201	959

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

Nykredit Realkredit A/S	Note	H1/2017	H1/2016	Q2/2017	Q2/2016
INCOME STATEMENT					
Interest income	5	10,249	11,332	5,057	5,547
Interest expenses	6	8,007	8,940	3,974	4,378
Net interest income		2,243	2,393	1,083	1,169
Dividend on equities		112	80	89	58
Fee and commission income		373	430	178	201
Fee and commission expenses		94	69	57	30
Net interest and fee income		2,633	2,834	1,292	1,398
Value adjustments	7	623	(186)	382	(1)
Other operating income		443	483	214	250
Staff and administrative expenses	8	1,310	1,452	629	722
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	103	82	64	44
Other operating expenses		60	68	27	34
Impairment losses on loans, advances and receivables	10	(303)	166	(332)	244
Profit from investments in associates and Group enterprises	11	3,501	587	1,966	504
Profit before tax		6,030	1,950	3,467	1,106
Tax	12	473	305	256	150
Profit for the period		5,557	1,645	3,210	956
Distribution of profit for the period					
Shareholder of Nykredit Realkredit A/S		5,442	1,529	3,153	899
Minority interests		-	-	-	-
Holders of Additional Tier 1 capital notes		115	116	58	58
Profit for the period		5,557	1,645	3,210	956
COMPREHENSIVE INCOME					
Profit for the period		5,557	1,645	3,210	956
OTHER COMPREHENSIVE INCOME					
Items that cannot be reclassified to profit or loss:					
Share of comprehensive income in associates and Group enterprises		(10)	0	(10)	2
Total items that cannot be reclassified to profit or loss		(10)	0	(10)	2
Other comprehensive income		(10)	0	(10)	2
Comprehensive income for the period		5,547	1,645	3,201	958
Distribution of comprehensive income					
Shareholder of Nykredit Realkredit A/S		5,432	1,529	3,143	900
Holders of Additional Tier 1 capital notes		115	116	58	58
Comprehensive income for the period		5,547	1,645	3,201	958

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017	Note	30.06.2017	31.12.2016
ASSETS				
101	176		1,979	2,087
35,732	41,447		31,725	32,742
1,172,128	1,188,258	13	1,162,433	1,155,155
299	302	14	57,906	55,361
44,026	37,780	15	90,293	111,981
Equities				
4,316	4,478		2,215	2,129
-	-		2,580	2,445
4,316	4,478	Total	4,795	4,574
127	127		132	130
38,836	41,660		-	-
202	180		212	243
Land and buildings				
-	-		54	232
14	18		436	432
14	18	Total	489	664
151	135		157	177
122	-		-	162
1	1		109	113
274	297		332	311
9,020	7,691	17	28,676	36,667
204	372		459	238
1,305,554	1,322,924	Total assets	1,379,698	1,400,606

BALANCE SHEETS

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017	Note	30.06.2017	31.12.2016
LIABILITIES AND EQUITY				
18,054	9,976	18	14,420	21,681
-	-	19	69,442	65,415
1,181,335	1,187,285	20	1,140,474	1,152,383
11,133	17,054	21	23,420	21,292
-	10,500	22	16,271	17,735
-	112		968	14
-	-		29	29
12,663	10,204	23	26,635	39,400
-	-		10	11
1,223,186	1,235,130		1,291,668	1,317,960
Provisions				
149	139		145	155
6	142		257	126
55	53		53	55
-	-		59	52
128	95		153	224
337	430		666	611
11,078	10,957	24	10,956	11,078
Equity				
1,182	1,182		1,182	1,182
Accumulated value adjustments				
-	-		26	26
-	-		1,104	979
Other reserves				
10,957	13,783		-	-
35,198	35,198		35,198	35,198
-	-		1,646	1,646
19,856	22,483		33,490	28,162
67,194	72,647		72,647	67,194
-	-		-	3
3,760	3,760		3,760	3,760
70,954	76,407		76,407	70,957
1,305,554	1,322,924		1,379,698	1,400,606
OFF-BALANCE SHEET ITEMS				
-	-	25	7,224	6,694
1,537	1,360		7,664	6,934
1,537	1,360		14,888	13,628

STATEMENT OF CHANGES IN EQUITY

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
2017								
Equity, 1 January	1,182	-	10,957	35,198	19,856	67,194	3,760	70,954
Profit for the period	-	-	3,501	-	1,940	5,442	115	5,557
Total other comprehensive income	-	-	-	-	(10)	(10)	-	(10)
Total comprehensive income for the period	-	-	3,501	-	1,930	5,432	115	5,547
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	(1)	(1)	1	-
Tax on Additional Tier 1 capital	-	-	-	-	23	23	-	23
Dividend from associates	-	-	(5)	-	5	-	-	-
Dividend from Group enterprises	-	-	(670)	-	670	-	-	-
Other adjustments	-	-	(0)	-	0	-	-	-
Equity, 30 June 2017	1,182	-	13,783	35,198	22,483	72,647	3,760	76,407
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
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	12	12	(12)	-
Tax on Additional Tier 1 capital	-	-	-	-	24	24	-	24
Dividend from associates	-	-	(1)	-	1	-	-	-
Dividend from Group enterprises	-	-	(70)	-	70	-	-	-
Equity, 30 June 2017	1,182	1	6,810	26,787	28,471	63,251	3,762	67,013

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. There is an ongoing dialogue with the Danish Financial Supervisory Authority concerning the accounting treatment of the non-distributable reserve fund in Nykredit A/S's and Nykredit Realkredit A/S's Financial Statements, as well as the inclusion of such in capital adequacy. Reference is made to note 2.

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 Group falls below 7.125%, the loan will be written down.

STATEMENT OF CHANGES IN EQUITY

DKK million

Nykredit Realkredit Group

	Share capital ¹	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Non-distributable reserve fund ²	Retained earnings	Shareholder of Nykredit Realkredit A/S	Minority interests	Additional Tier 1 capital ³	Total equity
2017										
Equity, 1 January	1,182	26	979	35,198	1,646	28,162	67,194	3	3,760	70,957
Profit for the period	-	-	-	-	-	5,316	5,316	-	115	5,432
Total other comprehensive income	-	-	125	-	-	(10)	115	-	-	115
Total comprehensive income for the period	-	-	125	-	-	5,306	5,432	-	115	5,547
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	(1)	(1)	-	1	-
Tax on Additional Tier 1 capital	-	-	-	-	-	23	23	-	-	23
Other adjustments	-	-	-	-	-	-	-	(3)	-	(3)
Equity, 30 June 2017	1,182	26	1,104	35,198	1,646	33,490	72,647	-	3,760	76,407
2016										
Equity, 1 January	1,182	160	648	26,787	1,646	31,263	61,686	-	3,774	65,460
Profit for the period	-	-	-	-	-	1,686	1,686	1	116	1,803
Total other comprehensive income	-	-	(157)	-	-	0	(157)	-	-	(157)
Total comprehensive income for the period	-	-	(157)	-	-	1,687	1,530	1	116	1,646
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-	-	(116)	(116)
Foreign currency translation adjustment of Additional Tier 1 capital	-	-	-	-	-	12	12	-	(12)	-
Tax on Additional Tier 1 capital	-	-	-	-	-	24	24	-	-	24
Additions relating to acquisition of associate	-	-	-	-	-	-	-	3	-	3
Realised from the sale of properties	-	(4)	-	-	-	4	-	-	-	-
Equity, 30 June 2017	1,182	156	490	26,787	1,646	32,989	63,251	4	3,762	67,017

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

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

CASH FLOW STATEMENT

DKK million

Nykredit Realkredit Group	H1/2017	H1/2016
Profit for the period	5,432	1,803
Adjustments		
Interest income, net	(5,822)	(5,483)
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	116	103
Loss from investments in associates	(4)	(6)
Impairment losses on loans, advances and receivables	(448)	125
Prepayments/deferred income, net	(222)	(138)
Tax calculated on profit for the period	1,436	472
Other adjustments	(150)	253
Total	338	(2,870)
Change in working capital		
Loans, advances and other receivables	(9,375)	(2,493)
Deposits and payables to credit institutions	(3,234)	4,854
Bonds in issue	(9,781)	3,801
Other working capital	(6,230)	8,514
Total	(28,621)	14,676
Interest income received	15,278	17,090
Interest expenses paid	(9,678)	(11,992)
Corporation tax paid, net	(173)	(213)
Cash flows from operating activities	(22,855)	16,690
Cash flows from investing activities		
Acquisition of associates	(5)	-
Sale of associates	2	-
Dividend received from associates	5	1
Purchase and sale of bonds and equities, net	21,649	3,908
Purchase of intangible assets	(46)	(28)
Sale of intangible assets	35	-
Purchase of property, plant and equipment	(29)	(18)
Sale of property, plant and equipment	181	1
Total	21,792	3,863
Cash flows from financing activities		
Redemption of subordinated debt	-	(100)
Purchase and sale of self-issued subordinated debt instruments	(1)	1
Total	(1)	(99)
Total cash flows for the period	(1,065)	20,454
Cash and cash equivalents, beginning of period	34,829	23,253
Foreign currency translation adjustment of cash	(61)	0
Cash and cash equivalents, end of period	33,704	43,707
Cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	1,979	4,931
Receivables from credit institutions and central banks	31,725	38,775
Total	33,704	43,707

NOTES

Nykredit Realkredit Group

1. Accounting policies	36
2. Capital and capital adequacy	37
3. Business areas	38
4. Reconciliation of internal and regulatory income statement	40
5. Interest income	41
6. Interest expenses	41
7. Value adjustments	42
8. Staff and administrative expenses	42
9. Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	43
10. Impairment losses on loans, advances and receivables	43
11. Profit from investments in associates and Group enterprises	44
12. Tax	44
13. Receivables from credit institutions and central banks	45
14. Loans, advances and other receivables at fair value	45
15. Loans, advances and other receivables at amortised cost	46
16. Bonds at fair value	46
17. Other assets	47
18. Payables to credit institutions and central banks	47
19. Deposits and other payables	47
20. Bonds in issue at fair value	47
21. Bonds in issue at amortised cost	48
22. Other non-derivative financial liabilities at fair value	48
23. Other liabilities	48
24. Subordinated debt	49
25. Off-balance sheet items	49
26. Related party transactions and balances	50
27. Fair value disclosures	51
28. Five-year financial highlights	55
29. Group structure	57

1. ACCOUNTING POLICIES

General

The Consolidated Financial Statements for H1/2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Parent Interim Financial Statements for H1/2017 have been prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish executive order on the presentation of financial reports) issued by the Danish Financial Supervisory Authority (FSA).

Changed presentation of financial highlights and business areas

The income statement format for financial highlights on page 4 and the business areas (note 3) has been adjusted compared with the H1 Interim Report 2016.

The presentation has been changed to the effect that interest rate swaps with special credit value adjustments are no longer presented as a separate item.

In order to better illustrate earnings exclusive of legacy business, from and including the Annual Report for 2016, such business has been separated out under the item "Legacy derivatives" as from the Annual Report 2016.

These are derivatives, including instruments with step-up interest rate structures and swaps, carrying an initial maturity over 15 years and entered into with eg housing cooperatives and agricultural customers. This item covers all net income from the relevant contracts and not merely credit value adjustments. A considerable part of the derivatives concerned relates to the portfolio previously separated out for which credit value adjustments have been made. Compared with previous practice, viewed separately for H1/2017, this change means that DKK 358m is transferred to core income from business operations. Profit from core business is thus affected positively. Comparative figures for H1/2016 have been changed, and an expense of DKK 61m has now been included in profit from core business.

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

IFRS 9

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

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

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

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

Compared with the current standard, IFRS 9 implies earlier recognition of impairment losses on loans and advances, as impairment must be made for

12-months' expected losses already on initial recognition.

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

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

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

This is also stated in a new Danish draft executive order on the presentation of financial reports partly encompassing the new impairment rules, submitted for consultation by the Danish FSA in H1/2017.

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

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

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

New and amended standards, interpretations and reporting provisions

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

Compared with the information disclosed in the accounting policies (note 1) of the Annual Report 2016, no new reporting standards or interpretations have been issued or approved, and no amendments have been made to the Danish executive order on the presentation of financial reports of the Danish FSA which influence the H1 Interim Report 2017 of Nykredit Realkredit A/S and the Nykredit Realkredit Group.

Other information

The accounting policies are otherwise unchanged compared with the Annual Report 2016. For a full description of the Group's and the Parent's accounting policies, please refer to note 1 of the Annual Report 2016, which is available at nykredit.com/reports.

All figures in the H1 Interim Report are rounded to the nearest million Danish kroner (DKK). The totals stated are calculated on the basis of actual figures. Due to the rounding-off, the sum of individual figures and the stated totals may differ slightly.

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017		30.06.2017	31.12.2016
2. CAPITAL AND CAPITAL ADEQUACY				
70,954	76,407	Equity for accounting purposes	76,407	70,957
-	-	Minority interests not included	(1,646)	(1,649)
(3,760)	(3,760)	Carrying amount of Additional Tier 1 capital recognised in equity	(3,760)	(3,760)
67,194	72,647	Equity excluding Additional Tier 1 capital and minority interests	71,001	65,548
(46)	(38)	Prudent valuation adjustment	(98)	(95)
-	-	Minority interests	789	988
(157)	(140)	Intangible assets excluding deferred tax liabilities	(173)	(199)
-	(10)	Provisions for expected losses in accordance with IRB approach	(449)	(329)
(273)	(234)	Other additions/deductions	(234)	(277)
96	49	Transitional adjustment of deductions	137	228
(380)	(374)	Common Equity Tier 1 capital deductions	(29)	315
66,814	72,273	Common Equity Tier 1 capital	70,972	65,863
3,717	3,718	Additional Tier 1 capital	3,875	3,800
(46)	(71)	Additional Tier 1 capital deductions	(69)	(42)
18	13	Transitional adjustment of deductions	(63)	(82)
3,689	3,660	Total Additional Tier 1 capital after deductions	3,743	3,676
70,504	75,933	Tier 1 capital	74,715	69,539
10,780	10,783	Tier 2 capital	11,516	11,315
146	76	Tier 2 capital additions/deductions	219	25
-	(1)	Transitional adjustment of deductions	(192)	(280)
81,430	86,791	Own funds	86,258	80,599
367,030	375,260	Credit risk	295,004	304,275
13,800	10,603	Market risk	21,892	25,437
10,806	12,189	Operational risk	21,246	19,636
391,637	398,053	Total risk exposure amount	338,141	349,348
Financial ratios				
17.0	18.1	Common Equity Tier 1 capital ratio, %	20.9	18.8
18.0	19.0	Tier 1 capital ratio, %	22.0	19.9
20.7	21.8	Total capital ratio, %	25.5	23.0

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.

Nykredit has been designated as a systemically important financial institution (SIFI) by the Danish authorities. As a result, a special SIFI CET1 capital buffer requirement will apply to the Nykredit Realkredit Group. The requirement of 2% is being phased in and currently constitutes 1.2%. To this should be added the phase-in of the permanent buffer requirement, currently 1.25%, applicable to all financial institutions.

In the Group's capital determination, a deduction has been made for parts of Totalkredit's non-distributable reserve fund. The deduction is based on the assessment of the Danish FSA that the non-distributable reserve fund cannot be recognised fully according to a decision made by the Danish FSA concerning the non-distributable reserve fund of another financial undertaking. Nykredit does not concur with the assessment of the Danish FSA and the issue will be discussed in H2/2017 with the FSA from a legal perspective with a view to reaching a formal decision concerning the treatment of Totalkredit's non-distributable reserve fund for capital adequacy purposes. The deduction totals DKK 143m, consisting of a CET1 capital deduction of DKK 857m and additions to Tier 1 capital and own funds of DKK 127m and DKK 587m, respectively.

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS

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 Management Commentary.

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

	Personal Banking	Business Banking	Total Retail	Totalkredit Partners	Corporate & Institutional Banking	Markets	Total Wholesale Clients	Wealth Management	Group Items	Total
RESULTS										
H1/2017										
Core income from										
- customer activities, gross	1,289	1,951	3,240	1,550	1,008	432	1,440	609	(19)	6,820
- payment for distribution	188	141	329	-	43	(195)	(152)	(177)	-	-
Total business operations	1,477	2,092	3,569	1,550	1,051	237	1,288	432	(19)	6,820
- senior and subordinated debt	(19)	(30)	(49)	(54)	(4)	-	(4)	-	(140)	(247)
- core income from securities	-	-	-	-	-	-	-	-	43	43
Income from core business	1,458	2,062	3,520	1,496	1,047	237	1,284	432	(116)	6,616
Operating costs and depreciation of equipment	999	534	1,533	294	190	107	297	209	32	2,365
Profit (loss) from core business before impairment losses	459	1,528	1,987	1,202	857	130	987	223	(148)	4,251
Impairment losses on loans and advances	53	(254)	(201)	69	(316)	-	(316)	-	-	(448)
Profit (loss) from core business	406	1,782	2,188	1,133	1,173	130	1,303	223	(148)	4,699
Legacy derivatives	-	307	307	-	1,024	35	1,059	-	-	1,366
Investment portfolio income ¹	-	-	-	-	-	-	-	-	803	803
Profit before tax	406	2,089	2,495	1,133	2,197	165	2,362	223	655	6,868
BALANCE SHEET										
Assets										
Mortgage loans at fair value	182,845	241,712	424,557	524,821	184,240	-	184,240	6,931	-	1,140,548
Reverse repurchase lending at fair value	-	-	-	-	-	-	-	-	21,511	21,511
Loans and advances at amortised cost	12,439	19,821	32,261	-	21,962	-	21,962	3,133	551	57,906
Assets by business area	195,284	261,533	456,818	524,821	206,202	-	206,202	10,063	22,062	1,219,965
Unallocated assets	-	-	-	-	-	-	-	-	-	159,733
Total assets										1,379,698
Liabilities and equity										
Bank deposits and other payables at amortised cost	26,223	17,332	43,555	-	15,003	-	15,003	8,550	2,334	69,442
Liabilities by business area	26,223	17,332	43,555	-	15,003	-	15,003	8,550	2,334	69,442
Unallocated liabilities	-	-	-	-	-	-	-	-	-	1,233,849
Equity	-	-	-	-	-	-	-	-	-	76,407
Total liabilities and equity										1,379,698

¹ Investment portfolio income includes profit from and gain on sale of investments in associates of DKK 4m.

NOTES

DKK million

Nykredit Realkredit Group

3. BUSINESS AREAS (CONTINUED)

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	1,523	2,753	1,300	770	388	1,158	503	50	5,764
- payment for distribution	160	113	273	-	47	(155)	(108)	(165)	-	-
Total business operations	1,390	1,636	3,026	1,300	817	233	1,050	338	50	5,764
- senior and subordinated debt	(20)	(28)	(48)	(72)	(4)	-	(4)	-	(108)	(232)
- core income from securities	-	-	-	-	-	-	-	-	21	21
Income from core business	1,370	1,608	2,978	1,228	813	233	1,046	338	(37)	5,553
Operating costs and depreciation of equipment	1,033	579	1,612	282	202	134	336	194	11	2,435
Profit (loss) from core business before impairment losses	337	1,029	1,366	946	611	99	710	144	(48)	3,118
Impairment losses on loans and advances	133	134	267	8	(167)	-	(167)	23	(6)	125
Profit (loss) from core business	204	895	1,099	938	778	99	877	121	(42)	2,993
Legacy derivatives	-	(585)	(585)	-	(666)	-	(666)	-	-	(1,251)
Investment portfolio income ¹	-	-	-	-	-	-	-	-	533	533
Profit before tax	204	310	514	938	112	99	211	121	491	2,275
BALANCE SHEET										
Assets										
Mortgage loans at fair value	192,387	244,647	437,033	508,259	178,845	-	178,845	3,587	-	1,127,725
Reverse repurchase lending at fair value	-	-	-	-	-	-	-	-	30,350	30,350
Loans and advances at amortised cost	11,438	16,452	27,890	-	18,771	-	18,771	2,303	893	49,857
Assets by business area	203,825	261,099	464,924	508,259	197,616	-	197,616	5,890	31,243	1,207,932
Unallocated assets										199,362
Total assets										1,407,294
Liabilities and equity										
Bank deposits and other payables at amortised cost	26,263	17,358	43,621	-	15,026	-	15,026	8,563	2,338	69,547
Liabilities by business area	26,263	17,358	43,621	-	15,026	-	15,026	8,563	2,338	69,547
Unallocated liabilities										1,270,730
Equity										67,017
Total liabilities and equity										1,407,294

¹ Investment portfolio income includes profit from and gain on sale of investments in associates of DKK 6m.

4. RECONCILIATION OF INTERNAL AND REGULATORY INCOME STATEMENT	H1/2017			H1/2016		
	Core business	Other Activities ¹	Total	Core business	Other Activities ¹	Total
Net interest income	5,644	178	5,822	4,978	505	5,483
Dividend on equities	11	112	123	9	83	92
Fee and commission income, net	(156)	(3)	(159)	(101)	(10)	(111)
Net interest and fee income	5,499	287	5,786	4,886	578	5,464
Value adjustments	982	1,878	2,860	562	(1,302)	(740)
Other operating income	135	-	135	105	-	105
Staff and administrative expenses	2,178	-	2,178	2,250	-	2,250
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	116	-	116	103	-	103
Other operating expenses	71	-	71	82	-	82
Impairment losses on loans and advances	(448)	-	(448)	125	-	125
Profit from investments in associates	-	4	4	-	6	6
Profit (loss) before tax	4,699	2,169	6,868	2,993	(718)	2,275

¹ Results from Other Activities comprise value adjustment of legacy derivatives of DKK 1,366m (2016: negative value adjustment of legacy derivatives of DKK 1,251m) and investment portfolio income of DKK 803m (2016: DKK 533m).

The presentation of financial highlights and business areas in the Management Commentary lists some key alternative performance targets: income from core business, profit from core business before impairment losses and profit from core business. These targets are presented in the external Financial Statements in order to create consistency with Nykredit's internal reporting. The same applies to the presentation of business areas in note 3.

Profit (loss) before tax equals the corresponding performance target in the official income statement, as identical principles for recognition and measurement are applied. A reconciliation to the official income statement is shown above.

Income from core business was DKK 6,616m against DKK 5,553m in 2016. In H1/2017 "Income from core business" accounted for a proportion of the following items: Net interest and fee income by DKK 5,499m, value adjustments by DKK 982m and other operating income by DKK 135m.

Costs attributable to core business are also stated in the column "Core business" and accounted for DKK 2,365m in H1/2017 against DKK 2,435m in 2016. This item comprises expenses for staff and administration, other operating expenses and depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets.

Impairment losses on loans and advances are fully recognised in "Profit from core business".

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2016	H1/2017	H1/2017	H1/2016
5. INTEREST INCOME			
1	6		
		(20)	(3)
8,754	7,910	8,779	9,639
2,066	2,014	4,885	4,384
Bonds			
115	90	132	225
336	153	262	458
115	33	40	127
63	60	76	94
Derivative financial instruments			
(10)	(11)	26	78
(29)	48	(171)	(314)
-	-	(7)	(14)
-	-	-	3
38	39	44	41
11,448	10,341	14,046	14,718
(115)	(90)	(132)	(225)
(0)	(2)	(6)	(11)
11,332	10,249	13,909	14,482
Of which interest income from reverse repurchase lending entered as:			
(2)	(14)	(4)	(8)
-	-	(49)	(55)
6. INTEREST EXPENSES			
(25)	(24)	(15)	(9)
-	(15)	(37)	(15)
8,842	7,939	8,064	9,047
182	181	181	183
56	18	31	31
9,055	8,099	8,224	9,236
(115)	(90)	(132)	(225)
(0)	(2)	(6)	(11)
8,940	8,007	8,086	9,000
Of which interest expenses from repo transactions entered as:			
(28)	(33)	(18)	(29)
-	(15)	(45)	(38)

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2016	H1/2017	H1/2017	H1/2016
7. VALUE ADJUSTMENTS			
Assets measured at fair value through profit or loss			
4,191	551	2,324	14,743
10,597	1,815	-	-
(18)	(53)	2	1
1,025	154	534	1,360
(164)	307	184	17
-	-	(11)	(11)
(2)	18	58	(4)
(1,038)	35	1,193	(2,114)
-	-	739	-
Liabilities measured at fair value through profit or loss			
(4,179)	(390)	(2,162)	(14,732)
(10,597)	(1,815)	-	-
(186)	623	2,860	(740)
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			
38	26	26	38
965	893	1,369	1,427
449	391	783	785
1,452	1,310	2,177	2,250
Remuneration of Board of Directors and Executive Board			
Board of Directors			
2	2	2	2
Executive Board			
18	19	19	18
3	4	4	3
15	-	-	15
38	26	26	38
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.			
Staff expenses			
749	674	1,051	1,121
88	85	123	124
119	122	181	171
9	12	14	12
965	893	1,369	1,427
Number of staff			
2,683	2,549	3,537	3,648

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2016	H1/2017	H1/2017	H1/2016
9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS			
Intangible assets			
39	44	50	46
-	24	24	-
Property, plant and equipment			
43	35	42	57
82	103	116	103
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES			
10 a. Earnings impact			
130	(12)	(129)	280
(7)	(257)	(214)	(98)
37	26	115	126
(32)	(37)	(94)	(67)
-	-	7	(35)
129	(280)	(315)	207
10 b. Specification of impairment provisions for loans, advances and receivables			
30	1	4	38
7	(23)	(30)	3
-	-	(107)	(123)
166	(303)	(448)	125
10 b. Specification of impairment provisions for loans, advances and receivables			
2,904	2,802	5,351	5,896
1,386	1,320	2,071	2,226
4,290	4,122	7,421	8,122
Impairment provisions have been offset against the following items:			
4,108	3,941	4,912	5,221
160	159	255	273
-	-	2,210	2,584
21	21	44	44
4,290	4,122	7,421	8,122
10 c. Individual impairment provisions for loans and advances			
2,958	3,043	6,003	6,223
432	416	984	1,032
(302)	(428)	(1,113)	(752)
(19)	(52)	(71)	(45)
(187)	(200)	(497)	(606)
2,882	2,781	5,307	5,852

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2016	H1/2017	H1/2017	H1/2016
10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)			
10 d. Collective impairment provisions for loans and advances			
1,393	1,577	2,285	2,324
(7)	(257)	(214)	(98)
1,386	1,320	2,071	2,226
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			
13,701	13,355	19,800	20,248
2,882	2,781	5,307	5,852
10,819	10,574	14,493	14,395
29,279	30,455	128,305	117,425
1,386	1,320	2,071	2,226
27,892	29,135	126,234	115,199
29	29	54	54
21	21	44	44
8	8	10	10
10 g. Impairment provisions for properties acquired by foreclosure			
217	204	272	287
19	52	71	45
36	21	34	51
(6)	(21)	(26)	(13)
(110)	(105)	(129)	(130)
155	151	222	239
Impairment provisions for properties acquired by foreclosure have been offset against "Assets in temporary possession".			
11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
6	4	4	6
581	3,497	-	-
587	3,501	4	6
12. TAX			
22.0	22.0	22.0	22.0
6.3	14.2	1.1	1.2
15.7	7.8	20.9	20.8
Permanent deviations are driven by investments in Group enterprises and associates as well as equities available for sale.			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017	30.06.2017	31.12.2016	
13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
8,752	9,587	Receivables from central banks	17,083	21,400
24,485	25,159	Receivables from credit institutions	13,181	10,064
-	-	Reverse transactions with central banks	205	-
2,495	6,701	Reverse repurchase lending to credit institutions	1,255	1,279
35,732	41,447	Total	31,725	32,742
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
524,984	524,283	Mortgage loans	1,140,548	1,124,693
183	206	Arrears and outlays	375	371
-	-	Reverse repurchase lending to undertakings other than credit institutions and central banks	21,511	30,091
10,976	4,675	Loans to Totalkredit serving as collateral in capital centres	-	-
635,985	659,095	Totalkredit mortgage loan funding	-	-
1,172,128	1,188,258	Total	1,162,433	1,155,155
14 a. Mortgage loans				
544,356	516,221	Balance, beginning of period, nominal value	1,107,135	1,114,324
62,134	31,274	New loans	89,953	199,973
113	158	Indexation	158	113
(1,190)	(155)	Foreign currency translation adjustment	(155)	(1,190)
(12,540)	(6,701)	Ordinary principal payments	(11,712)	(21,470)
(76,651)	(26,060)	Prepayments and extraordinary principal payments	(64,974)	(184,615)
516,221	514,737	Balance, end of period, nominal value	1,120,405	1,107,135
(102)	(35)	Loans transferred relating to properties in temporary possession	(76)	(134)
160	71	Loans assumed by the Danish Agency for Governmental Management	71	160
516,279	514,773	Total	1,120,401	1,107,161
13,120	13,451	Adjustment for interest rate risk	25,059	22,969
Adjustment for credit risk				
(2,838)	(2,621)	Individual impairment provisions	(2,977)	(3,284)
(1,577)	(1,320)	Collective impairment provisions	(1,936)	(2,153)
524,984	524,283	Balance, end of period, fair value	1,140,548	1,124,693
As collateral for loans and advances, Nykredit has received mortgages over real estate and:				
31,090	32,822	Supplementary guarantees totalling	55,865	51,219
1,130	451	Interim loan guarantees totalling	15,654	15,686
2,892	1,940	Mortgage registration guarantees totalling	14,946	20,192
14 b. Arrears and outlays				
282	245	Arrears before impairment provisions	344	411
106	121	Outlays before impairment provisions	286	274
(205)	(159)	Individual impairment provisions for arrears and outlays	(255)	(314)
183	206	Total	375	371

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (CONTINUED)			
14 c. Totalkredit mortgage loan funding			
593,432	626,782	Balance, beginning of period, nominal value	-
251,201	114,258	New loans	-
(7,121)	(4,041)	Ordinary principal payments	-
(210,730)	(88,913)	Prepayments and extraordinary principal payments	-
626,782	648,086	Balance, end of period, nominal value	-
9,203	11,009	Adjustment for interest rate risk	-
635,985	659,095	Balance, end of period, fair value	-
15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST			
-	-	Bank lending	59,754
16	16	Totalkredit mortgage loan funding	-
-	-	Mortgage loans	16
304	307	Other loans and advances	367
320	323	Balance, end of period	60,137
Adjustment for credit risk			
-	-	Individual impairment provisions	(2,075)
-	-	Collective impairment provisions	(135)
320	323	Balance after impairment, end of period	57,927
(21)	(21)	Set-off of "Other loans and advances" against "Bonds in issue at amortised cost" – note 21	(21)
299	302	Total	57,906
16. BONDS AT FAIR VALUE			
47,532	62,259	Self-issued SDOs	115,414
14,205	10,064	Self-issued ROs	13,775
-	-	Self-issued corporate bonds	879
202	201	Self-issued senior debt	247
34,037	26,533	Other covered bonds	74,996
6,945	8,895	Government bonds	10,804
3,044	2,352	Other bonds	4,492
105,965	110,304	Total	220,609
(47,515)	(62,242)	Set-off of self-issued SDOs against "Bonds in issue at fair value" – note 20	(115,398)
(16)	(16)	Set-off of self-issued SDOs against "Bonds in issue at amortised cost" – note 21	(16)
(14,205)	(10,064)	Set-off of self-issued ROs against "Bonds in issue at fair value" – note 20	(13,775)
-	-	Set-off of self-issued corporate bonds against "Bonds in issue at amortised cost" – note 21	(879)
(202)	(201)	Set-off of self-issued senior debt against "Bonds in issue at fair value" – note 20	(247)
44,026	37,780	Total	90,293
9,156	134	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	742
Collateral security was provided on an arm's length basis.			

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017		30.06.2017	31.12.2016
17. OTHER ASSETS				
6,034	5,558	Interest and commission receivable	3,714	4,851
0	0	Receivables from Group enterprises	-	-
2,458	1,616	Positive market value of derivative financial instruments	20,614	28,895
241	234	Defined benefit plans	234	241
287	282	Other	4,114	2,679
9,020	7,691	Total	28,676	36,667
18. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
1,207	2,286	Payables to credit institutions	7,491	13,913
-	-	Payables to central banks	2,011	-
16,847	7,690	Repo transactions with credit institutions	4,712	7,769
-	-	Repo transactions with central banks	205	-
18,054	9,976	Total	14,420	21,681
19. DEPOSITS AND OTHER PAYABLES				
-	-	On demand	59,890	54,564
-	-	At notice	1,417	2,096
-	-	Time deposits	5,192	5,923
-	-	Special deposits	2,943	2,832
-	-	Total	69,442	65,415
20. BONDS IN ISSUE AT FAIR VALUE				
200,789	174,098	ROs	184,201	212,280
1,026,550	1,076,944	SDOs	1,076,944	1,026,550
11,613	5,005	Senior secured debt	5,005	11,613
4,306	3,744	Senior unsecured debt	3,744	4,306
1,243,258	1,259,792	Total	1,269,894	1,254,749
(61,923)	(72,507)	Self-issued bonds transferred from "Bonds at fair value" – note 16	(129,421)	(102,366)
1,181,335	1,187,285	Total	1,140,474	1,152,383
20 a. ROs				
192,496	165,868	ROs at nominal value	175,371	203,341
8,293	8,230	Fair value adjustment	8,829	8,939
200,789	174,098	ROs at fair value	184,201	212,280
(14,205)	(10,064)	Self-issued ROs transferred from "Bonds at fair value" – note 16	(13,775)	(21,099)
186,584	164,035	Total	170,425	191,181
45	11,591	Of which pre-issuance	11,591	45
28,752	4,199	ROs redeemed and maturing at next creditor payment date	4,638	29,541

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2016	30.06.2017		30.06.2017	31.12.2016
20. BONDS IN ISSUE AT FAIR VALUE (CONTINUED)				
20 b. SDOs				
1,012,517	1,060,712	SDOs at nominal value	1,060,712	1,012,517
14,033	16,233	Fair value adjustment	16,233	14,033
1,026,550	1,076,944	SDOs at fair value	1,076,944	1,026,550
(47,515)	(62,242)	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(115,398)	(81,061)
979,035	1,014,702	Total	961,546	945,489
4,655	15	Of which pre-issuance	15	4,655
54,885	76,282	SDOs redeemed and maturing at next creditor payment date	76,282	54,885
20 c. Senior secured debt				
11,146	4,685	Senior secured debt at nominal value	4,685	11,146
467	320	Fair value adjustment	320	467
11,613	5,005	Senior secured debt at fair value	5,005	11,613
(202)	(201)	Self-issued senior secured debt transferred from "Bonds at fair value" – note 16	(247)	(206)
11,411	4,804	Total	4,758	11,407
-	-	Senior secured debt maturing at next creditor payment date	-	-
20 d. Senior unsecured debt				
4,282	3,718	Senior unsecured debt at nominal value	3,718	4,282
24	26	Fair value adjustment	26	24
4,306	3,744	Total	3,744	4,306
21. BONDS IN ISSUE AT AMORTISED COST				
-	-	Corporate bonds	7,245	11,498
17	17	SDOs	17	17
3,759	3,747	Senior secured debt	3,747	3,759
7,367	13,283	Senior unsecured debt	13,283	7,367
28	46	Other securities	46	28
11,171	17,092	Total	24,337	22,669
-	-	Self-issued corporate bonds transferred from "Bonds at fair value" – note 16	(879)	(1,340)
(16)	(16)	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(16)	(16)
(21)	(21)	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 15	(21)	(21)
11,133	17,054	Total	23,420	21,292
22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
-	10,500	Repo transactions with undertakings other than credit institutions and central banks	14,073	14,562
-	-	Negative securities portfolios	2,198	3,173
-	10,500	Total	16,271	17,735
23. OTHER LIABILITIES				
8,113	6,513	Interest and commission payable	8,023	10,060
2,946	2,040	Negative market value of derivative financial instruments	13,846	25,427
1,604	1,650	Other	4,766	3,913
12,663	10,204	Total	26,635	39,400

NOTES

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2016	30.06.2017	30.06.2017	31.12.2016
24. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.			
Subordinate loan capital			
Nom EUR 600m. The loan matures on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every 5 years. If the Common Equity Tier 1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Group falls below 7%, the loan will be written down.			
4,647	4,597	4,597	4,647
Nom EUR 800m. The loan matures on 17 November 2027, but may be redeemed at par (100) from 17 November 2022. The loan carries a fixed interest rate of 2.75% pa up to 17 November 2022, after which date the interest rate will be fixed for the next 5 years.			
6,058	5,988	5,988	6,058
Nom EUR 50m. The loan matures on 28 October 2030. The loan carries a fixed interest rate of 4% pa for the first 2 years after issuance. In the remaining loan term, the interest rate will be fixed every 6 months.			
372	372	372	372
11,078	10,957	10,957	11,078
Total subordinate loan capital			
-	-	(1)	-
Portfolio of self-issued bonds			
11,078	10,957	10,956	11,078
Total subordinated debt			
10,780	10,783	10,783	10,780
Subordinated debt that may be included in own funds			
25. OFF-BALANCE SHEET ITEMS			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	7,224	6,694
Contingent liabilities			
1,537	1,360	7,664	6,934
Other commitments			
1,537	1,360	14,888	13,628
Total			
25 a. Contingent liabilities			
-	-	1,427	1,285
Financial guarantees			
-	-	156	208
Registration and refinancing guarantees			
-	-	5,641	5,201
Other contingent liabilities			
-	-	7,224	6,694
Total			
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
25 b. Other commitments			
-	-	6,048	5,130
Irrevocable credit commitments			
1,537	1,360	1,616	1,803
Other			
1,537	1,360	7,664	6,934
Total			

25. OFF-BALANCE SHEET ITEMS (CONTINUED)

Additional contingent liabilities

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

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

Nykredit also participates in the Danish Resolution Fund scheme, which is a resolution finance scheme that was also established on 1 June 2015. The Danish Resolution Fund is funded by annual contributions from participating banks, mortgage lenders and investment companies and, as from 31 December 2024, the assets of the scheme must make up 1% of the sector's covered deposits.

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

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

Nykredit 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 A/S is jointly taxed in Denmark with Forenet Kredit as the administration company. This company has unlimited liability and is jointly and severally liable for Danish corporation taxes and taxes at source payable on dividends, interest and royalties by the jointly taxed companies. The total known net liability with respect to corporation tax and tax at source payable by the jointly taxed companies appears from the financial statements of Forenet Kredit. As a result of any later corrections to the income subject to joint taxation, tax at source etc, the company may be liable for a larger amount.

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

26. RELATED PARTY TRANSACTIONS AND BALANCES

Forenet Kredit, the Parent Nykredit 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 H1/2017.

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

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

Significant related party transactions prevailing/entered into in H1/2017 include:

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

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

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

Nykredit Realkredit A/S has granted loans, cf section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, to Totalkredit A/S serving as supplementary collateral in Totalkredit A/S's capital centres. The loans amounted to DKK 4.7bn at 30 June 2017. The loans constitute secondary preferential claims and rank after the master bond in respect of the assets in Totalkredit A/S's capital centres.

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

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

Nykredit Realkredit A/S has granted loans of DKK 6.0bn to Totalkredit A/S in the form of subordinated debt.

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas. Transactions in financial instruments are covered by master netting agreements involving an ongoing exchange of collateral in the form of cash and bonds.

Nykredit Realkredit has contributed DKK 2.0bn to Nykredit Bank A/S in the form of Tier 2 capital.

27. FAIR VALUE DISCLOSURES

Listed prices

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

Bonds at fair value are recognised at listed prices if external prices have been updated within the past three trading days prior to the balance sheet date. If no listed prices have been observed during this time span, the portfolio is recognised at observable input.

Observable inputs

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

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

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

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

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

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

FVA may involve both funding benefit and funding costs, but for Nykredit, the net FVA adjustment will be a funding cost resulting from customers' insufficient or lacking provision of collateral. Debit Valuation Adjustment (DVA) is now a sub-element of the FVA adjustment. Net value adjustment due to CVA, DVA and FVA amounted to a negative DKK 234m at 30 June 2017 against a negative DKK 568m at end-2016.

Upon entering into derivatives contracts, further provisions are made in the form of a so-called minimum margin for liquidity and credit risk and return on capital. The minimum margin is amortised at the valuation of derivatives over their times-to-maturity. At 30 June 2017, the non-amortised minimum margin amounted to DKK 388m against DKK 403m at end-2016. Finally, in some instances further value adjustment based on management judgement is made if the models are not deemed to take into account all known risks, including eg legal risks.

In some cases, markets, eg the bond market, 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 and valuation is based on the IPEV Valuation Guidelines.

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

Fair value amounted to DKK 604m at 30 June 2017. Following credit value adjustments, the fair value came to DKK 3,253m at 30 June 2017 (2016: DKK 3,926m).

The interest rate risk on these interest rate swaps is hedged in all material respects. However, interest rate fluctuations may impact results to the extent that the market value must be adjusted due to increased counterparty credit risk. A 0.1 percentage point change in interest rate levels will impact the fair value by +/- DKK 126m.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value. At 30 June 2017, the proportion was thus 0.3% compared with 0.3% at end-2016. The share of financial liabilities was 0.0%, which was unchanged on 31 December 2016.

Valuation, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3.8bn (2016: DKK 4.0bn) and DKK 0.0bn (2016: DKK 0.0bn) belonged to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be DKK 377m at 30 June 2017 (0.5% of equity at 30 June 2017). The earnings impact for 2016 was estimated at DKK 399m (0.6% of equity at 31 December 2016).

NOTES

Nykredit Realkredit Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

Transfers between categories

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

In 2017 and 2016, transfers between the categories Observable inputs and Unobservable inputs mainly resulted from changes to the ratings (credit risk) of counterparties and primarily concerned interest rate swaps, as regards financial instruments with positive market value.

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

In H1/2017 DKK 30.3bn was transferred from Listed prices to Observable inputs, and DKK 4.8bn was transferred from Observable inputs to Listed prices.

Financial liabilities of DKK 1.1bn were transferred from Listed prices to Observable inputs, and DKK 0.7bn was transferred from Observable inputs to Listed prices.

NOTES

DKK million

Nykredit Realkredit Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

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

30 June 2017

Assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Recognised in the trading book:				
- bonds at fair value	44,047	46,146	100	90,293
- equities measured at fair value through profit or loss	616	-	1,599	2,215
- positive fair value of derivative financial instruments	122	19,889	604	20,614
Recognised through the fair value option:				
- reverse repurchase lending to credit institutions and central banks	-	1,460	-	1,460
- other reverse repurchase lending	-	21,511	-	21,511
- mortgage loans, arrears and outlays	-	1,140,922	-	1,140,922
Recognised as available for sale:				
- equities available for sale	1,600	-	979	2,580
Other assets recognised at fair value:				
- owner-occupied properties	-	-	436	436
- investment properties	-	-	54	54
Total	46,385	1,229,927	3,772	1,280,084
Percentage	3.6	96.1	0.3	100

Liabilities:

Recognised in the trading book:

- other non-derivative financial liabilities at fair value including negative securities portfolios	4	2,194	-	2,198
- negative fair value of derivative financial instruments	72	13,774	-	13,846

Recognised through the fair value option:

- repo transactions with credit institutions and central banks	-	4,917	-	4,917
- other repo transactions	-	14,073	-	14,073
- bonds in issue at fair value	1,127,904	12,570	-	1,140,474

Total	1,127,980	47,529	-	1,175,508
Percentage	96.0	4.0	-	100

Assets and liabilities measured on the basis of unobservable inputs

	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	664	242	2,492	587	3,986
Value adjustment recognised in the income statement	3	-	155	83	242
Unrealised capital gains and losses recognised in "Other comprehensive income"	-	-	37	-	37
Purchases for the period	-	-	139	-	139
Sales for the period	(178)	(142)	(245)	(11)	(576)
Transferred from Listed prices and Observable inputs ¹	-	0	-	85	85
Transferred to Listed prices and Observable inputs ²	-	-	-	(141)	(141)
Fair value, end of period, assets	489	100	2,580	604	3,772

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 Group

27. FAIR VALUE DISCLOSURES (CONTINUED)

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

31 December 2016

Assets:	Listed prices	Observable inputs	Unobservable inputs	Total fair value
Recognised in the trading book:				
- bonds at fair value	40,010	71,729	242	111,981
- equities measured at fair value through profit or loss	580	-	1,549	2,129
- positive fair value of derivative financial instruments	59	28,248	587	28,895
Recognised through the fair value option:				
- reverse repurchase lending to credit institutions and central banks	-	1,279	-	1,279
- other reverse repurchase lending	-	30,091	-	30,091
- mortgage loans, arrears and outlays	-	1,125,064	-	1,125,064
Recognised as available for sale:				
- equities available for sale	1,502	-	943	2,445
Other assets recognised at fair value:				
- owner-occupied properties	-	-	432	432
- investment properties	-	-	232	232
Total	42,151	1,256,411	3,986	1,302,548
Percentage	3.2	96.5	0.3	100

Liabilities:

Recognised in the trading book:

- other non-derivative financial liabilities at fair value including negative securities portfolios	554	2,758	-	3,313
- negative fair value of derivative financial instruments	95	25,332	-	25,427

Recognised through the fair value option:

- repo transactions with credit institutions and central banks	-	7,769	-	7,769
- other repo transactions	-	14,422	-	14,422
- bonds in issue at fair value	1,139,738	12,645	-	1,152,383

Total	1,140,387	62,926	-	1,203,313
Percentage	94.8	5.2	-	100

Assets and liabilities measured on the basis of unobservable inputs

	Properties	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets	1,704	287	2,315	621	4,927
Value adjustment recognised in the income statement	527	(8)	119	(70)	568
Unrealised capital gains and losses recognised in "Other comprehensive income"	3	-	63	-	66
Purchases for the period	-	6	159	-	165
Sales for the period	(1,570)	(47)	(164)	(33)	(1,814)
Transferred from Listed prices and Observable inputs ¹	-	4	-	239	243
Transferred to Listed prices and Observable inputs ²	-	-	-	(170)	(170)
Fair value, end of period, assets	664	242	2,492	587	3,986
Fair value, beginning of period, liabilities		31	-	-	31
Transferred to Listed prices and Observable inputs ²		(31)	-	-	(31)
Fair value, end of period, liabilities		-	-	-	-

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

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

NOTES

DKK million

Nykredit Realkredit A/S	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
-------------------------	-------------	-------------	-------------	-------------	-------------

28. FIVE-YEAR FINANCIAL HIGHLIGHTS

SUMMARY INCOME STATEMENT

Net interest income	2,243	2,393	2,593	2,122	2,142
Net fee income	391	442	539	307	317
Net interest and fee income	2,633	2,834	3,132	2,430	2,460
Value adjustments	623	(186)	52	480	316
Other operating income	443	483	431	393	358
Staff and administrative expenses	1,310	1,452	1,494	1,554	1,632
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	103	82	98	88	366
Other operating expenses	60	68	-	53	3
Impairment losses on loans, advances and receivables	(303)	166	224	871	513
Profit from investments in associates and Group enterprises	3,501	587	1,918	884	722
Profit before tax	6,030	1,950	3,717	1,620	1,342
Tax	473	305	329	109	126
Profit for the period	5,557	1,645	3,388	1,511	1,216

SUMMARY BALANCE SHEET, END OF PERIOD

	30.06.2017	30.06.2016	30.06.2015	30.06.2014	30.06.2013
Assets					
Cash balances and receivables from credit institutions and central banks	41,623	23,991	23,934	26,119	26,393
Mortgage loans at fair value	524,283	538,544	560,350	596,476	603,804
Totalkredit mortgage loan funding	659,095	611,178	596,145	527,157	489,751
Bonds and equities	42,259	51,811	53,417	34,492	16,780
Remaining assets	55,664	58,982	68,030	73,426	81,652
Total assets	1,322,924	1,284,506	1,301,876	1,257,671	1,218,380
Liabilities and equity					
Payables to credit institutions and central banks	9,976	20,756	20,978	16,642	14,703
Bonds in issue	1,187,285	1,164,671	1,189,717	1,142,266	1,109,237
Subordinated debt	10,957	11,260	4,546	15,056	10,859
Remaining liabilities	38,299	20,807	20,913	23,476	24,954
Equity	76,407	67,013	65,722	60,231	58,627
Total liabilities and equity	1,322,924	1,284,506	1,301,876	1,257,671	1,218,380

OFF-BALANCE SHEET ITEMS

Other commitments	1,360	1,193	1,019	1,093	1,318
-------------------	-------	-------	-------	-------	-------

FINANCIAL RATIOS¹

Total capital ratio, %	21.8	21.0	17.7	17.6	17.1
Tier 1 capital ratio, %	19.0	18.1	16.7	16.7	17.1
Common Equity Tier 1 capital ratio, %	18.1	17.1	15.8	14.7	14.3
Return on equity before tax, %	8.2	2.9	6.0	2.7	2.3
Return on equity after tax, %	7.5	2.5	5.4	2.5	2.1
Income:cost ratio	6.15	2.10	3.05	1.63	1.53
Foreign exchange position, %	0.2	0.7	0.3	1.0	0.5
Loans and advances:equity (loan gearing)	6.9	8.0	8.5	9.9	10.3
Growth in loans and advances for the period, %	(0.3)	(2.8)	(3.1)	(0.7)	(1.2)
Total impairment provisions, %	0.78	0.79	0.75	0.63	0.37
Impairment losses for the period, %	(0.06)	0.03	0.04	0.14	0.08
Return on capital employed, %	0.42	0.13	0.26	0.12	0.10

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

NOTES

DKK million

Nykredit Realkredit Group	H1/ 2017	H1/ 2016	H1/ 2015	H1/ 2014	H1/ 2013
28. FIVE-YEAR FINANCIAL HIGHLIGHTS (CONTINUED)					
SUMMARY INCOME STATEMENT					
Net interest income	5,822	5,483	5,959	5,511	4,869
Net fee income	(37)	(18)	125	(21)	(27)
Net interest and fee income	5,786	5,464	6,084	5,490	4,842
Value adjustments	2,860	(740)	658	(238)	838
Other operating income	135	105	92	89	111
Staff and administrative expenses	2,177	2,250	2,268	2,385	2,482
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	116	103	119	106	383
Other operating expenses	71	82	34	87	40
Impairment losses on loans, advances and receivables	(448)	125	449	1,049	929
Profit from investments in associates	4	6	4	4	49
Profit before tax	6,868	2,275	3,969	1,719	2,006
Tax	1,436	472	887	381	317
Profit for the period	5,432	1,803	3,082	1,337	1,690
Value adjustment and reclassification of strategic equities against equity	125	(157)	306	173	(474)
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2017	30.06.2016	30.06.2015	30.06.2014	30.06.2013
Assets					
Cash balances and receivables from credit institutions and central banks	33,704	43,707	47,410	36,133	38,859
Mortgage loans at fair value	1,140,548	1,127,725	1,119,080	1,143,883	1,133,557
Bank loans, excluding reverse repurchase lending	57,544	49,554	49,441	46,908	50,354
Bonds and equities	95,088	106,387	109,404	118,624	70,579
Remaining assets	52,814	79,922	81,773	98,799	111,028
Total assets	1,379,698	1,407,294	1,407,108	1,444,348	1,404,378
Liabilities and equity					
Payables to credit institutions and central banks	14,420	28,131	39,322	49,656	49,319
Deposits and other payables	69,442	69,547	65,935	61,764	63,245
Bonds in issue at fair value	1,140,474	1,142,561	1,146,975	1,138,266	1,086,408
Subordinated debt	10,956	11,260	4,646	15,243	11,085
Remaining liabilities	67,999	88,778	84,508	119,188	135,694
Equity	76,407	67,017	65,722	60,231	58,627
Total liabilities and equity	1,379,698	1,407,294	1,407,108	1,444,348	1,404,378
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	7,224	6,245	8,394	6,351	5,779
Other commitments	7,664	7,203	5,593	7,488	8,094
FINANCIAL RATIOS¹					
Total capital ratio, %	25.5	24.8	20.3	19.3	20.0
Tier 1 capital ratio, %	22.0	21.3	19.0	18.1	20.0
Common Equity Tier 1 capital ratio, %	20.9	20.2	18.0	15.7	16.6
Return on equity before tax, %	9.4	3.2	6.8	3.2	2.7
Return on equity after tax, %	7.4	2.5	5.4	2.5	2.1
Income:cost ratio	4.58	1.82	2.50	1.52	1.41
Foreign exchange position, %	0.3	0.7	0.4	1.2	0.4
Loans and advances:equity (loan gearing)	16.0	18.0	18.0	20.5	21.0
Growth in loans and advances for the period, %	0.6	(1.0)	(0.5)	(1.2)	1.6
Total impairment provisions, %	0.60	0.67	0.74	0.70	0.59
Impairment losses for the period, %	(0.04)	0.01	0.04	0.08	0.07
Return on capital employed, %	0.39	0.13	0.22	0.09	0.12

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

NOTES

DKK million

Nykredit Realkredit Group

29. GROUP STRUCTURE

Name and registered office	Ownership interest as %, 30 June 2017	Profit (loss) for the period	30 June 2017, equity	Profit (loss) for 2016	Equity, 31 December 2016
Nykredit Realkredit A/S (Parent), Copenhagen, a)	-	5,557	76,407	5,660	70,954
Totalkredit A/S, Copenhagen, a)	100	1,037	21,698	2,048	20,661
Nykredit Bank A/S, Copenhagen, b)	100	2,383	19,127	627	16,744
Nykredit Portefølje Administration A/S, Copenhagen, g)	100	65	653	106	588
Nykredit Leasing A/S, Gladsaxe, e)	100	46	639	71	593
Nykredit Mægler A/S, Copenhagen, c)	100	79	147	64	138
Nykredit Ejendomme A/S, Copenhagen, d)	100	7	462	543	1,055
Ejendomsselskabet Kalvebod A/S, Copenhagen, h)	100	(8)	225	24	234
Kalvebod Ejendomme I A/S, Copenhagen, d)	100	(5)	118	(0)	118
Kalvebod Ejendomme II A/S, Copenhagen, d)	100	(4)	112	24	112
Nykredit Adm. V A/S, Copenhagen, f)	100	-	1	-	1

The Group structure only includes significant subsidiaries. Financial information is provided in such order as the subsidiaries are recognised in the Consolidated Financial Statements. Bolighed A/S is no longer consolidated with the Nykredit Realkredit Group as Nykredit ceased having control in 2017.

Geographical distribution of activities

Denmark: Names and activities appear from the Group structure above

Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)

Sweden: Nykredit Bank A/S, branch, b)¹

	Number of staff	Revenue ²	Profit before tax	Tax	Government aid received
Denmark: Names and activities appear from the Group structure above	3,525	15,322	6,866	-	-
Poland: Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	5	2	-	-
Sweden: Nykredit Bank A/S, branch, b) ¹	-	-	-	-	-

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

² For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as interest, fee and commission income and other operating income.

a) Mortgage bank

b) Bank

c) Estate agency business

d) Property company

e) Leasing business

f) No activity

g) Investment management company

h) Holding company, no independent activities

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

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

Nykredit Realkredit A/S

Kalvebod Brygge 1-3

DK-1780 Copenhagen V

MANAGEMENT COMMENTARY (CONTINUED)

DKK million

Nykredit Realkredit Group	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
SIX-QUARTER FINANCIAL HIGHLIGHTS						
Core income from						
Business operations	3,370	3,450	3,284	3,110	2,933	2,831
Senior and subordinated debt	(118)	(129)	(98)	(164)	(114)	(118)
Securities	21	22	13	13	10	11
Income from core business	3,273	3,343	3,199	2,959	2,829	2,724
Operating costs, depreciation and amortisation	1,187	1,178	1,577	1,249	1,236	1,199
Profit from core business before impairment losses	2,086	2,165	1,623	1,709	1,593	1,525
Impairment losses on loans and advances	(427)	(21)	295	260	176	(51)
Profit from core business	2,513	2,186	1,328	1,449	1,417	1,576
Legacy derivatives	1,029	337	422	66	(510)	(741)
Gain on owner-occupied properties	-	-	369	-	-	-
Investment portfolio income	338	465	218	580	473	60
Profit before tax	3,880	2,988	2,337	2,095	1,380	895
Tax	797	639	471	435	282	191
Profit for the period	3,083	2,349	1,865	1,661	1,098	705
Other comprehensive income						
Actuarial gains/losses on defined benefit plans	(10)	(1)	(16)	14	2	(1)
Value adjustment of strategic equities	128	(2)	293	195	(141)	(16)
Total other comprehensive income	118	(3)	278	209	(139)	(18)
Comprehensive income for the period	3,202	2,346	2,143	1,870	958	687
Summary balance sheet						
	30.06.2017	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016
Assets						
Cash balances and receivables from credit institutions and central banks	33,704	40,240	34,829	41,685	43,707	28,798
Mortgage loans at fair value	1,140,548	1,133,497	1,124,693	1,127,516	1,127,725	1,122,218
Bank loans, excluding reverse repurchase lending	57,544	56,256	55,003	53,115	49,554	48,972
Bonds and equities	95,088	103,043	116,555	108,574	106,387	116,892
Remaining assets	52,814	57,180	69,525	74,909	79,921	83,278
Total assets	1,379,698	1,390,216	1,400,606	1,405,800	1,407,294	1,400,157
Liabilities and equity						
Payables to credit institutions and central banks	14,420	17,885	21,681	19,362	28,131	44,015
Deposits and other payables	69,442	67,733	65,415	64,897	69,547	59,583
Bonds in issue at fair value	1,140,474	1,146,919	1,152,383	1,151,669	1,142,561	1,135,251
Subordinated debt	10,956	11,010	11,078	11,276	11,260	11,240
Remaining liabilities	67,999	73,372	79,092	89,720	88,778	83,931
Equity	76,407	73,297	70,957	68,877	67,017	66,137
Total liabilities and equity	1,379,698	1,390,216	1,400,606	1,405,800	1,407,294	1,400,157

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.