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

Q1 INTERIM REPORT – 1 JANUARY – 31 MARCH 2017

Q1 – summary

- Profit from core business was up 32% to DKK 665m against DKK 505m in Q1/2016.
- Income from core business increased by 18% from DKK 704m to DKK 831m.
- Operating costs were DKK 163m against DKK 156m in Q1/2016. Costs as a percentage of core income from business operations were 18.1% compared with 20.9% in Q1/2016.
- Impairment losses on loans and advances came to DKK 2m against DKK 43m in Q1/2016. The positive trend reflected fewer individual impairment provisions.
- Profit before tax came to DKK 736m against DKK 530m in Q1/2016, up 39%. Profit for the period went up from DKK 413m in Q1/2016 to DKK 574m.
- At nominal value, the loan portfolio grew to DKK 596bn compared with DKK 591bn at the beginning of the year. Totalkredit's share of Danish mortgage lending was 39.3% against 39.2% at the beginning of the year.

Own funds

- Equity stood at DKK 21.2bn at 31 March 2017 against DKK 20.7bn at end-2016.
- The total capital ratio and the Common Equity Tier 1 capital ratio were 28.9% and 22.3%, respectively, against 28.7% and 22.2% at end-2016.
- The internal capital adequacy requirement was unchanged at 10.4% compared with end-2016.

About Totalkredit A/S

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

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Contents

MANAGEMENT COMMENTARY	2
Financial highlights	3
Q1/2017 – summary	4
MANAGEMENT STATEMENT	7
Statement by the Board of Directors and the Executive Board on the Interim Report	7
Financial statements	8
Statements of income and comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes	11

FINANCIAL HIGHLIGHTS

DKK million

	Q1/ 2017	Q1/ 2016	FY 2016
CORE EARNINGS AND PROFIT FOR THE PERIOD			
Core income			
- business operations	905	741	3,341
- senior secured debt	(19)	(30)	(98)
- interest expenses for subordinated debt	(58)	(10)	(52)
- securities	3	2	10
Income from core business	831	704	3,201
Operating costs and depreciation	163	156	673
Profit from core business before impairment losses	667	548	2,528
Impairment losses on loans and advances	2	43	47
Profit from core business	665	505	2,482
Investment portfolio income	70	25	146
Profit before tax	736	530	2,628
Tax	162	117	579
Profit for the period	574	413	2,048
SUMMARY BALANCE SHEET			
	31.03.2017	31.03.2016	31.12.2016
Assets			
Receivables from credit institutions	17,558	14,829	19,341
Mortgage loans at fair value	607,036	580,088	599,943
Bonds and equities	69,609	67,509	69,364
Remaining assets	1,595	1,903	1,878
Total assets	695,798	664,330	690,527
Liabilities and equity			
Payables to credit institutions	652,885	623,614	647,073
Bonds in issue at fair value	10,311	13,606	11,162
Remaining liabilities	5,367	6,083	5,631
Subordinated debt	6,000	2,000	6,000
Equity	21,235	19,026	20,661
Total liabilities and equity	695,798	664,330	690,527
FINANCIAL RATIOS			
Profit for the period as % pa of average equity	11.0	9.1	10.4
Profit from core business before impairment losses as % pa of average equity	12.7	12.1	12.9
Costs as % of core income from business operations	18.1	20.9	20.1
Impairment losses for the period, %	0.00	0.01	0.01
Total capital ratio, %	28.9	23.9	28.7
Common Equity Tier 1 capital ratio, %	22.3	21.6	22.2
Internal capital adequacy requirement, %	10.4	11.2	10.4
Average number of staff, full-time equivalent	125	127	132

Q1/2017 – SUMMARY

Totalkredit recorded a profit from core business of DKK 665m, excluding the mandatory contribution to the Danish Resolution Fund, against DKK 505m in the same period last year. Profit after tax was DKK 574m against DKK 413m in Q1/2016.

Activity levels in Q1/2017 were slightly above expectations, and in April 2017 nominal mortgage lending reached a historic milestone of DKK 600bn.

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

Profit from core business before impairment losses

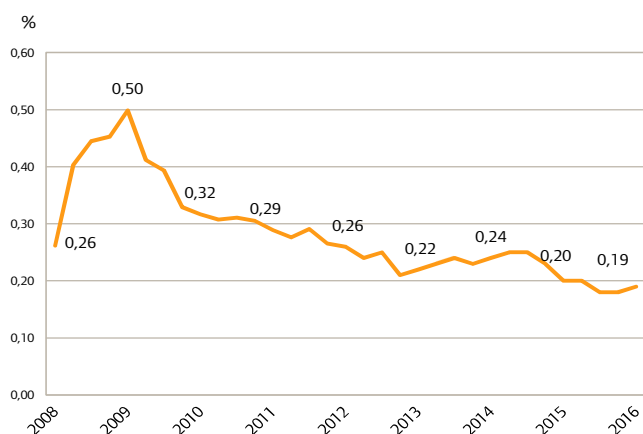
Income from core business was DKK 831m, up DKK 128m compared with Q1/2016.

Core income from business operations was DKK 905m against DKK 741m in Q1/2016. Administration margin income rose by DKK 272m to DKK 1,431m in part due to the administration margin adjustment on 1 July 2016 as well as growing loan portfolios. Commission to loan arrangers increased by DKK 138m, whereas other core income rose by DKK 30m.

In Q1/2017 income from core business included interest expenses of DKK 58m partly relating to Additional Tier 1 capital raised at end-2016. Interest payable on senior secured debt and core income from securities amounted to DKK 19m and DKK 3m, respectively, on a level with Q1/2016.

Operating costs and depreciation totalled DKK 163m, up DKK 7m, or 5%, on the same period last year. Wages were largely unchanged, whereas other administrative expenses and the mandatory contribution to the Danish Resolution Fund went up by DKK 6m and DKK 2m, respectively. The average number of full-time equivalent staff came to 125 against 127 in Q1/2016.

Arrears ratio, mortgage lending 75 days past due



Totalkredit's contribution for Q1/2017 to the Danish Resolution Fund totalled DKK 17m.

Profit from core business before impairment losses was DKK 667m against DKK 548m in Q1/2016.

Impairment losses on loans and advances

Impairment losses on loans and advances totalled DKK 2m against DKK 43m in the same period last year. Property market trends were generally positive, which was reflected in the low impairment levels.

Impairment losses included a gain relating to individual impairment provisions and gains from prior years of DKK 17m, whereas collective impairment provisions increased by DKK 19m. For Q1/2016 collective impairment provisions were a gain of DKK 4m, whereas individual impairment provisions were a charge of DKK 47m.

In Q1/2017, the expense equalled 0.00% of lending compared with 0.01% in the same period last year.

Write-offs for the period totalled DKK 138m, of which DKK 58m was covered by the partner banks by set-off against commission payable or by guarantees. In Q1/2016 write-offs came to DKK 133m, of which DKK 57m was set off against commission payable.

Impairment provisions totalled DKK 1,072m against DKK 1,130m at the beginning of the year. The balance consisted of individual impairment provisions of DKK 477m and collective impairment provisions of DKK 596m against DKK 554m and DKK 576m, respectively, at end-2016. Impairment provisions equalled 0.18% of lending. At end-2016, this ratio was 0.19%.

The arrears ratio measured at the December due date, 75 days past due, was 0.19% against 0.20% at the same time at end-2016. The graph shows the 0.19% compared with figures as at 31 December in previous years.

In Q1/2017, 145 properties mortgaged by Totalkredit were sold as forced sales by public auction. In the same period, Totalkredit acquired 16 properties by foreclosure and sold 17. At end-Q1/2017, the portfolio of properties acquired by foreclosure stood at 18 against 19 at the beginning of the year.

Investment portfolio income

Investment portfolio income was DKK 70m against DKK 25m in the same period last year.

Lending

Totalkredit is Denmark's largest private residential mortgage provider.

Measured at fair value, the loan portfolio increased to DKK 607bn against DKK 600bn at the beginning of the year. At nominal value, the loan portfolio totalled DKK 596bn at 31 March 2017 compared with DKK 591bn at the beginning of the year. Measured by the loan portfolio, Totalkredit's market share was 39.3% at 31 March 2017 against 39.2% at the beginning of the year.

Gross new lending was DKK 28bn, of which around DKK 5bn was loans offered through Nykredit Realkredit A/S.

Broken down by loan type, the share of interest-only loans in the loan portfolio fell from 53.0% at end-2016 to 52.6% at 31 March 2017. The share of variable-rate loans dropped from 56.8% to 56.4%. Of these loans, 9.7% had interest rate caps against 9.4% at the beginning of the year.

Loan-to-value ratios (LTVs)

The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, was 70% at 31 March 2017, unchanged on end-2016.

For the part of the loan portfolio which is funded by SDOs (Danish covered bonds) and for which LTV ratios exceed the statutory LTV limits of 80% for owner-occupied dwellings and 60% for holiday homes, supplementary collateral must be provided to bondholders. The supplementary collateral requirement averaged DKK 12.7bn in Q1/2017.

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

Totalkredit Capital and capital adequacy	31.03.2017 ¹	31.03.2016	2016
DKK million			
Credit risk	82,692	79,038	83,965
Market risk	3,414	3,014	3,708
Operational risk	5,642	4,624	4,624
Total REA	91,747	86,676	92,296
Equity ¹	20,661	19,026	20,661
Common Equity Tier 1 capital deductions	(172)	(250)	(132)
Common Equity Tier 1 capital	20,489	18,776	20,528
Tier 2 capital and Additional Tier 1 capital	6,000	2,000	6,000
Subordinated debt deductions	31	(17)	(13)
Own funds¹	26,520	20,760	26,516
Common Equity Tier 1 capital ratio, %	22.3	21.6	22.2
Total capital ratio, %	28.9	23.9	28.7
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.4	11.2	10.4

¹ On determination of own funds, profit for the period is not included in equity at 31 March 2017.

Balance sheet

At end-March 2017, the balance sheet stood at DKK 695.8bn against DKK 690.5bn at the beginning of the year.

Assets essentially consist of three items: receivables from credit institutions of DKK 17.6bn, mortgage lending of DKK 607.0bn and a bond portfolio of DKK 69.6bn.

Liabilities essentially consist of payables to the Parent, Nykredit Realkredit A/S, totalling DKK 652.9bn, of which DKK 642.9bn related to the funding of mortgage loans and DKK 9.9bn related to supplementary collateral for SDO-funded lending. At end-2016, payables amounted to DKK 647.0bn.

At end-Q1/2017, Totalkredit's self-issued covered bonds totalled DKK 10.3bn compared with DKK 11.2bn at end-2016.

Equity including profit for the period totalled DKK 21.2bn at end-Q1/2017 compared with DKK 20.7bn at end-2016.

CAPITAL AND CAPITAL ADEQUACY

Totalkredit's own funds include Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital after deductions. The determination of own funds for Q1/2017 is exclusive of current profit for the year.

The risk exposure amount was DKK 91.7bn at end-Q1/2017, which is 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 28.9% at end-Q1/2017 against 28.7% at end-2016. The Tier 1 capital ratio was 26.6% compared with 26.5% at end-2016, and the Common Equity Tier 1 capital ratio was 22.3% compared with 22.2% at end-2016.

Totalkredit's internal capital adequacy requirement was 10.4% at end-Q1/2017 compared with 10.4% at end-2016.

OUTLOOK FOR 2017

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

Profit from core business developed satisfactorily in Q1/2017, but as this is solely a Q1 result, Management maintains the full-year profit guidance.

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

CREDIT RATINGS

The lending activities of Totalkredit and Nykredit Realkredit, Totalkredit's Parent, are jointly funded. Due to the joint funding, Totalkredit and Nykredit Realkredit use the same bond series to fund identical loans. Nykredit Realkredit issues the requisite bonds through capital centres which are rated AAA by S&P Global Ratings. The covered bonds issued by Totalkredit through Capital Centre C are also rated AAA by S&P Global Ratings. The Capital Centre is not open for new lending.

OTHER

Nykredit Group prepares for stock exchange listing

Forenet Kredit and Nykredit's Board of Directors have decided to prepare for a stock exchange listing of Nykredit A/S (formerly Nykredit Holding A/S) in order to ensure greater capital flexibility in the Group.

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

KundeKroner

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

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

In the initial phase, customers will get a cash discount of DKK 1,000 for each million kroner borrowed set off against their administration margin payments. The amount will be deducted from borrowers' four annual administration margin payments, beginning with the payment for Q3/2017. The final KundeKroner programme, applying after the initial phase, will be announced at a later date.

Change in Totalkredit's Board of Directors

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

BUSINESS CONCEPT

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

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

Totalkredit's business concept is based on partner banks being responsible for customer services and covering a share of the risk of loss relating to the loan portfolio.

Risk hedging of private residential mortgage loans is subject to agreement with the partner banks. Under the agreement, incurred losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value at the time of granting are offset against future commission payments from Totalkredit to the partner banks.

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

EVENTS SINCE THE BALANCE SHEET DATE

No events have occurred in the period up to the presentation of the Q1 Interim Report 2017 which affect the Nykredit Group's financial position.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment as well as other provisions, cf the mention in the Annual Report 2016.

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

MANAGEMENT STATEMENT

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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 31 March 2017 of Totalkredit A/S.

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

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

Copenhagen, 9 May 2017

Executive Board

Troels Bülow-Olsen

Camilla Holm

In our opinion the Interim Financial Statements give a true and fair view of the Company's assets, liabilities, equity and financial position at 31 December 2017 and of the results of the Company's operations for the financial period 1 January - 31 March 2017.

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

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

Board of Directors

Michael Rasmussen,
Chairman

Claus E. Petersen,
Deputy Chairman

Petter Blondeau

Kim Duus

Karen Frøsig

David Hellemann

Søren Holm

Anders Jensen

Gert Jonassen

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

DKK million

		Q1/2017	Q1/2016
INCOME STATEMENT			
Interest income	2	3,916	3,826
Interest expenses	3	2,523	2,646
Net interest income		1,394	1,180
Fee and commission income	4	114	94
Fee and commission expenses	5	744	599
Net interest and fee income		764	676
Value adjustments	6	137	54
Other operating income		-	0
Staff and administrative expenses	7	163	156
Other operating expenses		1	0
Impairment losses on loans, advances and receivables	8	2	43
Profit before tax		736	530
Tax	9	162	117
Profit for the period		574	413
STATEMENT OF COMPREHENSIVE INCOME			
Comprehensive income			
Profit for the period		574	413
Other comprehensive income		-	-
Comprehensive income for the period		574	413

BALANCE SHEET

DKK million

		31.03.2017	31.12.2016
ASSETS			
Receivables from credit institutions and central banks	10	17,558	19,341
Loans, advances and other receivables at fair value	11	607,036	599,943
Loans, advances and other receivables at amortised cost	11	73	68
Bonds at fair value	12	69,609	69,364
Current tax assets		-	35
Deferred tax assets		7	5
Assets in temporary possession	13	9	10
Other assets	14	1,495	1,754
Prepayments		12	7
Total assets		695,798	690,527
LIABILITIES AND EQUITY			
Payables to credit institutions and central banks	15	652,885	647,073
Bonds in issue at fair value	15	10,311	11,162
Current tax liabilities		45	-
Other liabilities	16	5,315	5,625
Total payables		668,557	663,860
Provisions for pensions and similar obligations		6	6
Subordinated debt	17	6,000	6,000
Equity			
Share capital		848	848
Reserves			
- series reserves		1,646	1,646
- other reserves		18,741	18,167
Total equity		21,235	20,661
Total liabilities and equity		695,798	690,527
OFF-BALANCE SHEET ITEMS			
Other commitments	18	7	7
Total		7	7

STATEMENT OF CHANGES IN EQUITY

DKK million

	Share capital	Series reserves	Retained earnings	Total
Equity, 1 January 2017	848	1,646	18,167	20,661
Profit for the period	-	-	574	574
Total comprehensive income for the period	-	-	574	574
Equity, 31 March 2017	848	1,646	18,741	21,235
Equity, 1 January 2016	848	1,646	16,119	18,613
Profit for the period	-	-	413	413
Total comprehensive income for the period	-	-	413	413
Equity, 31 March 2016	848	1,646	16,532	19,026

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

Totalkredit is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit (the Nykredit Association), Kalvebod Brygge 1-3, Copenhagen, which owns 89.8% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from Foreningen Nykredit.

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

NOTES

1. Accounting policies	12
2. Interest income	13
3. Interest expenses	13
4. Fee and commission income	13
5. Fee and commission expenses	13
6. Value adjustments	13
7. Staff and administrative expenses	14
8. Impairment losses on loans, advances and receivables	14
8. Impairment losses on loans, advances and receivables (continued)	15
9. Tax	15
10. Receivables from credit institutions and central banks	16
11. Loans, advances and other receivables	16
12. Bonds at fair value	17
13. Assets in temporary possession	17
14. Other assets	17
15. Payables to credit institutions and central banks	18
16. Other liabilities	18
17. Subordinated debt	19
18. Off-balance sheet items	19
19. Related party transactions and balances	20
20. Capital and capital adequacy	21
21. Five-year financial highlights	22

NOTES

1. ACCOUNTING POLICIES

GENERAL

The Q1 Interim Report 2017 has been prepared in accordance with the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on the Presentation of Financial Reports).

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

No changes have been made to the Danish Executive Order on the Presentation of Financial Reports or other accounting provisions and interpretations, which influence the Q1 Interim Report 2017.

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

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

NOTES

DKK million

	Q1/2017	Q1/2016
2. INTEREST INCOME		
Receivables from credit institutions and central banks	(7)	(6)
Loans, advances and other receivables	2,446	2,647
Administration margin (income)	1,431	1,159
Bonds		
- Self-issued bonds	1	54
- Other covered bonds	61	29
- Government bonds	-	-
Derivative financial instruments		
- Interest rate contracts	(15)	(4)
Other interest income	1	-
Total	3,917	3,880
Set-off of interest from self-issued bonds	(1)	(54)
Total	3,916	3,826
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	2,381	2,563
Bonds in issue	46	68
Other payables to Nykredit Realkredit A/S	38	59
Subordinated debt	58	10
Other interest expenses	0	0
Total	2,524	2,700
Set-off of interest from self-issued bonds	(1)	(54)
Total	2,523	2,646
4. FEE AND COMMISSION INCOME		
Loan fees, new lending	63	51
Trading commission and other fees	51	43
Total	114	94
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	47	45
Commission to loan arrangers	652	514
Trading commission and other fees	44	40
Total	744	599
6. VALUE ADJUSTMENTS		
Mortgage lending	1,663	5,836
Bonds	156	97
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	(54)	(56)
Other liabilities	35	12
Bonds in issue ¹	(1,663)	(5,836)
Total	137	54

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

NOTES

DKK million

	Q1/2017	Q1/2016
7. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	1	1
Staff expenses	20	19
Other administrative expenses	142	136
Total	163	156
Remuneration of Board of Directors and Executive Board		
Board of Directors		
Fees	0	0
Executive Board		
Salaries	1	1
Pensions	0	0
Total	1	1
Staff expenses		
Salaries	15	15
Pensions	2	2
Other social security expenses	3	3
Total	20	19
Number of staff		
Average number of staff, full-time equivalent	125	127
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
Change in individual impairment provisions for loans and advances	48	112
Change in collective impairment provisions for loans and advances	19	(4)
Write-offs for the period	11	6
Recoveries on claims previously written off	(9)	(7)
Total impairment losses on loans, advances and receivables	70	107
Value adjustment of assets in temporary possession	(5)	(5)
Write-offs offset against commission payments to partner banks	(58)	(57)
Value adjustment of claims previously written off	(4)	(3)
Total	2	43
Specification of provisions for loan impairment		
Individual impairment provisions	477	528
Collective impairment provisions	596	785
Total impairment provisions	1,072	1,313
Individual impairment provisions		
Impairment provisions, beginning of period	554	553
Impairment provisions for the period	175	235
Impairment provisions reversed	(127)	(123)
Value adjustment of properties acquired by foreclosure	(17)	(20)
Impairment provisions written off	(108)	(119)
Impairment provisions, end of period	477	528

NOTES

DKK million

	Q1/2017	Q1/2016
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (CONTINUED)		
Collective impairment provisions		
Impairment provisions, beginning of period	576	789
Impairment provisions for the period, net	19	(4)
Impairment provisions, end of period	596	785
Individual impairment provisions for properties acquired by foreclosure		
Impairment provisions, beginning of period	69	70
Transfer from impairment provisions for loans and advances	17	20
Impairment provisions for the period	2	1
Impairment provisions reversed	(8)	(6)
Impairment provisions written off	(19)	(9)
Impairment provisions, end of period	61	75
Specification of loans and advances		
Loans and advances subject to individual provisioning	3,372	2,821
Impairment provisions	477	528
Loans and advances after impairment	2,895	2,294
Loans and advances subject to collective provisioning	40,685	38,709
Impairment provisions	596	785
Loans and advances after impairment	40,090	37,924
9. TAX		
Current tax rate, %	22.0	22.0
Non-deductible costs, %	(0.0)	(0.0)
Effective tax rate, %	22.0	22.0

NOTES

DKK million

	31.03.2017	31.12.2016
10. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	17,558	19,341
Total	17,558	19,341
11. LOANS, ADVANCES AND OTHER RECEIVABLES		
Loans, advances and other receivables at fair value	607,036	599,943
Loans, advances and other receivables at amortised cost	73	68
Total	607,109	600,011
Loans, advances and other receivables at fair value		
Mortgage lending	606,876	599,721
Arrears and outlays	160	222
Total	607,036	599,943
Mortgage lending		
Balance, beginning of period, nominal value	590,959	570,806
New loans	28,028	137,047
Ordinary principal payments	(2,495)	(8,930)
Prepayments and extraordinary principal payments	(20,157)	(107,964)
Balance, end of period, nominal value	596,336	590,959
Loans transferred relating to properties in temporary possession	(32)	(32)
Adjustment for interest rate risk	11,535	9,849
Adjustment for credit risk		
Individual impairment provisions	(368)	(479)
Collective impairment provisions	(596)	(576)
Balance, end of period, fair value	606,876	599,721
As collateral for loans and advances, Nykredit has received mortgages over real estate:		
Arrears before impairment provisions	104	129
Outlays before impairment provisions	165	168
Impairment provisions for arrears	(35)	(3)
Impairment provisions for outlays	(74)	(72)
Total	160	222
Mortgage arrears up to and including the September 2016 due date, for which no provisions have been made, amounted to DKK 0.		
Loans, advances and other receivables at amortised cost		
Mortgage lending	16	16
Other loans and advances	57	52
Total	73	68
Measured at fair value, the item amounted to DKK 73m at end-Q1/2017 and DKK 68m at end-2016.		
For mortgage loans, the following bank guarantees have been provided:		
Supplementary guarantees in addition to mortgages on real estate	26,458	23,980
Statutory guarantees for interim loans	16,143	16,644
Guarantees for loans disbursed before obtaining a registered mortgage	17,012	25,165
Balance, end of period, nominal value	59,613	65,790

NOTES

DKK million

	31.03.2017	31.12.2016
12. BONDS AT FAIR VALUE		
Self-issued ROs	315	329
Other covered bonds	69,609	69,364
Total	69,924	69,693
Transferred to set-off against "Bonds in issue at fair value" – note 15	(315)	(329)
Total bonds	69,609	69,364
13. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, end of period	12	11
Outlays	28	28
Impairment provisions, end of period	(32)	(29)
Total	9	10
14. OTHER ASSETS		
Positive market value of derivative financial instruments	9	22
Interest and commission receivable on loans and advances	1,058	1,169
Interest receivable from bonds and credit institutions	379	533
Other	49	29
Total	1,495	1,754

NOTES

DKK million

	31.03.2017	31.12.2016
15. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS		
Payables to credit institutions	137	95
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	9,939	10,976
Payables to Nykredit Realkredit A/S concerning funding of mortgage lending	642,809	636,001
Total	652,885	647,073
Of which payables to Nykredit Realkredit A/S concerning the funding of mortgage loans		
Balance, beginning of period, nominal value	626,799	593,450
Additions	44,476	185,904
Redemptions and prepayments	(36,787)	(142,592)
Prepayments and extraordinary principal payments	(2,590)	(9,964)
Balance, end of period, nominal value	631,898	626,799
Fair value adjustment	10,911	9,203
Total	642,809	636,001
Bonds in issue at fair value		
Covered bonds issued against mortgages on real estate		
Balance, beginning of period, nominal value	10,845	19,651
Redemptions and prepayments	(789)	(8,538)
Prepayments and extraordinary principal payments	(54)	(269)
Balance, end of period	10,002	10,845
Set-off of self-issued covered bonds	(315)	(329)
Fair value adjustment	624	646
Total	10,311	11,162
Covered bonds at next creditor payment date	469	789
16. OTHER LIABILITIES		
Interest and commission payable	4,578	4,812
Negative market value of derivative financial instruments	77	43
Other payables	660	771
Total	5,315	5,625

NOTES

DKK million

	31.03.2017	31.12.2016
17. SUBORDINATED DEBT		
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.		
Nykredit Realkredit A/S is creditor on the loans. Subordinated debt that may be included in own funds totalled DKK 6,000m against DKK 6,000m at 31 March 2017.		
Subordinate loan capital		
Nominal DKK 2,000m raised on 21 December 2015. The loan falls due at par (100) on 1 January 2026 and carries an interest rate of 2.1% above 3M Cibor	2,000	2,000
Total subordinate loan capital	2,000	2,000
Additional Tier 1 capital		
Nominal DKK 4,000m raised on 9 December 2016. The loan is perpetual and carries an interest rate of 5.0% above 3M Cibor	4,000	4,000
Total Additional Tier 1 capital	4,000	4,000
Total subordinated debt	6,000	6,000
No costs were incurred in connection with the redemption or raising of subordinate loan capital. Measured at fair value, subordinated debt amounted to DKK 6,000m.		
18. OFF-BALANCE SHEET ITEMS		
Other commitments		
Other liabilities	7	7
Off-balance sheet items	7	7

Additional contingent liabilities

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

The Resolution Fund was established on 1 July 2015 and must amount to at least 1% of the sector's covered deposits. The Resolution Fund will be based on annual contributions from the participating businesses and must be in place by end-2024. Totalkredit's contribution to the Danish Resolution Fund came to about DKK 1m in Q1/2017 and DKK 1m in 2016. Totalkredit further pays Nykredit Realkredit an amount corresponding to the part of the Group's contribution attributable to joint funding. The amount totalled about DKK 16m in Q1/2017.

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

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions with Nykredit are based on intercompany agreements, and no unusual related party transactions occurred in Q1/2017.

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

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

Significant related party transactions prevailing/entered into in Q1/2017 include:

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

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

Totalkredit A/S has raised loans with Nykredit Realkredit A/S serving as collateral in Totalkredit's capital centres. Lending stood at DKK 10.0bn at 31 March 2017 against DKK 11.0bn at 31 December 2016.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinated debt. At end-2016, Totalkredit had raised loans totalling DKK 6.0bn with Nykredit Realkredit A/S in the form of subordinated debt.

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

Agreement on commission payable in connection with referral of lending business.

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

Agreement on commission payable in connection with referral of lending business. Nykredit Bank A/S may transfer secured homeowner loans to Totalkredit A/S. In Q1/2017, Totalkredit received secured homeowner loans of DKK 1.6bn from Nykredit Bank A/S.

NOTES

DKK million

	31.03.2017	31.12.2016
20. CAPITAL AND CAPITAL ADEQUACY		
Own funds		
Equity, end of period	20,661	20,661
Difference between expected losses and impairment losses	(214)	(206)
Other deductions	-	(9)
Transitional adjustments	42	82
Common Equity Tier 1 capital	20,489	20,528
Additional Tier 1 capital	4,000	4,000
Additional Tier 1 capital deductions	-	-
Transitional adjustment of deductions	(21)	(41)
Set-off of excess deductions	-	-
Total Additional Tier 1 capital after deductions	3,979	3,959
Tier 2 capital	2,000	2,000
Tier 2 capital additions/deductions	73	70
Transitional adjustment of deductions	(21)	(41)
Set-off of excess deductions	-	-
Own funds	26,520	26,516
Capital requirement		
Credit risk	6,615	6,717
Market risk	273	297
Operational risk	451	370
Total capital requirement	7,339	7,384
Total capital requirement subject to transitional rule¹	18,984	18,800
Total risk exposure amount	91,747	92,296
Financial ratios		
Common Equity Tier 1 capital ratio, %	22.3	22.2
Total capital ratio, %	28.9	28.7
Required own funds and internal capital adequacy requirement		
Pillar I – primary risks		
Credit risk	6,615	6,717
Market risk	273	297
Operational risk	451	370
Total Pillar I	7,339	7,384
Pillar II – other risks		
Weaker economic climate	1,076	1,097
Other factors	1,157	1,163
Total Pillar II	2,233	2,260
Total required own funds	9,572	9,644
Total risk exposure amount	91,747	92,296
Internal capital adequacy requirement, %	10.4	10.4

¹ The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the EU's Capital Requirements Regulation. The capital requirement must constitute at least 80% of the capital requirement determined under Basel I.

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

Equity for Q1/2017 has been determined exclusive of recognition of profit for the period.

NOTES

DKK million

	Q1/ 2017	Q1/ 2016	Q1/ 2015	Q1/ 2014	Q1/ 2013
21. FIVE-YEAR FINANCIAL HIGHLIGHTS					
Summary income statement					
Net interest income	1,394	1,180	1,270	1,080	798
Net fee income	(630)	(504)	(489)	(464)	(384)
Net interest and fee income	764	676	781	616	414
Value adjustments	137	54	76	(15)	(18)
Other operating income	-	0	0	0	0
Staff and administrative expenses	163	155	127	95	95
Other operating expenses	1	0	0	-	-
Impairment losses on loans, advances and receivables	2	43	156	18	123
Profit before tax	736	530	574	487	178
Tax	162	117	135	119	44
Profit for the period	574	413	438	368	133
SUMMARY BALANCE SHEET, END OF PERIOD					
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Assets					
Cash balances and receivables from credit institutions and central banks	17,558	14,829	28,160	17,672	16,718
Mortgage lending	607,036	580,088	563,453	544,361	528,658
Bonds and equities	69,609	67,509	113,770	92,539	99,557
Remaining assets	1,595	1,903	3,459	2,971	3,045
Total assets	695,798	664,330	708,842	657,543	647,978
Liabilities and equity					
Payables to credit institutions and central banks	652,885	623,614	653,649	585,452	566,943
Bonds in issue	10,311	13,606	25,880	44,993	54,799
Remaining liabilities	5,367	6,084	8,661	7,977	7,913
Subordinated debt	6,000	2,000	3,100	3,100	3,100
Equity	21,235	19,026	17,552	16,022	15,223
Total liabilities and equity	695,798	664,330	708,842	657,543	647,978
Return on equity after tax, %	2.7	2.2	2.5	2.3	0.9
Return on equity before tax, %	3.5	2.8	3.3	3.1	1.2
Loans and advances:equity	28.6	30.5	32.1	34.0	34.7
Growth in loans and advances for the period, %	0.9	0.7	1.5	(0.2)	1.1
Impairment losses for the period, %	0.00	0.01	0.03	0.00	0.02
Total capital ratio, %	28.9	23.9	20.9	21.3	21.1
Common Equity Tier 1 capital ratio, %	22.3	21.6	18.2	17.8	17.6
Average number of staff, full-time equivalent	125	127	113	129	132

SIX-QUARTER FINANCIAL HIGHLIGHTS

DKK million

	Q1/ 2017	Q4/ 2016	Q3/ 2016	Q2/ 2016	Q1/ 2016	Q4/ 2015
Core income from						
Business operations	905	950	939	713	740	648
Interest expenses from subordinated debt	(19)	(23)	(23)	(23)	(30)	(30)
Senior secured debt	(58)	(22)	(10)	(10)	(10)	-
Securities	3	3	2	3	2	(8)
Income from core business	831	908	908	683	702	610
Operating costs and depreciation	163	188	161	168	156	119
Profit from core business before impairment losses	667	720	747	515	546	491
Impairment losses on loans and advances	2	(16)	19	1	43	41
Profit from core business	665	736	728	514	504	450
Investment portfolio income	70	33	44	44	26	30
Profit before tax	736	769	771	558	529	480
Tax	162	169	170	123	117	113
Profit for the period	574	600	601	436	413	367
SUMMARY BALANCE SHEET, END OF PERIOD	31.03.2017	31.12.2016	30.09.2016	30.06.2016	31.03.2016	31.12.2015
Assets						
Cash balances and receivables from credit institutions and central banks	17,558	19,341	21,178	17,230	14,829	15,850
Mortgage lending	607,036	599,943	596,942	590,189	580,088	570,443
Bonds at fair value	69,609	69,364	80,654	53,644	67,509	62,843
Remaining assets	1,595	1,878	1,915	1,696	1,904	2,381
Total assets	695,798	690,527	700,689	662,760	664,330	651,517
Liabilities and equity						
Payables to credit institutions and central banks	652,885	647,073	660,000	622,514	623,614	606,415
Bonds in issue at fair value	10,311	11,162	12,076	12,816	13,606	18,368
Subordinated debt	6,000	6,000	2,000	2,000	2,000	2,000
Remaining liabilities	5,367	5,631	6,551	5,968	6,084	6,121
Equity	21,235	20,661	20,063	19,461	19,026	18,613
Total liabilities and equity	695,798	690,527	700,689	662,760	664,330	651,517

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.