

Annual Report 2012





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Management and company information

BOARD OF DIRECTORS

Søren Holm, Chairman

Group Managing Director,
Nykredit Realkredit A/S
Managing Director, Nykredit Holding A/S
Director of:
Ejendomsselskabet Kalvebod A/S
JN Data A/S
Nykredit Administration V A/S
Nykredit Bank A/S (Deputy Chairman)
Nykredit Mægler A/S

Claus E. Petersen, Deputy Chairman

CEO, Den Jyske Sparekasse
Director of:
PRAS A/S (Chairman)
Aktieselskabet af 15. november 2010 (Chairman)
DJS Leasing A/S (Chairman)
Finanshuset Farsø Pantebrevsselskab A/S
(Chairman)
Udlejningselskabet Lundingsgade A/S
Amanah Kredit A/S
HN Invest Tyskland 1 A/S
Nykredit Holding A/S
Spar Pantebrevsinvest A/S

Petter Blondeau

CEO, Svendborg Sparekasse,
effective as from 1 March 2013
Director of:
PRAS A/S
Dansk Erhvervs Finansiering A/S

Kim Duus

Group Managing Director,
Nykredit Realkredit A/S
Managing Director, Nykredit Holding A/S
Director of:
Nykredit Bank A/S
Nykredit Portefølje Administration A/S

Karen Frøsig

CEO, Sydbank A/S
Director of:
Ejendomsselskabet af
1. juni 1986 A/S (Chairman)
BI Holding A/S
PRAS A/S

Lars Holst

Executive Vice President, Nykredit Realkredit A/S

Managing Director, Ejendomsselskabet
Kalvebod A/S

Gert Jonassen

CEO, Arbejdernes Landsbank A/S
Director of:
AL Finans A/S (Chairman)
LR Realkredit A/S
Bluegarden A/S
Bluegarden Holding A/S
Nets Holding A/S

Jette Alsig Bargholz*

Consultant

Jari Loch Jensen*

Team Manager

Merete Nilausen*

Consultant

* Staff-elected member

EXECUTIVE BOARD

Troels Bülow-Olsen, Managing Director
Director of:
Nykredit Mægler A/S

Hans Henrik Andersen, Managing Director

Company information

Totalkredit A/S
Helgeshøj Allé 53
DK-2630 Taastrup
Tel: +45 44 55 54 00
CVR no 21 83 22 78

AUDITORS

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

STOCK EXCHANGE ANNOUNCEMENTS

Stock exchange announcements etc are available
at totalkredit.dk and at nykredit.com/press



Financial highlights

DKK MILLION

	2012	2011	2010	2009	2008
CORE EARNINGS AND PROFIT FOR THE YEAR					
Core income from					
- business operations	1,753	1,316	1,437	1,380	1,141
- junior covered bonds	(234)	(91)	(34)	(2)	-
- securities	21	156	123	181	461
Total	1,540	1,381	1,526	1,559	1,602
Operating costs, depreciation and amortisation	371	367	420	374	375
Core earnings before impairment losses	1,169	1,014	1,106	1,185	1,227
Impairment losses on loans and advances	528	447	158	515	55
Core earnings after impairment losses	641	567	948	670	1,172
Investment portfolio income	56	182	237	420	(72)
Profit before tax	697	749	1,185	1,090	1,100
Tax	175	187	298	273	277
Profit for the year	522	562	887	817	823
SUMMARY BALANCE SHEET, YEAR-END					
ASSETS					
Receivables from credit institutions	20,942	14,565	18,111	16,112	16,283
Mortgage loans	522,980	480,993	455,846	430,710	390,451
Bonds and equities	85,235	86,512	81,540	87,311	52,437
Remaining assets	3,240	4,327	4,894	3,762	2,167
Total assets	632,397	586,397	560,391	537,895	461,338
LIABILITIES AND EQUITY					
Payables to credit institutions	547,012	480,544	443,630	406,899	315,349
Issued bonds	58,516	78,328	90,193	104,789	121,243
Supplementary capital	3,100	3,100	2,600	2,600	3,600
Remaining liabilities	8,679	10,607	10,712	11,238	9,594
Equity	15,090	13,818	13,256	12,369	11,552
Total liabilities and equity	632,397	586,397	560,391	537,895	461,338
FINANCIAL RATIOS					
Profit for the year as % of average equity	3.6	4.1	6.9	6.8	7.4
Core earnings after impairment losses as % of average equity	4.4	4.2	7.4	5.6	10.5
Costs as % of core income	24.1	26.6	27.5	24.0	23.4
Total capital ratio, %	22.2	18.8	22.9	20.2	26.7
Tier 1 capital ratio, %	18.4	15.6	19.3	16.7	20.5
Internal capital adequacy requirement (ICAAP), %	10.6	10.3	12.1	11.1	13.6



Management's Review

RESULTS

Totalkredit recorded a profit before tax of DKK 697m against DKK 749m in 2011. Profit after tax came to DKK 522m against DKK 562m in 2011.

Income for 2012 was positively affected by high lending activity and the price rises introduced on 1 April 2012. The rise in income from lending was offset by increasing impairment losses on loans and advances, growing expenses for supplementary collateral for SDO-funded lending, and declining financial income.

Totalkredit's strategic position and business concept

Totalkredit is a wholly-owned subsidiary of Nykredit Realkredit A/S. Totalkredit provides residential mortgage loans through its partner banks – Danish local and regional banks. In Q2/2012, Nykredit Realkredit A/S started to provide loans to personal customers through Totalkredit as well.

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 is hedged by agreement with the partner banks. Under the agreement, realised losses corresponding to the 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.

In all material respects, the part of the loan portfolio originally arranged by partner banks that no longer offer Totalkredit loans has been hedged through guarantees or according to the above-mentioned principle of set-off through agreements with the banks assuming the customer relationship from a borrower's former bank.

The partner banks receive fees for sales and risk management. In 2012 the fees totalled DKK 1,820m against DKK 1,389m in 2011.

Loans and advances

Loan portfolio

Totalkredit is Denmark's largest residential mortgage provider.

Measured at fair value, the loan portfolio was DKK 523bn against DKK 481bn at the beginning of the year. In 2012 Totalkredit's loan portfolio measured at nominal value grew by DKK 36bn to DKK 510bn.

Totalkredit's market share of Danish residential mortgage lending rose to 35.8% from 33.8% at the beginning of the year.

Measured by loan type, the share of interest-only loans in the loan portfolio grew from 56.7% to 58.2%. The share of variable-rate loans dropped from 71.3% to 70.4%. Of these loans 27% had interest rate caps.

Geographically, approx 57% of the loan portfolio is in Jutland and 20% is in the capital region and Northern Sealand. The remaining 23% are in the rest of Sealand, Funen and other Danish islands.

The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, came to 78% against 76% at the beginning of the year.

Lending activity

In 2012 Danish mortgage banks' gross new lending for private residential property increased about 79% compared with 2011. The high activity level was the result of the continued interest rate decline, which enticed many homeowners to refinance their loans.

Totalkredit's gross new lending was up approx DKK 61bn to DKK 130bn, of which around DKK 15bn related to loans offered through Nykredit Realkredit A/S.

Core earnings before impairment losses

Core income from business operations amounted to DKK 1,753m against DKK 1,316m in 2011.

Net interest expenses for junior covered bonds issued to fund supplementary collateral for SDO-funded lending came to DKK 234m against DKK



91m the year before.

Core income from securities amounted to DKK 21m against DKK 156m in 2011. The decline reflected a drop in Danmarks Nationalbank's average lending rate from 1.27% in 2011 to 0.43% in 2012.

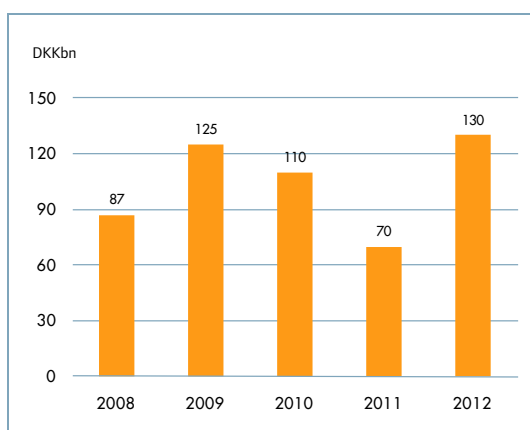
Core income from securities equals the return which Totalkredit could have obtained by placing its investment portfolios at Danmarks Nationalbank's average lending rate. In addition, core income from securities includes interest expenses relating to supplementary capital.

Operating costs, depreciation and amortisation amounted to DKK 371m against DKK 367m in 2011.

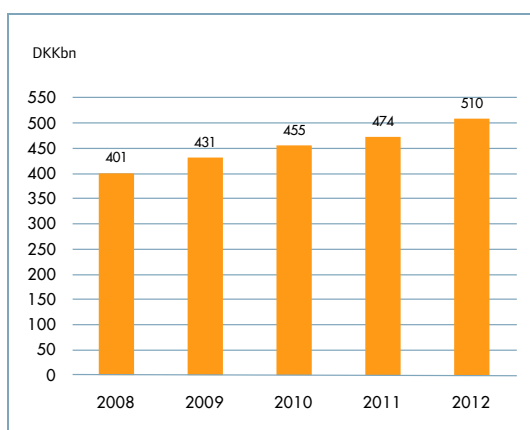
Totalkredit's core earnings before impairment losses were DKK 1,169m against DKK 1,014m in 2011.



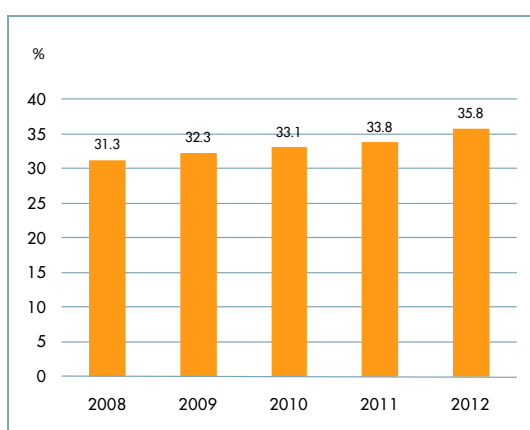
Gross new lending



Mortgage lending, year-end, nominal value



Share of Danish mortgage lending



Impairment losses on loans and advances

Impairment losses on loans and advances came to DKK 528m against DKK 447m in 2011, or 0.10% of lending compared with 0.09% in 2011.

Recognised losses totalled DKK 557m in 2012, of which DKK 254m, or 46%, was covered by the partner banks.

Total impairment provisions were DKK 904m, equal to 0.18% of lending.

Total individual impairment provisions landed at DKK 458m at end-2012 against DKK 393m at the beginning of the year.

Total collective impairment provisions came to DKK 446m at end-2012 against DKK 311m at the beginning of the year.

The 75-day arrears ratio in terms of the September due date was 0.27% in 2012 against 0.31% at the same time in 2011.

Despite a slight decline in the arrears ratio, mortgage impairment provisions grew due to low turnover and declining prices for some property types.

2012 saw repossession of 703 properties mortgaged through Totalkredit. Of these, 170 were repossessed by Totalkredit. 176 properties were repossessed by Totalkredit. 176 properties were sold in 2012, and at year-end the portfolio of repossessed properties stood at 79 against 85 at the beginning of the year.

Investment portfolio income

The investment portfolio income was DKK 56m against DKK 182m the year before. In 2012 the investment portfolio income was adversely affected by negative value adjustment of issued junior covered bonds totalling approx DKK 77m, compared with a gain of approx DKK 58m in 2011.

Tax

Tax calculated on profit for the year was DKK 175m, equal to an effective tax rate of 25.1%.

Parent company loan

At end-2012 loans raised with Nykredit Realkredit A/S for the purpose of providing supplementary collateral totalled DKK 26.3bn against DKK 18.6bn at the beginning of the year.

Further, Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinate

loan capital totalling DKK 3.1bn.

Capital base and capital adequacy

At end-2012, the capital base was DKK 18.1bn, corresponding to a total capital ratio of 22.2%. The capital requirement amounted to DKK 6.5bn. The Tier 1 capital ratio stood at 18.4%.

The internal capital adequacy requirement was 10.6% at year-end.

The determination of capital base, capital adequacy and capital requirement is specified on page 41 of this Report.

Results relative to expectations

Lending activity was higher than expected, and as a result core income from business operations exceeded the level expected at the beginning of the year.

The price increases on new and existing loans were implemented as announced, and additional loans were raised for the purpose of providing supplementary collateral mortgage lending funded by covered bonds (SDOs).

Impairment losses on loans and advances were higher than expected at the beginning of 2012.

Operating costs remained at the expected level.

Due to the development in interest rate markets, financial income did not reach the level of 2011.

Due to the above factors, Totalkredit's profit before tax declined DKK 52m to DKK 697m compared with 2011.

OUTLOOK FOR 2013

Lending activity is expected to be lower than in 2012 due to reduced refinancing activity.

Operating costs are expected to rise due to increasing marketing efforts and growing costs of loan administration.

Impairment losses on loans and advances are expected to increase slightly.

In total, profit before tax is not expected to reach the level of 2012. However, results highly depend on development in the housing market, employment and financial markets.

OTHER

Future business conditions

The conditions for mortgage lending are undergoing significant changes, and in order to adapt to the new conditions and ensure continued financial sustainability the following initiatives were introduced in 2012:

- Administration margins for existing and new loans were raised on 1 April 2012. The price increases are highest for interest-only loans with variable rates and lowest for fixed-rate repayment loans. Further, December 2012 saw the introduction of a price spread on refinancing of ARMs.
- A new capital centre (I) has been opened, issuing covered bonds (ROs) for the financing of fixed-rate loans in the 60-80% LTV range.
- Two-tier mortgaging was introduced in June, and 60% of private residential mortgage loans is still granted in compliance with the rules governing SDOs, while the top part of mortgage loans up to 80% is granted according to the rules governing ROs.

Capital increase

At end-June, Totalkredit A/S strengthened its capital structure by a total of DKK 750m through a share capital increase of DKK 49,305,000, nominal value. Nykredit Realkredit A/S has subscribed for all the new shares at a price of DKK 1,521.15 per share of DKK 100 nominal value. This raised the Company's share capital to DKK 848m.

Ratings

The lending activities of Totalkredit and Nykredit Realkredit, Totalkredit's Parent Company, 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 out of capital centres rated AAA by Standard & Poor's.

ROs issued by Totalkredit out of Capital Centre C are also rated AAA by Standard & Poor's. The Capital Centre is not open for new lending.

In 2012 Totalkredit terminated its cooperation with Moody's Investors Service.

Changes on the Board of Directors

At a general meeting in November 2012, Frank Kristensen, Managing Director, retired from the Board of Directors, and Petter Blondeau, Managing Director, was elected new board member.



EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred in the period up to the presentation of the Annual Report.

ORGANISATION AND DELEGATION OF RESPONSIBILITIES

The Board of Directors of Totalkredit is responsible for defining limits and monitoring Totalkredit's risk exposures as well as for approving the delegation of responsibilities and overall instructions. The Board of Directors has laid down guidelines and specific limits for the types of risk the Company may assume. These risk limits have been re-delegated within the organisation.

Totalkredit is subject to the Nykredit Group's co-ordinated risk management, and the Chief Risk Officer of Nykredit Realkredit A/S has been appointed Chief Risk Officer of Totalkredit A/S by the Board of Directors of Totalkredit A/S. Nykredit has appointed a number of group committees which are to perform specific tasks within selected business fields, each chaired by a member of the Group Executive Board.

The most important committees relative to Totalkredit are:

The Group Asset/Liability Committee, which is tasked with supervising and coordinating liquidity, ALM and capital management.

The Group Treasury Committee, which is charged with ensuring efficient management of securities and funding activities in the Nykredit Group.

The Group Risk Committee, which is charged with overseeing the total risk exposures and capital requirements of the Nykredit Group.

Board committees

Audit Board

The Parent Company, Nykredit Realkredit A/S, has appointed an Audit Board, which also serves as audit board for Totalkredit A/S. The principal tasks of the Audit Board are to monitor the financial reporting process, the effectiveness of the Group's internal control systems, internal audit and risk management, the statutory audit of the financial statements, and to monitor and verify the independence of the auditors.

Remuneration Board

The Parent Company, Nykredit Realkredit A/S, has appointed a Remuneration Board, which also serves as remuneration board for Totalkredit A/S. The principal tasks of the Remuneration Board are to make recommendations in respect of the Group's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors. Also, the Remuneration Board makes proposals for remuneration of the Committee of Representatives, the Board of Directors and the Executive Board. Further, it reviews and considers draft resolutions concerning staff bonus budgets and ensures that the information in the Annual Report about remuneration of the Board of Directors and the Executive Board is correct, fair and satisfactory.

Nomination Board

The Parent Company, Nykredit Realkredit A/S, has appointed a joint Nomination Board for all the companies of the Nykredit Group. The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for the Committee of Representatives, the Board of Directors and the Executive Board. In addition, the Nomination Board, which is accountable to the Board of Directors, is overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Executive Board.

For further details on the board committees, please refer to the Annual Report 2012 of Nykredit Realkredit A/S.

CAPITAL AND RISK MANAGEMENT

The objective of the Nykredit Group is to be able to maintain its lending activities at an unchanged level regardless of economic trends, while retaining a competitive credit rating. As a subsidiary of Nykredit Realkredit, Totalkredit is subject to group capital policy and capital management.

Capital management

Capital is as far as possible concentrated in the Parent Company, Nykredit Realkredit A/S, to ensure flexibility and leeway. Contributing capital to group companies as required is a central element of the Group's capital policy.

Pursuant to the Danish Financial Business Act, it is the responsibility of the Board of Directors and Executive Board to ensure that Totalkredit has the re-

quired capital base. The required capital base is the minimum capital required, in Management's judgement, to cover all significant risks.

The internal capital adequacy requirement is calculated as the required capital base as a percentage of risk-weighted assets.

Totalkredit's required capital base consists of Pillar I and Pillar II capital.

Pillar I

Pillar I capital covers credit, market and operational risk.

Pillar II

Pillar II comprises capital to cover other risks as well as an increased capital requirement during an economic downturn. The capital requirement during an economic downturn is determined by means of stress tests.

Under Pillar II, a charge is included to reflect the uncertainty of the models used. Generally, the charge applied corresponds to 10% of the risks calculated.

Capital policy under future capital adequacy rules (Basel III)

The EU Council of Ministers, Parliament and Commission are in agreement on all material items relating to the new capital adequacy rules. The new rules are expected to be adopted in Q2/2013 and will gradually be phased in until 2019.

Overall, the new rules are expected to increase the capital requirement, and the Board of Directors will regularly introduce measures that will secure the necessary equity increase.

Risk management

The legislative framework behind mortgage lending is the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and the Danish Executive Order on bonds.

Danish mortgage lending is governed by the balance principle, and Danish mortgage banks may apply either the specific balance principle or the general balance principle. Totalkredit applies the latter, but operates internally according to a set of rules that is considerably stricter than the specific balance principle.

This allows Totalkredit to sustain a smooth pre-payment process for its customers, even in situations where specific bonds are not easily purchased in the market.

In practice, the balance principle means that Totalkredit incurs only minor interest rate risk, foreign exchange risk, liquidity risk and refinancing risk from its mortgage lending and its underlying funding. As a result, Totalkredit's lending mainly involves credit risk.

For a more detailed description of the balance principle, please refer to nykredit.com/documentation.

Credit risk

Credit risk denotes the risk of loss following counterparties' non-performance of their obligations. Since Totalkredit solely grants mortgage loans to personal customers, and the loans are evenly distributed throughout the country, no concentration risk is found.

No mortgage loan granted by Totalkredit has a total exposure exceeding 0.5% of the capital base. The ten largest exposures to mortgage customers totalled DKK 261 m, or 1.4% of the capital base.

The Board of Directors lays down the overall framework of credit granting and is presented with the Company's largest credit applications for approval or briefing on a current basis.

Loans secured by mortgage on properties with a mortgageable value of more than DKK 12m are subject to approval by the Board of Directors.

Totalkredit's credits area is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Executive Board. Totalkredit's credits area undertakes all reporting on individual credit exposures. Determination and reporting of credit risk at portfolio level to Totalkredit's Management are the responsibility of Group Risk Management.

Under the Totalkredit concept, the partner banks conduct a preliminary assessment of the individual customer's financial position etc and rate the customer on the basis of the Group's credit models. In addition, a statutory property valuation is performed. Properties with a mortgageable value of more than DKK 6m are always valued by Totalkredit A/S.



Totalcredit and its partner banks have agreed that any losses realised within the LTV range of 60-80% based on the cash value of the property at the time a loan is issued may be offset against future commission payments to the partner banks. A small part of the loan portfolio is not subject to the right of set-off, but is in all material respects secured by guarantees covering losses incurred within the LTV range of 60-80% based on the cash value of a property.

Credit risk models

Totalcredit applies Nykredit's internal models (IRB) for credit risk determination based on three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure Value (EV).

The models used to determine PD and LGD are built on historical data allowing for periods of low as well as high business activity. PD is therefore estimated by weighting current data against data dating back to the early 1990s. Current data carry an approximately 40% weighting, while data from the early 1990s carry an approximately 60% weighting. The LGD level for mortgage products reflects the level of losses during the recession in 1991-1993.

LGD is determined for each of a customer's loans using internal approaches based on loss and default data. The calculations factor in any security provided, such as mortgages on real property and bank guarantees, including the type of security, its quality and ranking in the order of priority.

Mortgage banking is characterised by low LGDs as the security provided by way of mortgages on real property offers good protection against losses.

PD is calculated on the basis of a customer's credit score and payment history. Credit scoring is a statistical calculation of a customer's creditworthiness.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Loans in default fall outside the rating scale and constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment. Loans by rating category are shown on page 37.

Loan-to-value ratios (LTVs)

At the time of granting, a mortgage loan must not exceed a certain proportion of the value of the

mortgaged property pursuant to Danish legislation.

For private residential properties for all-year habitation, the LTV ratio may not exceed 80% of the property value and 60% for holiday homes.

If an LTV ratio of a loan subsequently exceeds the statutory maximum, supplementary collateral must be posted for loans funded through the issuance of covered bonds (SDOs).

A decline in property prices or a rise in the carrying amounts of the loans as a result of increasing bond prices may trigger a need for supplementary collateral.

To limit the requirement for supplementary collateral, two-tier mortgaging was introduced in 2012. With two-tier mortgaging, mortgage loans of up to 60% of a property's cash value will be funded with SDOs, while mortgage loans exceeding the 60% ratio will be funded with ROs.

At end-2012, Totalcredit had provided supplementary collateral in the amount of DKK 28.3bn compared with DKK 19.6bn at the beginning of the year, for the part of the SDO-funded loans that exceeded LTV limits.

In case of a 5% decline in housing prices, the required additional supplementary collateral will amount to approx DKK 11.5bn.

Market risk

Market risk reflects the risk of loss of market value as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc). The standardised approach is used to determine the capital requirement for market risk.

Totalcredit's market risk primarily derives from its investment portfolio and is very limited.

Totalcredit's interest rate exposures are in DKK and EUR. Foreign exchange risk is hedged and is consequently very limited.

Totalcredit mainly invests in Danish government and covered bonds issued in DKK and to a lesser extent in EUR.

Totalcredit's interest rate exposure is measured as the change in market value caused by a general interest rate increase of 1 percentage point in re-

spect of bonds and financial instruments.

Interest rate risk is managed by placing funds in bonds with varying interest rate risk using German government bond futures and DKK- and EUR- denominated interest rate swaps. In 2012 the interest rate exposure target was in the range of DKK 0m-200m. The average exposure was about DKK 65m, equivalent to 0.4% of Totalkredit's subordinate loan capital at the beginning of the year. The maximum interest rate exposure was DKK 142m, and the minimum exposure was DKK 13m.

On refinancing, the borrower obtains a loan rate reflecting the yields of the bonds sold. Thus the customer bears the full consequence of a change in interest rates.

Refinancing risk is the risk of having to refinance debt in a period with high interest rates or with unfavourable loan terms. With a view to reducing customers' refinancing risk, Totalkredit has distributed its refinancing auctions more evenly over the year.

The investment portfolio's sensitivity to an interest rate increase of 1 percentage point will have a negative impact of about DKK 65m on post-tax results and equity, and an interest rate decrease of 1 percentage point will have a positive impact of about DKK 65m. By comparison, an interest rate increase of 1 percentage point would have had a negative impact of DKK 70m on post-tax results and equity at end-2011, and an interest rate decrease of 1 percentage point would have had a positive impact of DKK 70m.

Totalkredit's sensitivity to foreign exchange risk determined as the greatest loss at a change of +/- 2.25% in EUR/DKK amounted to a loss of DKK 0.1m at end-2012 against DKK 0.4m at the beginning of the year.

Liquidity risk

Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

Mortgage lending is funded with covered bonds (ROs and SDOs) according to the match-funding principle. Mortgage lending and the underlying funding are therefore by and large liquidity neutral.

As a result of Totalkredit's large bond portfolio,

the Company's liquidity is very high.

Operational risk

Operational risk reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Totalkredit's capital charge for operational risk is determined using the basic indicator approach. This means that the capital charge is calculated as 15% of average gross earnings in the last three years. At end-2012, the capital charge for operational risk came to DKK 0.3bn.

Totalkredit systematically records and classifies operational events to create an overview of loss sources and gain experience that may help prevent future loss events.

Business contingency plans ensure constant and secure operations in case of a shutdown of the IT supply or other emergencies.

Operational risk factors associated with mortgage lending are limited by nature as they are based on a high degree of standardisation.

Uncertainty as to recognition and measurement

The preparation of the Annual Report involves the use of informed accounting estimates. These estimates are made by Totalkredit's Management in accordance with the accounting policies and based on previous experience and, in Management's opinion, reasonable and realistic assumptions. Uncertainty as to recognition and measurement is described in more detail in note 1 "Accounting policies" under "Significant accounting estimates and assessments" of this report.

FINANCIAL REPORTING PROCESS

The Board of Directors and the Executive Board of Totalkredit A/S are responsible for the Company's control and risk management systems. The delegation of the responsibilities of the Board of Directors and the Executive Board is prescribed by rules of procedure.

Totalkredit's internal controls and risk management relating to the financial reporting process are designed to efficiently manage rather than eliminate the risk of errors and omissions in connection with financial reporting.

The financial reporting process is based on inter-



nal controls and risk management systems which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements.

The finance area of Totalkredit contributes to the Group's financial control and reporting. It is responsible for Totalkredit's financial reporting, which includes compliance with current legislation and the Group's accounting policies. Financial data and Management's comments on financial and business developments are reported monthly to Group Finance of the Parent Company.

Control environment

Business procedures are laid down and controls are implemented for all material and risk areas, including areas of significance to the financial reporting process.

The Executive Board is responsible for risk delineation, management and monitoring. The Executive Board's powers and duties are provided in:

- The Board of Directors' rules of procedure
- The Executive Board's rules of procedure
- Instructions for the approval of loans and other credit facilities
- Instructions for the approval of market risk limits.

Furthermore, the Parent Company has provided a number of policies and instructions, which have been implemented through Totalkredit's business management.

Risk assessment

The risk management of the Board of Directors and the Executive Board relating to the financial reporting process may generally be summarised as follows:

- Periodical review of risk and financial reporting, including IT systems, general procedures and business procedures
- Review of the areas which include assumptions and estimates material to the financial statements
- Review of business and financial development
- Review and approval of budgets and forecasts
- Review of interim and annual reports and other financial data
- Annual assessment of the risk of fraud.

Controls

The purpose of the controls is to ensure that poli-

cies, manuals and procedures laid down by the Executive Board are observed and to ensure timely prevention, detection and correction of any errors, deviations or omissions.

The controls comprise manual and physical controls as well as general IT controls and automatic application controls in IT systems applied.

Furthermore, in connection with the preparation of financial statements, a number of fixed procedures and internal controls ensure a fair presentation of the financial statements and compliance with current legislation.

The controls are supported by central areas of the Parent Company, eg Risk Management, Compliance and IT Security.



Management statement and audit reports

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report 2012 of Totalkredit A/S.

The Financial Statements and the Management's Review have been prepared in accordance with the Danish Financial Business Act and the Executive Order on the Presentation of Financial Reports of Credit Institutions and Investment Companies, etc. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Taastrup, 7 February 2013

EXECUTIVE BOARD

Troels Bülow-Olsen

Hans Henrik Andersen

In our opinion, the Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 31 December 2012 and of the results of the Company's operations and cash flows for the financial year 2012.

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

The Annual Report is recommended for approval by the General Meeting.

BOARD OF DIRECTORS

Søren Holm
Chairman

Claus E. Petersen,
Deputy Chairman

Petter Blondeau

Jette Alsig Bargholz

Kim Duus

Karen Frøsig

Lars Holst

Jari Loch Jensen

Gert Jonassen

Merete Nilausen



INTERNAL AUDITORS' REPORT

Report on the Financial Statements

We have audited the Financial Statements of Totalkredit A/S for the financial year 1 January – 31 December 2012. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and the International Standards on Auditing. This requires us to plan and perform the audit to obtain reasonable assurance that the Financial Statements are free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditors and has included an assessment of business procedures and internal control established, including the risk management organised by Management relevant to the Company's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Financial Statements. Furthermore, the audit has included assessing the appropriateness of the accounting policies applied by Management, the reasonableness of the accounting estimates made by Management and the overall presentation of the Financial Statements.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the business procedures and internal control established, including the risk management organised by Management aimed at the Company's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 31 December 2012 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2012 in accor-

dance with the Danish Financial Business Act.

Statement on the Management's Review

We have read the Management's Review pursuant to the Danish Financial Business Act. We have performed no further procedures in addition to the audit of the Financial Statements.

On this basis, it is our opinion that the information in the Management's Review is consistent with the Financial Statements.

Taastrup, 7 February 2013

Claus Okholm
Chief Audit Executive

Kim Stormly Hansen
Deputy Chief Audit Executive



INDEPENDENT AUDITORS' REPORT

To the shareholder of Totalkredit A/S

Report on the Financial Statements

We have audited the Financial Statements of Totalkredit A/S for the financial year 1 January – 31 December 2012, comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The Financial Statements have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of Financial Statements in accordance with the Danish Financial Business Act. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements in Danish audit legislation. This requires us to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance that the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence for the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of Financial Statements in order to design audit procedures that are appropriate in the cir-

cumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the appropriateness of the accounting policies adopted by Management, the reasonableness of the accounting estimates made by Management and the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 31 December 2012 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2012 in accordance with the Danish Financial Business Act.

Statement on the Management's Review

We have read the Management's Review pursuant to the Danish Financial Business Act. We have performed no further procedures in addition to the audit of the Financial Statements.

On this basis, it is our opinion that the information in the Management's Review is consistent with the Financial Statements.

Copenhagen, 7 February 2013

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup
State-Authorised Public Accountant

Henrik Wellejus
State-Authorised Public Accountant



Income statement for 1 January – 31 December

DKK MILLION

	Note	2012	2011
Interest income	2	18,186	19,405
Interest expenses	3	14,994	16,618
Net interest income		3,192	2,787
Fee and commission income	4	621	344
Fee and commission expenses	5	1,913	1,495
Net interest and fee income		1,900	1,636
Value adjustments	6	(304)	(73)
Other operating income		1	0
Staff and administrative expenses	7	371	366
Depreciation and impairment losses for property, plant and equipment	13	0	1
Impairment losses on loans, advances and receivables	8	528	447
Profit before tax		697	749
Tax	9	175	187
Profit for the year		522	562
Comprehensive income			
Profit for the year		522	562
Other comprehensive income		0	0
Total comprehensive income		522	562
Proposal for the distribution of profit			
Profit for the year		522	562
Total amount available for distribution		522	562
Transferred to equity		522	562
Total distribution		522	562



Balance sheet at 31 December

DKK MILLION

	Note	2012	2011
ASSETS			
Cash balance and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	10	20,942	14,565
Loans, advances and other receivables at fair value	11	523,069	481,111
Loans, advances and other receivables at amortised cost	11	35	47
Bonds at fair value	12	85,235	86,512
Other property, plant and equipment	13	0	0
Deferred tax assets		1	1
Assets in temporary possession	14	44	50
Other assets	15	3,064	4,100
Prepayments		7	11
Total assets		632,397	586,397
LIABILITIES AND EQUITY			
Payables to credit institutions	16	547,012	480,544
Issued bonds at fair value	16	58,516	78,328
Current tax liabilities		0	124
Other liabilities	17	8,672	10,478
Total payables		614,200	569,474
Provisions for liabilities		7	5
Subordinated debt	18	3,100	3,100
Equity			
Share capital		848	799
Reserves			
Series reserves		1,646	1,646
Other reserves		12,596	11,373
Total equity		15,090	13,818
Total liabilities and equity		632,397	586,397
OFF-BALANCE SHEET ITEMS			
Guarantees	19	0	0
Other commitments		11	12
Total off-balance sheet items		11	12



Statement of changes in equity

DKK MILLION

	Share capital	Series reserves	Other reserves	Total
Equity, 1 January 2012	799	1,646	11,373	13,818
Profit for the year			522	522
Comprehensive income for the year			522	522
Capital increase through share issue	49		701	750
Equity, year-end	848	1,646	12,596	15,090
Equity, 1 January 2011	799	1,634	10,823	13,256
Profit for the year		12	550	562
Comprehensive income for the year		12	550	562
Equity, year-end	799	1,646	11,373	13,818

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, Kalvebod Brygge 1-3, DK-1780 Copenhagen V.

Series reserves consist of an undistributable 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. Capital is used to fulfil statutory capital requirements and is otherwise only used to cover losses not covered by amounts that may be used as dividend in the public limited company.

Cash flow statement

DKK MILLION

	2012	2011
Profit after tax for the year	522	562
Adjustment for non-cash operating items, depreciation and impairment losses		
Depreciation and impairment losses for property, plant and equipment	0	1
Impairment losses on loans and advances	528	447
Prepayments/deferred income, net	4	(5)
Tax calculated on profit for the year	175	187
Other adjustments	73	(10)
Total	780	620
Profit for the year adjusted for non-cash operating items	1,302	1,182
Change in working capital		
Loans and advances	(42,538)	(25,594)
Deposits and payables to credit institutions	66,468	36,914
Issued covered bonds	(19,812)	(11,865)
Other working capital	(770)	362
Total	3,348	(183)
Corporation tax paid, net	(300)	(73)
Cash flows from operating activities	4,350	926
Cash flows from investing and financing activities		
Investments	1,277	(4,972)
Capital increase	750	500
Total	2,027	(4,472)
Total cash flows	6,377	(3,546)
Cash and cash equivalents, beginning of year	14,565	18,111
Cash and cash equivalents, year-end	20,942	14,565



Notes

1. ACCOUNTING POLICIES

GENERAL

The Financial Statements and the Management's Review are prepared in accordance with the Danish Financial Business Act and the Executive Order on the Presentation of Financial Reports of Credit Institutions and Investment Companies, etc. The Financial Statements and the Management's Review are furthermore prepared in accordance with additional Danish disclosure requirements relating to annual reports of issuers of listed bonds.

All figures in the Annual 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 DKK million, the sum of individual figures and the stated totals may differ slightly.

The accounting policies are unchanged compared with the Annual Report 2011.

Significant accounting estimates

The preparation of the Financial Statements involves the use of informed accounting estimates. These estimates are made by TotalCredit's Management in accordance with accounting policies and based on past experience and an assessment of future conditions.

Accounting estimates and assumptions are tested and assessed regularly. The estimates applied are based on assumptions which Management considers reasonable and realistic, but which are per se uncertain and unpredictable.

Areas implying a high degree of assessment or complexity or areas in which assumptions and estimates are material to the financial statements are:

Provisions for loan impairment involving significant estimates in the quantification of the risk of not receiving all future payments. If it is ascertained that not all future payments will be received, the determination of the time and amount of the expected payments is subject to significant estimates. Furthermore, realisable values of security and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is made to "Assets", "Provisions for loan and receivable impairment" below for a detailed description.

Recognition and measurement

Assets are recognised in the balance sheet if it is probable that future economic benefits will flow to TotalCredit, and if the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet if it is probable that future economic benefits will flow from TotalCredit, and if the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value, whereas property, plant and equipment are measured at cost. Subsequent measurement is made as described below under each item.

Financial instruments are recognised on the settlement date, and changes in the fair value of instruments purchased or sold in the period between the trade date and the settlement date are recognised as financial assets or liabilities.

Income is recognised in the income statement as earned. Furthermore, value adjustment of financial assets and liabilities measured at fair value or amortised cost is recognised through profit or loss or in other comprehensive income for the period in which it arose.

All costs incurred by the Company are recognised in the income statement, including depreciation, amortisation, impairment losses, provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently measured at fair value. Value adjustments are recognised in the income statement for the period in which they arose. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

The fair values of derivative financial instruments are determined using generally accepted measurement methods based on market information and other generally accepted measurement methods.

Core earnings and investment portfolio income

The financial highlights and the Management's Review of Totalkredit are presented as core earnings and investment portfolio income, as Management finds that this presentation reflects the activities and earnings of the Company.

Core earnings mirror income from customer activity and risk-free interest on the securities portfolio less operating costs, depreciation and impairment losses on loans and advances. Net expenses relating to junior covered bonds are recognised as a separate item. Net expenses relating to junior covered bonds consist of the yield spread between the issued junior covered bonds and the assets in which the proceeds are invested at the time of issuance. The issued junior covered bonds as well as the assets in which proceeds are invested are measured at fair value on an ongoing basis, and value adjustments are included in investment portfolio income.

Core income from securities includes the return which Totalkredit would have obtained by placing its investment portfolios at a risk-free interest rate – Denmark's Nationalbank's average lending rate. In addition, core income from securities includes interest expenses relating to supplementary capital.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. Price spreads and interest margins relating to mortgage lending have been included not as investment portfolio income, but as core income from business operations.

Segment information

According to the Danish Executive Order on the Presentation of Financial Statements, net interest and fee income and value adjustments must be disclosed by activity and geographical market where these differ. Totalkredit has one single activity in one single geographical market for which reason such information has been omitted.

Currency

The Financial Statements are presented in Danish kroner (DKK), which is the functional as well as the presentation currency of the Company. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains

and losses arising on the settlement of these transactions are recognised in the income statement.

At the balance sheet date, monetary assets and liabilities in foreign currencies are translated at the exchange rates prevailing on the balance sheet date. Foreign currency translation adjustment is recognised in the income statement.

INCOME STATEMENT**Interest income and expenses**

Interest includes interest due and accrued up to the balance sheet date.

Interest income includes interest and interest-like income, including administration margins and forward premiums on securities and foreign exchange trades.

Interest expenses include all interest-like expenses.

Fees and commissions

Fees and commissions include income and costs relating to services. Fees and commissions are fully recognised in the income statement at the date of transaction.

Value adjustments

Value adjustments include foreign currency translation adjustment and value adjustment of assets and liabilities measured at fair value. Value adjustments relating to the credit risk of loans, advances and receivables measured at fair value are recognised in "Impairment losses on loans, advances and receivables".

Tax

Tax on taxable income for the year calculated at the current tax rate as well as adjustment of deferred tax and tax assessed for prior years are charged to the income statement. Interest receivable under the scheme for payment of tax on account has been recognised as net interest income.

Provisions are made for deferred tax as to all timing differences between the carrying amounts and taxable income. Deferred tax is recognised in the balance sheet in "Current tax liabilities" or "Deferred tax assets". Changes for the year in deferred tax are recognised as income or expenses in the income statement.



ASSETS

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables from other credit institutions and time deposits with central banks. Initial recognition is made at fair value. Subsequent measurement is made at amortised cost.

Loans, advances and other receivables at fair value

The item includes loans and advances included in the trading book and mortgage loans classified at fair value (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions.

Mortgage loans granted in accordance with Danish mortgage legislation have been funded with issued listed covered bonds (ROs and SDOs) of uniform terms. Such mortgage loans may be prepaid by way of a delivery of the underlying bonds. Totalkredit buys and sells its self-issued covered bonds on a continuing basis as they constitute a key part of the Danish money market.

If mortgage loans and issued covered bonds were measured at amortised cost, the purchase and sale of self-issued covered bonds would lead to a time lag between the recognition of gains and losses in the financial statements. The purchase price of the holding would not equal the amortised cost of the issued bonds, and the elimination would lead to the recognition of a random earnings impact. If the holding of self-issued covered bonds was subsequently sold, the new amortised cost of the "new issue" would not equal the amortised cost of the matching mortgage loans, and the difference would be amortised over the time-to-maturity.

Mortgage loans are therefore measured at fair value involving an adjustment for the market risk based on the value of the underlying bonds and an adjustment for credit risk based on the provisioning need.

Nykredit Realkredit A/S mortgage loan funding
Nykredit Realkredit A/S issues covered bonds for the funding of loans granted by Nykredit Realkredit A/S as well as Totalkredit A/S. Totalkredit A/S is therefore under an obligation to pay interest, redemption and prepayment amounts to Nykredit Realkredit A/S, which will transfer such payments

to bond investors.

Mortgage loans funded with bonds issued by Nykredit Realkredit A/S are measured at fair value adjusted for market risk based on the value of the underlying bonds and any impairment provisions for credit risk. Totalkredit A/S applies the fair value option as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions.

Loans, advances and other receivables at amortised cost

On initial recognition, other loans, advances and other receivables at amortised cost are measured at fair value less/plus the costs and income relating to the acquisition. Subsequent measurement takes place at the lower of amortised cost and net realisable value less provisions for loan and receivable impairment.

Receivables from loans secured on properties not repossessed

Receivables on such loans include mortgage payments due, but not paid, less provisions for loan impairment.

Provisions for loan and receivable impairment

Provisions for loan and receivable impairment are divided into individual and collective provisions.

If there is objective evidence of impairment (OEI) and the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure, individual impairment provisions are made for the exposure.

Individual impairment provisions

Totalkredit performs continuous individual reviews and risk assessments of all significant loans, advances and receivables to determine whether there is any OEI.

There is OEI in respect of a loan if one or more of the following events have occurred:

- The borrower has serious financial difficulties
- The borrower fails to honour its contractual payment obligations
- It is probable that a borrower will go into bankruptcy or be subject to other financial restructuring.

The loan is impaired by the difference between the carrying amount before impairment and the pre-

sent value of the expected future cash flows from the individual loan or exposure.

Strategy and action plans are prepared for all loans subject to individual impairment. The loans/exposures are reviewed quarterly.

Similar individual impairment provisions are made for non-significant loans, advances and receivables if there is OEI and the event(s) concerned is(are) believed to have a reliably measurable effect on the size of expected future payments from the exposure/loan.

If there is OEI in respect of loans at fair value, Totalkredit assesses the probability of losses, which assessment is included in the calculation of individual impairment provisions.

Collective impairment provisions

Exposures not subject to individual provisioning are subject to collective assessment. Collective impairment provisions are made for groups of customers involving uniform credit risk.

At each balance sheet date, collective assessments are made of loans and advances for which no individual impairment provisions have been made and, where OEI is identified in one or more groups, collective provisions for loan impairment are made.

The provisioning need is calculated based on the change in expected losses relative to the time the loans were granted. For each loan in a group of loans, the contribution to the impairment of that group is calculated as the difference between the present value of the loss flow at the balance sheet date and the present value of the expected loss when the loan was granted.

Collective impairment provisions are the total of contributions from a rating model, a segmentation model and management judgement.

The rating model determines impairment due to credit quality migration based on the development in adjusted Basel parameters. The segmentation model complements the rating model by adjusting the Basel parameters for events resulting from changes in the economic climate not yet reflected in the rating model. Management judgement supplements the models by including current expert opinions and expectations for the credit risk development of specific segments.

Having been adjusted to the current economic climate and accounting rules, the Basel parameters applied in the rating and segmentation models are based on cash flows until expiry of loan terms and the discounted present value of cash.

Impairment provisions in general

Total provisions for loan impairment are deducted from the relevant loans under asset items. Recognised losses and impairment changes for the year have been charged to the income statement in "Impairment losses on loans, advances and receivables".

Where events occur showing a partial or complete impairment reduction following individual or collective impairment provisioning, impairment provisions are reversed accordingly.

Loans not expected to be collected are written off.

Property, plant and equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Equipment is depreciated over its expected useful life, which for the individual categories of equipment is as follows:

- Computer equipment and machinery, 4 years
- Equipment and motor vehicles, 4 years

Bonds

Bonds are initially recognised at fair value and are subsequently measured at fair value based on listed prices and recognised measurement methods.

Changes in the fair value are recognised on a current basis in "Value adjustments" in the income statement.

The portfolio of self-issued bonds is offset against issued bonds (the liability), and interest receivable relating to self-issued bonds is offset against interest payable.

Assets in temporary possession

Assets in temporary possession are measured at the lower of the carrying amount and fair value less the cost of sale. The item includes Totalkredit's mortgages outstanding secured on such properties transferred from "Mortgage loans". Furthermore, mortgage payments due and expenses defrayed at the time of a forced sale as well as income and



expenses arisen after the date of repossession are included.

LIABILITIES AND EQUITY

Payables

"Payables to credit institutions and central banks" is initially recognised at fair value and subsequently measured at amortised cost.

Issued bonds at fair value

Issued covered bonds and junior covered bonds are classified at fair value on initial recognition (the fair value option) as such classification eliminates the accounting mismatch that would arise on using the general measurement provisions.

The fair value of the covered bonds and junior covered bonds is generally prevailing market prices. Bonds drawn at future creditor payment dates are measured at discounted value. Bonds not traded actively are recognised at calculated market prices.

Payables relating to intercompany funding via Nykredit Realkredit A/S are measured at fair value. Payables to Nykredit Realkredit A/S relating to funds for collateral for SDO-funded loans are measured at fair value. Other payables to Nykredit Realkredit A/S in the form of loans (senior debt) are measured at fair value.

Other liabilities

Other liabilities include derivative financial instruments, which are measured at fair value, and other payables, which are measured at amortised cost.

Provisions

Provisions are recognised where, as a result of an event occurred on or before the balance sheet date, the Company has a legal or constructive obligation which can be measured reliably and where it is probable that economic benefits must flow from the Company to settle the obligation.

Provisions include pension benefits for the Executive Board, cf note 7 in the Financial Statements. The value in use of the pension obligation is based on an actuarial calculation and recognised successively up to the time of pension.

Subordinated debt

Subordinated debt is initially recognised at fair value less transaction costs incurred. Subordinated debt is subsequently measured at amortised cost, and any differences between the proceeds less transaction costs and the redemption value are recognised in the income statement over the loan term using the effective interest method.

Cash flow statement

The Company's cash flow statement is prepared according to the indirect method based on profit for the year. The cash flow statement shows cash flows for the year stemming from:

- Operating activities
- Investing and financing activities

Furthermore, the cash flow statement shows the changes in cash and cash equivalents for the year and the Company's cash and cash equivalents at the beginning and end of the year.

Cash and cash equivalents consist of "Cash balance and demand deposits with central banks" and "Receivables from credit institutions and central banks".

Notes

DKK MILLION

	2012	2011
2. INTEREST INCOME		
Receivables from credit institutions	82	79
Loans and advances	14,364	16,235
Administrative margin income	2,756	2,253
Bonds:		
- Self-issued covered bonds	3	5
- Other covered bonds	920	822
Derivative financial instruments:		
- Interest rate contracts	64	14
Other interest income	0	2
Total	18,189	19,410
Interest from self-issued covered bonds has been offset against interest expenses on issued bonds	(3)	(5)
Total	18,186	19,405
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	12,495	13,560
Issued bonds	1,862	2,668
Set-off of interest from self-issued covered bonds	(3)	(5)
Other payables to Nykredit Realkredit A/S	573	343
Subordinated debt	65	51
Other interest expenses	2	1
Total	14,994	16,618
4. FEE AND COMMISSION INCOME		
Loan fees, new lending	403	211
Commission and other fees	218	133
Total	621	344
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	322	167
Commission to loan arrangers	1,375	1,141
Commission and other fees	216	187
Total	1,913	1,495



Notes

DKK MILLION

	2012	2011
6. VALUE ADJUSTMENTS		
Mortgage loans	5,974	7,067
Issued bonds, including bonds issued by Nykredit Realkredit in connection with the funding of mortgage loans granted by Totalkredit	(5,974)	(7,067)
Bonds	(61)	195
Foreign exchange	0	0
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	143	(100)
Remaining liabilities	(387)	(168)
Total	(304)	(73)
7. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	6	6
Staff expenses	77	70
Administrative expenses	288	290
Total	371	366
Remuneration of Board of Directors and Executive Board		
Board of Directors:		
Remuneration	1	1
Executive Board:		
Salaries	4	4
Pensions	1	1
Other social security expenses and charges	0	0
Total	5	5
Staff expenses:		
Salaries	63	58
Pensions	7	6
Other social security expenses and charges	7	6
Total	77	70

Terms and conditions applying to the Board of Directors

The 10 members of the Board of Directors receive fixed remuneration and a refund of any costs incurred in connection with board meetings. No agreements have been made for pension plans, bonus schemes or special termination benefits for members of the Board of Directors elected by the General Meeting. At end-2012 the annual remuneration amounted to DKK 200,000 for the Chairman, DKK 150,000 for the Deputy Chairman and DKK 100,000 for other Directors. Directors employed with Nykredit Realkredit A/S receive no remuneration. Members of the Board of Directors are listed on page 1 of the Annual Report.

Notes

DKK MILLION

Terms and conditions applying to the Executive Board

Executive Board members receive a fixed salary. The Executive Board participates in Nykredit's general bonus schemes for subsidiary executives. The programme is discretionary, which means that subsidiary executives are not guaranteed a bonus. The amount paid to any subsidiary executive is based on a bonus potential specified on a year-by-year basis. Remuneration paid in 2012:

Troels Bülow-Olsen, a total of DKK 2.4m of which DKK 87,000 relates to the 2011 bonus scheme.

Hans Henrik Andersen, a total of DKK 1.6m of which DKK 52,000 relates to the 2011 bonus scheme.

The pensionable age for Executive Board members is 70 years, but retirement at the age of 65 years is possible, after which the subsidiary executives are entitled to pension benefits for 10 years equal to approximately 20% of their gross salary. The pension benefits period will be reduced by one year for each year the employment continues after the age of 65 years.

Executive Board members' employment is terminable by Totalkredit giving 12 months' notice and by the Executive Board members giving 3 or 12 months' notice, respectively. Upon termination at Totalkredit A/S's request, they are entitled to termination benefits equal to 9-12 months' gross salary.

Loans and advances to the Executive Board and Board of Directors

Mortgage loans, debt outstanding at the end of the financial year:

	2012	2011
Executive Board	1	-
Board of Directors	10	6
Management and related parties of Totalkredit's Parent Company	12	9

Loans were granted on the same loan and market terms as applied to other borrowers with Totalkredit A/S at the time of offering and disbursement of the loans.

Salaries for risk-takers

Totalkredit has decided not to disclose the salaries of individual risk-takers apart from those of the Executive Board members, as this category includes only one person.

Number of staff

Average number of staff for the financial year, full-time equivalents	123	120
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Fees to auditors appointed by the Annual General Meeting, Deloitte

Total fees include:	1	1
Statutory audit of the Financial Statements	1	1



Notes

DKK MILLION

	2012	2011
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
Change in individual impairment provisions for loans and advances	317	275
Change in collective impairment provisions for loans and advances	135	66
Losses recognised for the year, net	275	214
Received on claims previously written off as impairment losses	(3)	(1)
Total impairment losses on loans, advances and receivables	724	554
Value adjustment of assets in temporary possession	62	70
Value adjustment of claims previously written off as impairment losses	(4)	-
Losses offset against commission payments to partner banks	(254)	(177)
Total	528	447
Specification of provisions for loan impairment		
Individual impairment provisions	458	393
Collective impairment provisions	446	311
Total impairment provisions	904	704
Individual impairment provisions		
Impairment provisions, beginning of year	393	278
Impairment provisions for the year	388	338
Impairment provisions reversed	(71)	(63)
Value adjustment of repossessed properties	(44)	(12)
Impairment provisions recognised as lost	(208)	(148)
Impairment provisions, year-end	458	393
Collective impairment provisions		
Impairment provisions, beginning of year	311	245
Impairment provisions for the year, net	135	66
Impairment provisions, year-end	446	311

Notes

DKK MILLION

	2012	2011
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
Individual impairment provisions for repossessed properties		
Impairment provisions, beginning of year	96	60
Transfer from non-repossessed properties	44	12
Impairment provisions for the year	69	71
Impairment provisions reversed	(7)	(1)
Impairment provisions recognised as lost	(74)	(46)
Impairment provisions, year-end	128	96
Of total individual impairment provisions for mortgage loans, about 7% may be attributed to loans in arrears but not referred for collection and about 82% to loans with arrears referred to collection. The remaining 11% are attributable to estates in bankruptcy or estates of deceased persons.		
Specification of loans and advances		
Loans and advances subject to individual impairment	2,191	2,172
Impairment provisions	458	393
Loans and advances after impairment provisions	1,733	1,779
Loans and advances subject to collective impairment	23,702	27,646
Impairment provisions	446	311
Loans and advances after impairment provisions	23,256	27,335
9. TAX		
Tax calculated on profit for the year	175	187
Change in deferred tax	0	0
Adjustment of tax assessed for previous years	0	0
Total	175	187
Current tax rate, %	25.0	25.0
Non-deductible costs, %	0.1	0.0
Effective tax rate, %	25.1	25.0



Notes

DKK MILLION

	2012	2011
10. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	20,942	14,565
Total	20,942	14,565
11. LOANS AND ADVANCES		
Loans, advances and other receivables at fair value	523,069	481,111
Loans, advances and other receivables at amortised cost	35	47
Total	523,104	481,158
Loans, advances and other receivables at fair value		
Mortgage loans	522,949	480,946
Arrears and outlays	120	166
Total	523,069	481,111
Mortgage loans		
Balance, beginning of year, nominal value	473,566	455,104
New loans	130,686	70,173
Ordinary principal payments	(4,692)	(3,734)
Prepayments and extraordinary principal payments	(89,645)	(47,977)
Balance, year-end, nominal value	509,915	473,566
Loans transferred relating to properties in temporary possession	(39)	(69)
Adjustment for interest rate risk	13,860	8,086
Adjustment for credit risk		
Individual impairment provisions	(341)	(326)
Collective impairment provisions	(446)	(311)
Balance, year-end, fair value	522,949	480,946
Arrears and outlays		
Arrears before impairment provisions	115	138
Outlays before impairment provisions	122	95
Provisions for arrears and outlays	(117)	(67)
Total	120	166

Notes

DKK MILLION

	2012	2011
11. LOANS AND ADVANCES (continued)		
Mortgage arrears up to and including the September 2012 due date, for which no provisions have been made, amounted to DKK 1m.		
Loans, advances and other receivables at amortised cost		
Mortgage loans	31	47
Other loans	4	-
Total	35	47
Measured at fair value, the item amounted to DKK 35m at end-2012 against DKK 47m at end-2011.		
Mortgage loans		
Balance, beginning of year, nominal value	47	54
Ordinary principal payments	0	0
Prepayments and extraordinary principal payments	(16)	(7)
Balance, year-end, nominal value	31	47
Mortgage loans at nominal value by property category		
Loans and advances as % at nominal value, year-end		
Private residential properties	95	95
Holiday homes	5	5
Total	100	100
Number of loans, end of financial year	510,421	469,718
Mortgage loan guarantees provided by banks:		
Supplementary guarantees in addition to mortgages on property	7,987	8,091
Statutory guarantees for interim loans	10,050	9,195
Guarantees for loans disbursed before obtaining a registered mortgage	18,457	16,857
Total	36,494	34,143



Notes

DKK MILLION

	2012	2011
12. BONDS AT FAIR VALUE		
- Self-issued covered bonds	159	91
- Other covered bonds	85,235	86,512
Total	85,394	86,603
Self-issued covered bonds offset against issued bonds	(159)	(91)
Total bonds	85,235	86,512
Of which:		
Drawn bonds	150	59
Bonds stemming from prepaid immediate prepayments at par and proceeds from fixed-price agreements	13,654	17,420
Bonds pre-issued for the refinancing of adjustable-rate mortgages (ARMs)	25,302	32,536
13. OTHER PROPERTY, PLANT AND EQUIPMENT		
Total cost, beginning of year	3	4
Additions	0	0
Disposals	1	1
Total cost, year-end	2	3
Depreciation, beginning of year	3	3
Depreciation for the year	0	1
Reversal of depreciation	1	1
Depreciation, year-end	2	3
Carrying amount, year-end	0	0
Write-off on equipment for the year	0	0
14. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, year-end	8	9
Outlays	99	106
Impairment provisions, year-end	(63)	(65)
Total	44	50
15. OTHER ASSETS		
Positive market value of derivative financial instruments	1	4
Interest and commission receivable on loans and advances	1,764	2,317
Interest receivable from bonds and credit institutions	1,245	1,703
Remaining assets	54	76
Total	3,064	4,100

Notes

DKK MILLION

	2012	2011
16. PAYABLES TO CREDIT INSTITUTIONS AND ISSUED BONDS		
PAYABLES TO CREDIT INSTITUTIONS		
Payables to credit institutions, other payables	19	27
Payables to Nykredit Realkredit A/S	26,305	18,623
Mortgage loan funding through Nykredit Realkredit A/S	520,688	461,894
Total	547,012	480,544
Of which mortgage loan funding through Nykredit Realkredit A/S:		
Balance, beginning of year, nominal value	455,100	432,093
Additions	272,897	187,517
Drawings and prepayments	(204,700)	(146,071)
Prepayments and extraordinary principal payments	(14,159)	(18,439)
Balance, year-end, nominal value	509,138	455,100
Fair value adjustment	11,550	6,794
Total	520,688	461,894
ISSUED BONDS		
Covered bonds issued against mortgages on real property		
Balance, beginning of year, nominal value	77,128	90,663
Additions	-	-
Drawings and prepayments	(14,052)	(7,992)
Prepayments and extraordinary principal payments	(6,710)	(5,543)
Balance, year-end, nominal value	56,366	77,128
Set-off, self-issued covered bonds	(159)	(91)
Fair value adjustment	2,309	1,291
Total	58,516	78,328
Of which pre-issuance		-
Bonds drawn for redemption at the next creditor payment date	2,269	2,408

Notes

DKK MILLION

Changes in the fair values of covered bonds (ROs and SDOs) attributable to Totalkredit's own credit risk can be determined relative to changes in option-adjusted yield spreads (OAS) against government bonds or relative to changes in yield spreads against equivalent mortgage bonds from other Danish mortgage lenders.

Determined relative to other mortgage lenders, the fair value has not been subject to changes attributable to Totalkredit's own credit risk in 2012 or since the issue, as there are no measurable price differences between bonds with identical properties from different mortgage lenders.

The yield spread between government bonds and ROs/SDOs tightened in 2012 causing a rise in the fair value of issued bonds of DKK 4bn attributable to Totalkredit's own credit risk. Since 2008 spread widenings between government bonds and ROs/SDOs have resulted in a fair value decline of approximately DKK 5bn attributable to Totalkredit's own credit risk. Equity and results have, however, not been affected by the changes in fair value, as the value of mortgage loans has changed accordingly.

	2012	2011
17. OTHER LIABILITIES		
Negative market value of derivative financial instruments	5	109
Interest payable on issued covered bonds, including bonds issued by Nykredit Realkredit A/S for the funding of mortgage lending by Totalkredit A/S	6,460	8,284
Remaining liabilities	2,207	2,085
Total	8,672	10,478

18. SUBORDINATED DEBT

Subordinated debt is financial liabilities in the form of subordinate loan capital which, in the case of the voluntary or compulsory liquidation of the company, is not repaid until the claims of ordinary creditors have been met. Nykredit Bank A/S is creditor on the loans. Subordinated debt is included in the capital base in accordance with the Executive Order on Calculation of Capital Base.

Subordinate loan capital

A loan of nom DKK 2,600m. Falls due at par (100) on 24 June 2018. The loan carries an interest rate of 0.45% pa above 3M Cibur.
A loan of nom DKK 500m. Falls due at par (100) on 1 December 2018. The loan carries an interest rate of 6.0% pa above 3M Cibur.
Measured at fair value, the two loans total DKK 3.100m.

	2012	2011
19. OFF-BALANCE SHEET ITEMS		
Guarantees		
Financial guarantees	0	0
Total guarantees	0	0
Other commitments		
Other	11	12
Total other commitments	11	12
Total off-balance sheet items	11	12

Notes

DKK MILLION

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

Transactions are based on agreements, and no unusual transactions were made with related parties in 2012.

Agreements include intercompany funding, loan capital and supplementary security, referral commission, IT support and development, payroll and staff administration, asset and risk management, and other administrative tasks. Trading in goods and services between the parties took place on an arm's length or cost covering basis.

Significant related party transactions prevailing/entered into in 2012 include:

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

In 2012 Totalkredit A/S raised additional loans with Nykredit Realkredit A/S serving as collateral in Totalkredit's capital centres. On 31 December 2012, these loans totalled DKK 26.3bn against DKK 18.6bn on 31 December 2011.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinated debt. At end-December 2012, Totalkredit had raised loans totalling DKK 3.1bn with Nykredit Realkredit A/S in the form of subordinated debt.

Totalkredit's mortgage lending is funded through an agreement concerning intercompany funding with Nykredit Realkredit A/S, specified in note 16.

Transactions with the Parent Company, Nykredit Realkredit A/S, and its group enterprises:

	2012	2011
Income statement		
Interest income	781	727
Interest expenses	13,160	13,955
Fee and commission expenses	183	126
Value adjustments	(5,278)	(5,707)
Costs	151	165
Assets		
Receivables from credit institutions and central banks	16,271	11,645
Bonds at fair value	69,278	80,233
Other assets	1,114	1,601
Liabilities and equity		
Payables to credit institutions	547,007	480,538
Other liabilities	6,533	7,920
Supplementary capital	3,100	3,100

Transactions with Totalkredit's Board of Directors, Executive Board etc:

For information on transactions with the Board of Directors and the Executive Board, please refer to note 7.



Credit risk

DKK MILLION

	2012	2011
Totalkredit's maximum credit exposure is comprised of selected balance sheet items and off-balance sheet items.		
Total credit exposure		
Receivables from credit institutions and central banks	20,942	14,565
Loans, advances and other receivables at fair value	523,069	481,111
Loans, advances and other receivables at amortised cost	35	47
Bonds at fair value	85,235	86,512
Other assets	3,064	4,100
Off-balance sheet items	11	12
Total	632,356	586,347

Concentration risk

Pursuant to the Danish Financial Business Act, an exposure with any one customer or group of interconnected customers must not exceed 25% of the capital base after statutory deductions. Totalkredit had no exposures in 2012 or 2011 which exceeded this limit.

Security

Lending and security are assessed on a current basis. On loan disbursement, the partner banks provide a guarantee for the loan until a mortgage with a clear title has been registered and Totalkredit has approved the mortgage loan. For further information on guarantees received for loans, please refer to note 11. Subsequent to the mortgage loan approval the loan is hedged, cf the mention in the Annual Report, page 3.

Mortgage debt outstanding relative to estimated property values

DKK million	LTV (loan-to-value)						Total	LTV avg *
	0-40	40-60	60-80	80-90	90-100	Over 100		
2012	284,132	119,664	86,823	19,200	7,486	5,643	522,949	78%
2011	268,108	110,370	78,260	17,192	5,146	2,130	481,206	76%

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

Mortgage debt outstanding relative to estimated property values, %

	LTV (loan-to-value)						Total
	0-40	40-60	60-80	80-90	90-100	Over 100	
2012	54	23	17	4	1	1	100
2011	56	23	16	4	1	0	100

Credit risk (continued)

DKK MILLION

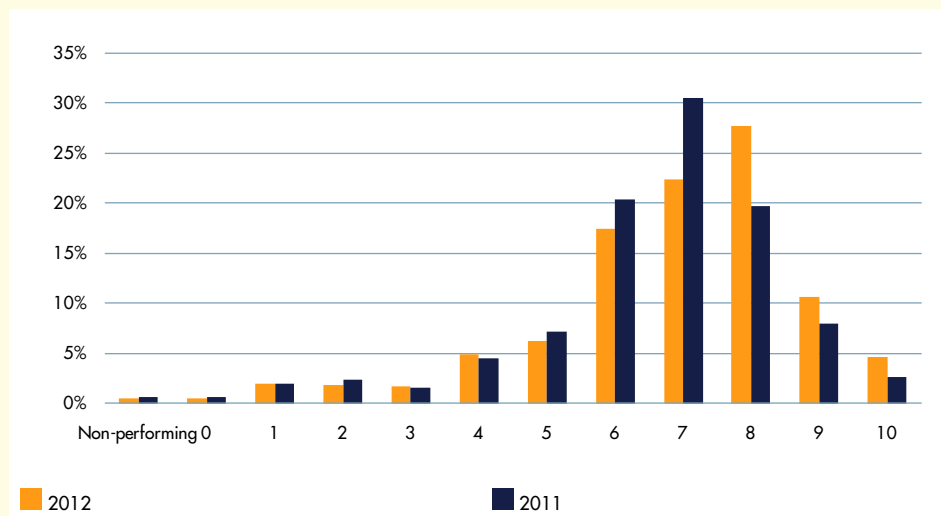
	2012	2011
Private residential mortgage lending		
Mortgage lending		
- Bond debt outstanding	509,946	473,613
- Number of loans	510,421	469,718
Bond debt outstanding by loans involving		
- bank guarantees	47,408	45,347
- set-off agreement with partner banks	369,109	355,845
- no security	93,429	72,421
Total	509,946	473,613
Bond debt outstanding by loan type		
Fixed-rate loans		
- repayment loans	100,473	94,676
- interest-only loans	50,615	41,277
Adjustable-rate mortgages (ARMs)		
- repayment loans	70,330	61,789
- interest-only loans	188,821	161,664
Loans with interest rate caps		
- repayment loans	41,635	48,267
- interest-only loans	57,524	65,215
Loans without interest rate caps		
- repayment loans	549	682
- interest-only loans	-	43
Total	509,946	473,613
Bond debt outstanding by region		
- Capital Region of Denmark	102,952	92,377
- Sealand Region	68,604	65,612
- North Denmark Region	75,961	70,341
- Central Denmark Region	141,914	131,568
- South Denmark Region	120,186	113,271
- Greenland	330	444
Total	509,946	473,613



Credit risk (continued)

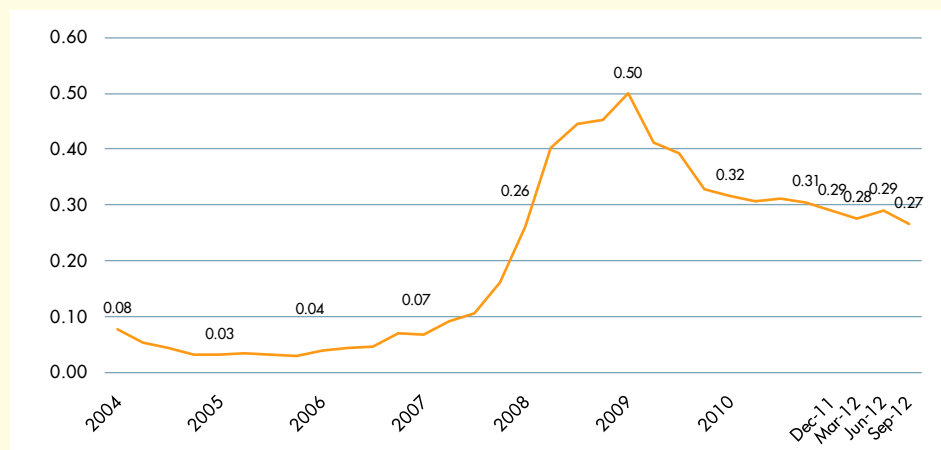
DKK MILLION

Outstanding amounts by rating category



The breakdown shows the total outstanding amounts by rating category, reflecting the probability of a customer defaulting on its obligations to Totalcredit. 10 is the highest rating.

Arrears ratio, mortgage lending – 75 days after the due date



Liquidity risk

DKK MILLION

	2012	2011
By time-to-maturity		
Receivables from credit institutions		
Demand deposits	9,692	4,665
Up to 3 months	7,850	8,800
Over 3 months and up to 1 year	3,400	1,100
Total	20,942	14,565
Mortgage loans and arrears		
Up to 3 months	4	1
Over 3 months and up to 1 year	50	22
Over 1 year and up to 5 years	996	1,010
Over 5 years	522,054	480,125
Total, cf note 11	523,104	481,158
Nykredit Realkredit A/S mortgage loan funding		
Up to 3 months	49,470	53,271
Over 3 months and up to 1 year	117,464	108,410
Over 1 year and up to 5 years	173,887	134,152
Over 5 years	179,867	166,061
Total, cf note 16	520,688	461,894
Issued bonds		
Up to 3 months	2,410	2,506
Over 3 months and up to 1 year	1,573	1,637
Over 1 year and up to 5 years	25,684	29,432
Over 5 years	29,008	44,844
Total	58,675	78,419
Set-off, self-issued bonds	(159)	(91)
Total, cf note 16	58,516	78,328

Derivative financial instruments

DKK MILLION

By time-to-maturity	Up to 3 months		Over 3 months and up to 1 year		Over 1 year and up to 5 years		Total 2012	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts								
Forwards/futures, purchased	40,609	1					40,609	1
Forwards/futures, sold	28,834	(3)	1	0			28,835	(3)
Swaps	1,770	0					1,770	0
Unsettled spot transactions	1,796	(2)					1,796	(2)
					Market value of non-guaranteed contracts		Market value	
					Positive	Negative	Positive	Negative
Interest rate contracts								
Forwards/futures, purchased					1		1	
Forwards/futures, sold						3		3
Swaps						0		0
Unsettled spot transactions					0	2		2



Financial highlights

DKK MILLION

Financial highlights	2012	2011	2010	2009	2008
Net interest and fee income	1,900	1,636	2,023	1,779	1,585
Value adjustments	(304)	(73)	(261)	200	(57)
Other operating income	1	0	2	0	2
Staff and administrative expenses	371	366	420	373	373
Depreciation and impairment losses for property, plant and equipment	0	1	1	1	2
Impairment losses on loans, advances and receivables	528	447	158	515	55
Tax	175	187	298	273	277
Profit for the year	522	562	887	817	823
Summary balance sheet, year-end					
Assets					
Receivables from credit institutions	20,942	14,565	18,111	16,112	16,283
Mortgage loans	522,980	480,993	455,846	430,710	390,451
Bonds	85,235	86,512	81,540	87,311	52,437
Remaining assets	3,240	4,327	4,894	3,762	2,167
Total assets	632,397	586,397	560,391	537,895	461,338
Liabilities and equity					
Payables to credit institutions	547,012	480,544	443,630	406,899	315,349
Issued bonds	58,516	78,328	90,193	104,789	121,243
Supplementary capital	3,100	3,100	2,600	2,600	3,600
Remaining liabilities	8,679	10,607	10,712	11,238	9,594
Equity	15,090	13,818	13,256	12,369	11,552
Total liabilities and equity	632,397	586,397	560,391	537,895	461,338
Financial ratios					
Total capital ratio, %	22.2	18.8	22.9	20.2	26.7
Tier 1 capital ratio, %	18.4	15.6	19.3	16.7	20.5
Return on equity before tax, %	4.8	5.5	9.2	9.1	9.9
Return on equity after tax, %	3.6	4.1	6.9	6.8	7.4
Income:cost ratio	1.78	1.92	3.05	2.23	3.56
Foreign exchange position, %	0.0	0.1	0.0	0.0	0.1
Total impairment provisions, %	0.2	0.1	0.1	0.1	0.1
Impairment losses for the year, %	0.1	0.1	0.0	0.1	0.1
Growth in loans and advances for the year, %	7.7	3.9	5.9	10.2	11.8
Loans and advances:equity (loan gearing)	34.7	34.8	34.4	34.8	33.8



Capital base and capital adequacy

DKK MILLION

	2012	2011
Capital base		
Tier 1 capital		
- Equity, year-end	15,090	13,818
- Capitalised tax assets	(2)	(2)
- Other deductions from Tier 1 capital	(35)	(279)
Tier 1 capital after statutory deductions	15,052	13,537
Total supplementary capital	3,100	3,100
Statutory deductions from capital base	(35)	(279)
Total capital base after statutory deductions	18,117	16,358
Capital requirements		
Credit risk	5,844	6,209
Market risk	420	475
Operational risk	265	264
Total capital requirement¹	6,529	6,948
Total risk-weighted assets	81,614	86,849
Financial ratios		
Tier 1 capital ratio, %	18.4	15.6
Total capital ratio, %	22.2	18.8
¹ The capital requirement has been determined in accordance with the transitional provisions of the Danish Executive Order on Capital Adequacy. The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. At end-2012 the capital requirement under the transitional rules came to DKK 16.8bn.		
Required capital base and capital adequacy requirement		
Pillar I – primary risk		
Credit risk	6,533	6,479
Market risk	378	812
Operational risk	214	180
Total Pillar I	7,125	7,471
Pillar II – other risk		
Weaker economic climate	738	662
Other	786	813
Total Pillar II	1,524	1,475
Total required capital base	8,649	8,946
Total risk-weighted assets	81,614	86,849
Internal capital adequacy requirement (ICAAP), %	10.6	10.3
For a more detailed description of the determination of the capital base and the internal capital adequacy requirement, please refer to the report Risk and Capital Management 2012, available at nykredit.com/reports .		

Series financial statements*

DKK MILLION

	Total- kredit in General	Capital Centre PRL	Capital Centre C	Capital Centre D	Capital Centre E	Capital Centre F	Capital Centre G	Capital Centre H	Capital Centre I	Capital Centre I	Total
Income statement											
Income from loans and advances	0	0	334	249	1,111	44	7	959	6	45	2,756
Net interest	0	0	12	5	46	5	0	19	0	2	89
Administrative expenses	(3)	0	(220)	93	(841)	(82)	0	(345)	0	(35)	(1,620)
Loan losses and provisions for loan impairment	0	0	(66)	(141)	(164)	0	0	(156)	0	0	(528)
Tax	0	0	(15)	(5)	(38)	9	(2)	(119)	(1)	(3)	(175)
Profit (loss) for the year	(3)	0	44	16	114	(26)	5	358	4	9	522
Balance sheet – assets											
Mortgage loans	22	2	56,052	39,371	187,848	6,929	3,694	219,757	2,937	6,492	523,104
Other assets	110	1	5,573	6,257	40,163	1,372	1,044	53,283	602	1,048	109,454
Total assets	131	3	61,625	45,628	228,011	8,302	4,738	273,041	3,539	7,540	632,558
Balance sheet – liabilities and equity											
Payables to credit institutions	-	-	-	41,914	221,541	7,426	3,679	262,828	3,021	6,585	546,994
Issued mortgage bonds	25	2	58,649	-	-	-	-	-	-	-	58,675
Other liabilities	0	0	604	495	3,139	114	54	4,140	44	109	8,700
Subordinated debt	13	0	433	403	1,579	50	-	589	-	33	3,100
Equity	93	1	1,939	2,816	1,753	712	1,005	5,485	474	813	15,090
Total liabilities and equity	131	3	61,625	45,628	228,011	8,302	4,738	273,041	3,539	7,540	632,558
Inflow and outflow of funds, net	62	0	44	2,016	(5,521)	(26)	1,005	2,708	474	509	1,272
The difference between the balance sheet of the Annual Report and the series financial statements may be specified as follows:											
Assets in the Annual Report											632,397
Assets in the series financial statements											632,558
Difference specified as follows:											(161)
Self-issued bonds have been offset against the liability item "Issued bonds"											(159)
Interest receivable from self-issued bonds has been offset against "Other liabilities"											(2)
Total											161

* The series financial statements have been presented in accordance with the Danish Executive Order on series financial statements of mortgage banks, no 872 of 20 November 1995. Complete series financial statements at individual series level may be obtained from Totalkredit A/S.



Loan arranging banks

Alm. Brand Bank	A/S Nørresundby Bank
A/S Arbejdernes Landsbank	Pensam Bank
BankNordik	Refsnæs Sparekasse
Borbjerg Sparekasse	Ringkjøbing Landbobank A/S
Broager Sparekasse	Rise Spare- og Lånekasse
Danske Andelskassers Bank	Rønde og Omegns Sparekasse
Den Jyske Sparekasse	Salling Bank A/S
DiBa Bank Aktieselskab	Saxo Privatbank
Djurslands Bank A/S	A/S Skjern Bank
Dragsholm Sparekasse	Spar Nord Bank A/S
Dronninglund Sparekasse	Sparekassen Balling
Fanø Sparekasse	Sparekassen Bredebro
Faster Andelskasse	Sparekassen Djursland
Flemløse Sparekasse	Sparekassen for Nørre Nebel og Omegn
Folkesparekassen	Sparekassen Faaborg A/S
Frørup Andelskasse	Sparekassen Himmerland A/S
Frøs Herreds Sparekasse	Sparekassen Hobro
Frøslev-Møllerup Sparekasse	Sparekassen Kronjylland
Fælleskassen	Sparekassen Sjælland
Hals Sparekasse	Sparekassen Thy
Handelsbanken	Sparekassen Vendsyssel
Hvidbjerg Bank Aktieselskab	Svendborg Sparekasse A/S
Jyske Bank A/S	Sydbank A/S
Klim Sparekasse	Søby Sparekasse
Kongsted Sparekasse	Sønderhå-Hørsted Sparekasse
Kreditbanken A/S	Totalbanken A/S
Københavns Andelskasse	Vestfyns Bank A/S
Langå Sparekasse	vestjyskBANK A/S
Lollands Bank A/S	Vistoft Sparekasse
Lægernes Pensions Bank	Vorbasse-Hejnsvig Sparekasse
Lån og Spar Bank A/S	Vordingborg Bank A/S
MERKUR, Den Almennyttige Andelskasse	Østjysk Bank A/S
Middelfart Sparekasse	
A/S Møns Bank	
A/S Nordfyns Bank	
Nordjyske Bank A/S	

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