

To NASDAQ OMX Copenhagen A/S  
and the press

15 May 2014

## Q1 Interim Report 2014

Totalkredit A/S

(1 January – 31 March 2014)

### Q1 – in brief

- Profit before tax came to DKK 487m against DKK 178m in Q1/2013
- Core income from business operations increased 38% to DKK 639m
- Net costs relating to supplementary collateral for SDO-funded lending dropped DKK 14m to DKK 59m
- Operating costs remained unchanged at DKK 95m
  - Costs as a percentage of core income from business operations were 16.5% compared with 24.2% in Q1/2013
- Impairment losses on loans and advances were DKK 18m against DKK 123m in Q1/2013
  - The decline was chiefly due to lower collective impairment provisions
- Investment portfolio income amounted to DKK 23m against DKK 3m in Q1/2013
- At nominal value, the loan portfolio totalled DKK 531bn, which was largely unchanged from the beginning of the year
- Totalkredit's 37.3% share of total Danish mortgage lending was unchanged from the beginning of the year.

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# Financial highlights

DKK million

	Q1/2014	Q1/2013	FY 2013
<b>Core earnings and results for the period</b>			
Core income from			
- business operations	639	463	1,957
- junior covered bonds	(59)	(73)	(313)
- securities	(2)	3	(2)
<b>Total</b>	<b>578</b>	<b>393</b>	<b>1,642</b>
Operating costs, depreciation and amortisation	95	95	397
<b>Core earnings before impairment losses</b>	<b>483</b>	<b>298</b>	<b>1,245</b>
Impairment losses on loans and advances	18	123	567
<b>Core earnings after impairment losses</b>	<b>465</b>	<b>175</b>	<b>678</b>
Investment portfolio income	23	3	76
<b>Profit before tax</b>	<b>487</b>	<b>178</b>	<b>754</b>
Tax	119	45	189
<b>Profit for the period</b>	<b>368</b>	<b>133</b>	<b>565</b>
<b>Summary balance sheet, end of period</b>	<b>31.03.2014</b>	<b>31.03.2013</b>	<b>31.12.2013</b>
<b>Assets</b>			
Receivables from credit institutions	17,672	16,718	16,263
Mortgage loans at fair value	544,361	528,658	540,670
Bonds at fair value	92,539	99,557	79,357
Remaining assets	2,971	3,045	3,534
<b>Total assets</b>	<b>657,543</b>	<b>647,978</b>	<b>639,824</b>
<b>Liabilities and equity</b>			
Payables to credit institutions	585,452	566,943	565,734
Issued bonds at fair value	44,993	54,799	46,568
Subordinated debt – Tier 2 capital	3,100	3,100	3,100
Remaining liabilities	7,976	7,913	8,767
Equity	16,022	15,223	15,655
<b>Total liabilities and equity</b>	<b>657,543</b>	<b>647,978</b>	<b>639,824</b>
<b>Financial ratios</b>			
Profit for the period as % of average equity pa	9.3	3.5	3.7
Core earnings before impairment losses as % of average equity pa	12.2	7.9	8.1
Costs as % of core income from business operations (cost:income ratio)	16.5	24.2	24.2
Impairment losses for the period, %	0.00	0.02	0.11
Total capital ratio, %	19.3	21.1	21.3
Common Equity Tier 1 (CET1) capital ratio, %	16.8	17.6	17.8
Internal capital adequacy requirement, %	9.6	10.4	10.2



# Q1 Interim Report 2014

Totalkredit posted a profit before tax of DKK 487m against DKK 178m in the same period last year. Profit after tax came to DKK 368m.

Results for Q1/2014 included an increase in income from business operations as well as reduced impairment losses on loans and advances.

## Core earnings before impairment losses

Core income from business operations amounted to DKK 639m against DKK 463m in Q1/2013. Growth in core income from business operations was attributable to the administration margin increases introduced on 1 October 2013 and a larger loan portfolio.

Administration margin income was up DKK 276m on the same period last year, whereas activity-specific income dropped by DKK 18m owing to lower lending activity. Commission expenses grew by DKK 80m.

Net interest expenses for junior covered bonds came to DKK 59m against DKK 73m in Q1/2013.

Core income from securities was a loss of DKK 2m in Q1/2014 against income of DKK 3m in the same period last year. Core income from securities further included interest expenses of DKK 13m relating to Tier 2 capital.

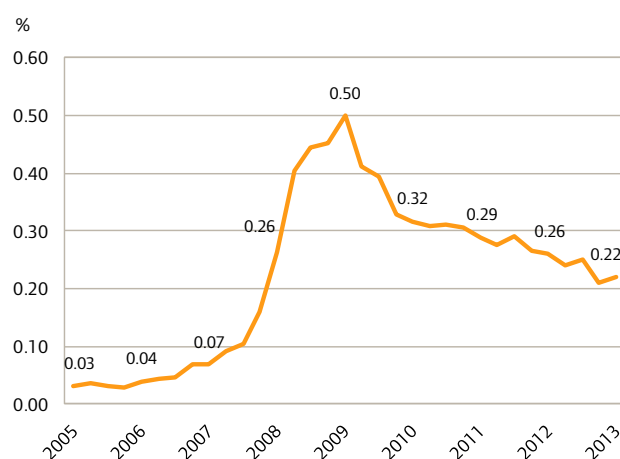
Operating costs were unchanged at DKK 95m compared with the same period last year.

Core earnings before impairment losses came to DKK 483m against DKK 298m in Q1/2013.

## Impairment losses on loans and advances

Impairment losses on loans and advances totalled DKK 18m against DKK 123m in the same period last year. In Q1/2014, impairment losses equalled 0.00% of lending compared with 0.02% in Q1/2013. The decline was chiefly due to lower collective impairment provisions.

## Arrears ratio, mortgage lending – 75 days past due



Write-offs for the period totalled DKK 166m, of which DKK 75m was covered by the partner banks by set-off against commission payable or by guarantee.

Impairment provisions totalled DKK 1,099m against DKK 1,174m at the beginning of the year. Total impairment provisions equalled 0.21% of lending.

Individual impairment provisions stood at DKK 442m and collective impairment provisions at DKK 656m.

The arrears ratio measured as at the December due date, 75 days past due, was 0.22%, which was also the level of the previous due date.

In Q1/2014, 34 properties were acquired by public auction and 26 properties were sold. At end-Q1/2014, the portfolio of repossessed properties stood at 55 against 47 at the beginning of the year.

## Investment portfolio income

Investment portfolio income was DKK 23m against DKK 3m in the same period last year.

## Loans and advances

Gross new lending came to DKK 13bn against DKK 18bn in Q1/2013.

At nominal value, the loan portfolio totalled DKK 531bn against DKK 532bn at the beginning of the year.

Measured by loan portfolio, Totalkredit's market share was 37.3% at end-Q1/2014.

## Loan-to-value ratios (LTVs)

The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, was 78% at end-Q1/2014.

For the part of the loan portfolio funded by SDOs (Danish covered bonds) and for which LTV ratios exceed the statutory LTV limits of 80% for private residential property and 60% for holiday homes, supplementary collateral must be provided to bondholders. In the first three months of the year, the supplementary collateral requirement averaged DKK 26.3bn.

Totalkredit raises supplementary collateral by investing part of its own funds or any borrowed funds, primarily proceeds from issued junior covered bonds, in particularly secure assets.

## Balance sheet

At end-Q1/2014, the balance sheet stood at DKK 658bn against DKK 640bn at the beginning of the year.

Assets essentially consisted of three items: receivables from credit institutions of DKK 18bn, mortgage lending of DKK 545bn and a bond portfolio of DKK 93bn.

Liabilities essentially consisted of payables to the Parent Company, Nykredit Realkredit A/S, totalling DKK 585bn, of which DKK 558bn



related to the funding of mortgage loans and DKK 27bn related to supplementary collateral for SDO-funded lending.

At end-Q1/2014, Totalkredit had issued own bonds of DKK 45bn.

Equity including profit for the period totalled DKK 16.0bn at end-Q1/2014.

## Capital and capital adequacy

Own funds (previously referred to as the capital base) stood at DKK 18.2bn, and the risk exposure amount (previously referred to as risk-weighted assets) totalled DKK 94.0bn, corresponding to a total capital ratio of 19.3%.

The Common Equity Tier 1 (CET1) capital came to DKK 15.8bn, corresponding to a CET1 capital ratio of 16.8% at end-Q1/2014.

Under the Basel I transitional rules, the risk exposure amount came to DKK 217.1bn, equal to a total capital ratio of at least 18.5%. The Basel I transitional rules have been extended to 2015 inclusive, but are expected to be further extended to 2019, at which time the new capital requirements will be fully implemented.

Totalkredit applies Nykredit's advanced internal models (IRB) for determination of risk exposures relating to credit risk. The standardised approach is used to determine risk exposures relating to market risk, and risk exposures relating to operational risk is determined using the basic indicator approach.

The internal capital adequacy requirement (ICAAP) is calculated on the basis of the required own funds (previously referred to as the required capital base), which is the minimum capital required, in Management's judgement, to cover all significant risks. At end-Q1/2014, required own funds totalled DKK 9.0bn, equal to an internal capital adequacy requirement of 9.6%.

<b>Totalkredit</b>				
<b>Capital and capital adequacy</b>				
DKK million	01.03.2014	2013	2012	
Credit risk	88,715	82,155	73,050	
Market risk	2,268	2,476	5,248	
Operational risk	3,049	3,077	3,316	
<b>Total risk exposure amount</b>	<b>94,031</b>	<b>87,708</b>	<b>81,614</b>	
Equity	16,022	15,655	15,090	
CET1 capital deductions	(187)	(34)	(37)	
<b>CET1 capital</b>	<b>15,836</b>	<b>15,621</b>	<b>15,052</b>	
Tier 2 capital	2,480	3,100	3,100	
Tier 2 capital deductions	(121)	(32)	(35)	
<b>Own funds</b>	<b>18,195</b>	<b>18,689</b>	<b>18,117</b>	
CET1 capital ratio, %	16.8	17.8	18.4	
Total capital ratio, %	19.3	21.3	22.2	
Internal capital adequacy requirement (Pillar I and Pillar II), %	9.6	10.2	10.6	

## Credit 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 through capital centres which are rated AAA by Standard & Poor's.

The covered bonds issued by Totalkredit through Capital Centre C are also rated AAA by Standard & Poor's. The Capital Centre is not open for new lending.

## Other

### Jyske Bank's exit from Totalkredit partnership

Jyske Bank is considered to have exited the partnership as from mid-March 2014.

Customers of Jyske Bank may still raise Totalkredit loans – either through Jyske Bank or directly from Totalkredit.

Jyske Bank has currently referred customers to Totalkredit corresponding to lending of some DKK 82bn. Customers' loans or terms and conditions will not be affected by the changed relationship. Going forward, Totalkredit will offer relevant customers advisory services from Totalkredit, and Totalkredit will handle any loan losses as well as the loss risk. As from mid-March, no distribution commission will be paid to Jyske Bank in accordance with existing agreements.

Totalkredit expects that Jyske Bank will encourage the refinancing of the majority of the loans into loans granted directly by Jyske Bank or one of the group's companies. For the full year 2014, the net impact of the changed contractual terms as well as the refinancing of loans is estimated to be a DKK 100m rise in Totalkredit's results.

Until a new decision has been made, Jyske Bank has full access to the advisory functionalities of Totalkredit's mortgage lending system, the Xportal, irrespective of whether these loans are offered by Totalkredit or other providers.

### Changes to the Board of Directors

At the annual general meeting held on 18 March 2014, Michael Rasmussen, Group Chief Executive, and Bente Overgaard, Group Managing Director, were elected Chairman and member of the Board of Directors, respectively. On the same occasion, Lars Holst, Executive Vice President, retired from the Board of Directors.

### Uncertainty as to recognition and measurement

The measurement of certain assets and liabilities is based on accounting estimates made by the Company Management.

The areas in which assumptions and estimates material to the financial statements have been made comprise provisions for loan and receivable impairment as well as other provisions, cf the mention in the Annual Report 2013.

Uncertainty as to recognition and measurement is described in detail in the company's accounting policies (note 1 of the Annual Report 2013), to which reference is made.



#### **Outlook for 2014**

Based on development in Q1/2014, a favourable earnings impact of approximately DKK 100m is expected for 2014 as a whole compared with Totalkredit's guidance at the 2013 full-year results.

#### **Events occurred after the end of the financial period**

No material events have occurred in the period from the balance sheet date up to the presentation of the Q1 Interim Report that may affect the assessment of the Interim Report.

#### **Accounting policies**

The Q1 Interim Report 2014 has been prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

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

The accounting policies are unchanged compared with the Annual Report 2013. For a description, please refer to the Annual Report 2013.



# Statement by the Board of Directors and the Executive Board on the Interim Report

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 31 March 2014 of Totalkredit A/S.

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

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

Taastrup, 15 May 2014

## Executive Board

Troels Bülow-Olsen

Allan Rømer

We are of the opinion that the Interim Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 31 March 2014 and of the results of the Company's operations and cash flows for the financial period 1 January – 31 March 2014.

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 Interim Report has not been audited or reviewed.

## Board of Directors

Michael Rasmussen,  
Chairman

Claus E. Petersen,  
Deputy Chairman

Jette Alsig Bargholz

Petter Blondeau

Kim Duus

Karen Frøsig

Søren Holm

Michael Holm Jensen

Jari Loch Jensen

Gert Jonassen

Merete Nilausen

Bente Overgaard



# Income statement for 1 January – 31 March

DKK million

	Note	Q1/2014	Q1/2013
Interest income	1	4,334	4,104
Interest expenses	2	3,254	3,306
<b>Net interest income</b>		<b>1,080</b>	<b>798</b>
Fee and commission income	3	68	86
Fee and commission expenses	4	532	470
<b>Net interest and fee income</b>		<b>616</b>	<b>414</b>
Value adjustments	5	(15)	(18)
Other operating income		0	0
Staff and administrative expenses	6	95	95
Depreciation and impairment losses for property, plant and equipment		0	0
Impairment losses on loans, advances and receivables	7	18	123
<b>Profit before tax</b>		<b>487</b>	<b>178</b>
Tax		119	45
<b>Profit for the period</b>		<b>368</b>	<b>133</b>
<b>Comprehensive income</b>			
Profit for the period		368	133
Other comprehensive income		-	-
<b>Comprehensive income for the period</b>		<b>368</b>	<b>133</b>



# Balance sheet, end of period

DKK million

	Note	31.03.2014	31.12.2013
<b>ASSETS</b>			
Cash balances and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	8	17,672	16,263
Loans, advances and other receivables at fair value	9	544,525	540,751
Loans, advances and other receivables at amortised cost	9	36	36
Bonds at fair value	10	92,539	79,357
Other property, plant and equipment		-	-
Current tax assets		-	38
Deferred tax assets		2	2
Assets in temporary possession	11	37	28
Other assets	12	2,721	3,342
Deferred income		10	7
<b>Total assets</b>		<b>657,543</b>	<b>639,824</b>
<b>LIABILITIES AND EQUITY</b>			
Payables to credit institutions	13	585,452	565,734
Issued bonds at fair value	14	44,993	46,568
Current tax liabilities		31	-
Other liabilities	15	7,940	8,762
<b>Total payables</b>		<b>638,416</b>	<b>621,064</b>
Provisions		6	6
Subordinated debt – Tier 2 capital	16	3,100	3,100
<b>Equity</b>			
Share capital		848	848
<b>Reserves</b>			
Series reserves		1,646	1,646
Other reserves		13,161	13,161
Retained earnings for the period		368	-
<b>Total equity</b>		<b>16,022</b>	<b>15,655</b>
<b>Total liabilities and equity</b>		<b>657,543</b>	<b>639,824</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Guarantees	17	0	0
Other commitments		10	10
<b>Total</b>		<b>10</b>	<b>10</b>





# Statement of changes in equity

DKK million

	Share capital	Series reserves	Other reserves	Total
<b>Equity, 1 January 2014</b>	<b>848</b>	<b>1,646</b>	<b>13,161</b>	<b>15,655</b>
Profit for the period	-	-	368	368
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>368</b>	<b>368</b>
<b>Equity, 31 March 2014</b>	<b>848</b>	<b>1,646</b>	<b>13,529</b>	<b>16,022</b>
<b>Equity, 1 January 2013</b>	<b>848</b>	<b>1,646</b>	<b>12,596</b>	<b>15,090</b>
Profit for the period	-	-	133	133
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>133</b>
<b>Equity, 31 March 2013</b>	<b>848</b>	<b>1,646</b>	<b>12,729</b>	<b>15,223</b>

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

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 cover regulatory 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

	31.03.2014	31.03.2013
<b>Profit after tax for the period</b>	<b>368</b>	<b>133</b>
<b>Adjustment for non-cash operating items, depreciation and impairment losses</b>		
Depreciation and impairment losses for property, plant and equipment	0	0
Impairment losses on loans and advances	18	123
Prepayments/deferred income, net	(4)	(5)
Tax calculated on profit for the period	119	45
Other adjustments	(10)	(3)
<b>Total</b>	<b>124</b>	<b>159</b>
<b>Profit for the period adjusted for non-cash operating items</b>	<b>492</b>	<b>292</b>
<b>Change in working capital</b>		
Loans and advances	(3,792)	(5,807)
Deposits and payables to credit institutions	19,717	19,931
Issued covered bonds	(1,575)	(3,716)
Other working capital	(200)	(576)
<b>Total</b>	<b>14,150</b>	<b>9,832</b>
<b>Corporation tax paid, net</b>	<b>(51)</b>	<b>(26)</b>
<b>Cash flows from operating activities</b>	<b>14,591</b>	<b>10,098</b>
<b>Cash flows from investing and financing activities</b>		
Investments	(13,182)	(14,323)
<b>Total</b>	<b>(13,182)</b>	<b>(14,323)</b>
<b>Total cash flows</b>	<b>1,409</b>	<b>(4,225)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,263</b>	<b>20,942</b>
<b>Cash and cash equivalents, end of period</b>	<b>17,672</b>	<b>16,717</b>



# Notes

DKK million

	Q1/2014	Q1/2013
<b>1. INTEREST INCOME</b>		
Receivables from credit institutions	6	9
Loans, advances and other receivables	3,124	3,144
Administration margin (income)	1,034	758
Bonds:		
- Self-issued covered bonds	5	1
- Other covered bonds	140	169
Derivative financial instruments		
- Interest rate contracts	30	24
<b>Total</b>	<b>4,339</b>	<b>4,105</b>
Interest from self-issued covered bonds has been offset against interest expenses – note 2	(5)	(1)
<b>Total</b>	<b>4,334</b>	<b>4,104</b>
<b>2. INTEREST EXPENSES</b>		
Nykredit Realkredit A/S mortgage loan funding	2,856	2,810
Issued bonds	262	326
Other payables to Nykredit Realkredit A/S	129	158
Subordinated debt	12	13
Other interest expenses	0	0
<b>Total</b>	<b>3,259</b>	<b>3,307</b>
Set-off of interest from self-issued covered bonds – note 1	(5)	(1)
<b>Total</b>	<b>3,254</b>	<b>3,306</b>
<b>3. FEE AND COMMISSION INCOME</b>		
Loan fees, new lending	40	55
Trading commission and other fees	28	31
<b>Total</b>	<b>68</b>	<b>86</b>
<b>4. FEE AND COMMISSION EXPENSES</b>		
Loan arrangement fees	32	44
Commission to loan arrangers	465	385
Trading commission and other fees	35	41
<b>Total</b>	<b>532</b>	<b>470</b>
<b>5. VALUE ADJUSTMENTS</b>		
Mortgage loans	4,642	340
Bonds	(18)	9
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	30	(54)
Other liabilities	(27)	27
Issued bonds, including bonds issued by Nykredit Realkredit A/S in connection with the funding of mortgage loans granted by Totalkredit A/S	(4,642)	(340)
<b>Total</b>	<b>(15)</b>	<b>(18)</b>



# Notes

DKK million

	Q1/2014	Q1/2013
<b>6. STAFF AND ADMINISTRATIVE EXPENSES</b>		
Remuneration of Board of Directors and Executive Board	1	1
Staff expenses	19	20
Administrative expenses	75	74
<b>Total</b>	<b>95</b>	<b>95</b>
<b>Remuneration of Board of Directors and Executive Board</b>		
<b>Board of Directors:</b>		
Remuneration	0	0
<b>Executive Board:</b>		
Salaries	1	1
Pensions	0	0
Other social security expenses and charges	0	0
<b>Total</b>	<b>1</b>	<b>1</b>
<b>Staff expenses:</b>		
Salaries	16	15
Pensions	1	2
Other social security expenses and charges	2	3
<b>Total</b>	<b>19</b>	<b>20</b>
<b>Number of staff</b>		
Average number of staff, full-time equivalents	128	132
<b>7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>		
Change in individual impairment provisions for loans and advances	116	124
Change in collective impairment provisions for loans and advances	(46)	23
Write-offs for the period, net	18	47
Recoveries of claims previously written off	(3)	(1)
<b>Total impairment losses on loans, advances and receivables</b>	<b>85</b>	<b>193</b>
Value adjustment of assets in temporary possession	8	(2)
Losses covered by security from partner banks	(75)	(68)
<b>Total</b>	<b>18</b>	<b>123</b>
<b>Specification of provisions for loan impairment</b>		
Individual impairment provisions	442	459
Collective impairment provisions	656	468
<b>Total impairment provisions</b>	<b>1,099</b>	<b>927</b>
<b>Individual impairment provisions</b>		
Impairment provisions, beginning of period	472	458
Impairment provisions for the period	198	189
Impairment provisions reversed	(82)	(65)
Value adjustment of repossessed properties	(24)	(20)
Impairment provisions written off	(121)	(103)
<b>Impairment provisions, end of period</b>	<b>442</b>	<b>459</b>
<b>Collective impairment provisions</b>		
Impairment provisions, beginning of period	702	446
Impairment provisions for the period, net	(46)	22
<b>Impairment provisions, end of period</b>	<b>656</b>	<b>468</b>



# Notes

DKK million

	Q1/2014	Q1/2013
<b>7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)</b>		
<b>Individual impairment provisions for repossessed properties</b>		
Impairment provisions, beginning of period	104	128
Transfer from non-repossessed properties	24	20
Impairment provisions for the period	11	16
Impairment provisions reversed	(3)	(18)
Impairment provisions written off	(27)	(8)
<b>Impairment provisions, end of period</b>	<b>109</b>	<b>138</b>
<b>Specification of loans and advances</b>		
Loans and advances subject to individual impairment	1,914	2,189
Impairment provisions	(442)	(459)
<b>Loans and advances after impairment provisions</b>	<b>1,472</b>	<b>1,730</b>
Loans and advances subject to collective impairment	29,901	24,739
Impairment provisions	(656)	(468)
<b>Loans and advances after impairment provisions</b>	<b>29,245</b>	<b>24,271</b>



# Notes

DKK million

	31.03.2014	31.12.2013
<b>8. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
Receivables from credit institutions	17,672	16,263
<b>9. LOANS AND ADVANCES</b>		
Loans, advances and other receivables at fair value	544,525	540,751
Loans, advances and other receivables at amortised cost	36	36
<b>Total</b>	<b>544,561</b>	<b>540,787</b>
<b>Loans, advances and other receivables at fair value</b>		
Mortgage loans	544,334	540,643
Receivables from lending secured on non-repossessed properties	191	108
<b>Total</b>	<b>544,525</b>	<b>540,751</b>
<b>Mortgage loans</b>		
Balance, beginning of period, nominal value	532,487	509,915
New loans	12,890	71,694
Ordinary principal payments	(1,256)	(6,113)
Prepayments and extraordinary principal payments	(12,737)	(43,009)
<b>Balance, end of period, nominal value</b>	<b>531,384</b>	<b>532,487</b>
Loans transferred relating to properties in temporary possession	(22)	(49)
Fair value adjustment	13,958	9,285
<b>Adjustment for credit risk</b>		
Individual impairment provisions	(330)	(378)
Collective impairment provisions	(656)	(702)
<b>Balance, end of period, fair value</b>	<b>544,334</b>	<b>540,643</b>
<b>Receivables from lending secured on non-repossessed properties</b>		
Arrears before impairment provisions	111	111
Outlays before impairment provisions	192	91
Provisions for arrears and outlays	(112)	(94)
<b>Total</b>	<b>191</b>	<b>108</b>
<b>Loans, advances and other receivables at amortised cost</b>		
Mortgage loans	27	27
Other loans and advances	9	9
<b>Total</b>	<b>36</b>	<b>36</b>
Measured at fair value, the item amounted to DKK 36m at end-Q1/2014 and DKK 36m at end-2013.		
<b>Mortgage loan guarantees provided by banks:</b>		
Supplementary guarantees in addition to mortgages over real estate	8,192	8,126
Statutory guarantees for interim loans	9,635	10,240
Guarantees for loans disbursed before obtaining a registered mortgage	7,654	9,992
<b>Total</b>	<b>25,481</b>	<b>28,358</b>



# Notes

DKK million

	31.03.2014	31.12.2013
<b>10. BONDS AT FAIR VALUE</b>		
- Self-issued covered bonds	2,272	2,293
- Other covered bonds	92,539	79,357
<b>Total</b>	<b>94,811</b>	<b>81,650</b>
Set-off against "Issued bonds at fair value" – note 14	(2,272)	(2,293)
<b>Total bonds</b>	<b>92,539</b>	<b>79,357</b>
<b>Of which:</b>		
Redeemed bonds	115	130
<b>11. ASSETS IN TEMPORARY POSSESSION</b>		
Debt outstanding, end of period	13	22
Outlays	81	49
Impairment provisions, end of period	(57)	(43)
<b>Total</b>	<b>37</b>	<b>28</b>
<b>12. OTHER ASSETS</b>		
Positive market value of derivative financial instruments	95	166
Interest and commission receivable on loans and advances	1,396	2,051
Interest receivable from bonds and credit institutions	1,209	1,082
Remaining assets	21	43
<b>Total</b>	<b>2,721</b>	<b>3,342</b>
<b>13. PAYABLES TO CREDIT INSTITUTIONS</b>		
Payables to credit institutions, other payables	48	39
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	27,335	27,129
Mortgage loan funding through Nykredit Realkredit A/S	558,069	538,567
<b>Total</b>	<b>585,452</b>	<b>565,735</b>
<b>Of which mortgage loan funding through Nykredit Realkredit A/S</b>		
Balance, beginning of period, nominal value	531,233	509,138
Additions	57,403	211,655
Redemptions and prepayments	(40,861)	(183,762)
Prepayments and extraordinary principal payments	(1,483)	(5,798)
<b>Balance, end of period, nominal value</b>	<b>546,292</b>	<b>531,233</b>
Fair value adjustment	11,777	7,334
<b>Total</b>	<b>558,069</b>	<b>538,567</b>
<b>14. ISSUED BONDS AT FAIR VALUE</b>		
Covered bonds issued against mortgages over real estate		
Balance, beginning of period, nominal value	46,909	56,366
Additions	-	-
Redemptions and prepayments	(1,437)	(7,472)
Prepayments and extraordinary principal payments	(390)	(1,985)
<b>Balance, end of period</b>	<b>45,082</b>	<b>46,909</b>
Set-off of self-issued bonds	(2,272)	(2,293)
Fair value adjustment	2,183	1,952
<b>Total</b>	<b>44,993</b>	<b>46,568</b>
Bonds redeemed at next creditor payment date	1,397	1,254



# Notes

DKK million

	31.03.2014	31.12.2013
<b>15. OTHER LIABILITIES</b>		
Interest payable on issued covered bonds, including bonds issued by Nykredit Realkredit A/S for the funding of mortgage lending by Totalkredit A/S	6,917	7,104
Negative market value of derivative financial instruments	71	168
Remaining liabilities	952	1,490
<b>Total</b>	<b>7,940</b>	<b>8,762</b>
<b>16. SUBORDINATED DEBT</b>		
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met. Nykredit Realkredit A/S is creditor on the loans. Subordinated debt is included in Totalkredit's own funds in accordance with the EU's Capital Requirements Regulation (CRR).		
Nom DKK 2,600m. The loan falls due at par (100) on 24 June 2018 and carries an interest rate of 0.45% pa above 3M Cibur.		
Nom DKK 500m. The loan falls due at par (100) on 1 December 2018 and carries an interest rate of 6.00% pa above 3M Cibur.		
Measured at fair value, the two loans total DKK 3,100m.		
<b>17. OFF-BALANCE SHEET ITEMS</b>		
<b>Guarantees</b>		
Financial guarantees	0	0
Total guarantees	0	0
<b>Other commitments</b>		
Other liabilities	10	10
Total other commitments	10	10
<b>Total off-balance sheet items</b>	<b>10</b>	<b>10</b>





# Notes

## 18. 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 with Nykredit are based on agreements, and no unusual related party transactions have occurred in 2014.

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

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

Significant related party transactions prevailing/entered into in 2014 include:

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

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

Framework agreements on the terms applicable to transactions in the securities area, including portfolio management.

Agreement on joint funding of mortgage lending.

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

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

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

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



# Capital and capital adequacy

DKK million

	31.03.2014	31.12.2013
<b>Own funds</b>		
Equity, end of period	16,022	15,655
Difference between expected losses and impairment losses	(303)	(32)
Other deductions	(126)	(2)
Transitional adjustment of deductions	242	-
<b>Common Equity Tier 1 (CET1) capital</b>	<b>15,836</b>	<b>15,621</b>
Transitional adjustment of deductions	(121)	-
Set-off of excess deduction	121	-
Tier 2 capital (incl transitional adjustments)	2,480	3,100
Tier 2 deductions	(121)	(32)
<b>Own funds</b>	<b>18,195</b>	<b>18,689</b>
<b>Capital requirement</b>		
Credit risk	7,097	6,573
Market risk	181	198
Operational risk	244	246
<b>Total capital requirement<sup>1</sup></b>	<b>7,522</b>	<b>7,017</b>
<b>Total risk exposure amount</b>	<b>94,031</b>	<b>87,708</b>
<b>Financial ratios</b>		
Common Equity Tier 1 (CET1) capital ratio, %	16.8	17.8
Total capital ratio, %	19.3	21.3
<sup>1</sup> The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the EU's Capital Requirements Regulation (CRR). The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. At end-Q1/2014, the capital requirement under the transitional rules was DKK 17.4bn.		
<b>Required own funds and internal capital adequacy requirement</b>		
<b>Pillar I – primary risk</b>		
Credit risk	6,805	6,806
Market risk	294	239
Operational risk	194	183
<b>Total Pillar I</b>	<b>7,294</b>	<b>7,227</b>
<b>Pillar II – other risk</b>		
Weaker economic climate	882	904
Other factors	818	813
<b>Total Pillar II</b>	<b>1,700</b>	<b>1,717</b>
<b>Total required own funds</b>	<b>8,993</b>	<b>8,945</b>
<b>Total risk exposure amount</b>	<b>94,031</b>	<b>87,708</b>
<b>Internal capital adequacy requirement (ICAAP), %</b>	<b>9.6</b>	<b>10.2</b>
Capital and capital adequacy have been determined in accordance with Capital Requirements Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and the Council as well as the Danish transitional rules laid down by the Danish FSA.		
The European Banking Authority (EBA) publishes technical standards for the determination of capital and the risk exposure amount. However, several technical standards have not been finally adopted. The final standards may contain provisions that will result in changes to the statements.		
The statements as at 31 December 2013 were based on the then applicable rules of the Danish Financial Business Act. The layout has been adjusted to reflect the new presentation format.		



## Five-year financial highlights

DKK million

	Q1/2014	Q1/2013	Q1/2012	Q1/2011	Q1/2010
<b>INCOME STATEMENT</b>					
Net interest income	1,080	798	717	682	705
Net fee income	(464)	(384)	(266)	(277)	(238)
<b>Net interest and fee income</b>	<b>616</b>	<b>414</b>	<b>451</b>	<b>405</b>	<b>467</b>
Value adjustments	(15)	(18)	(23)	(55)	13
Other operating income	0	0	0	0	0
Staff and administrative expenses	95	95	102	97	112
Depreciation and impairment losses for property, plant and equipment	0	0	0	0	0
Impairment losses on loans, advances and receivables	18	123	152	50	(20)
<b>Profit before tax</b>	<b>487</b>	<b>178</b>	<b>175</b>	<b>203</b>	<b>388</b>
Tax	119	45	44	51	97
<b>Profit for the period</b>	<b>368</b>	<b>133</b>	<b>131</b>	<b>152</b>	<b>291</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>					
	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
<b>ASSETS</b>					
Receivables from credit institutions	17,672	16,718	26,000	11,239	16,521
Mortgage loans	544,361	528,658	486,676	454,276	439,094
Bonds at fair value	92,539	99,557	89,315	61,965	50,366
Remaining assets	2,971	3,045	3,666	3,602	2,787
<b>Total assets</b>	<b>657,543</b>	<b>647,978</b>	<b>605,657</b>	<b>531,082</b>	<b>508,768</b>
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions	585,452	566,943	505,019	422,776	383,918
Issued bonds	44,993	54,799	74,150	83,109	100,933
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	2,600	2,600
Remaining liabilities	7,976	7,913	9,439	9,189	8,657
Equity	16,022	15,223	13,949	13,408	12,660
<b>Total liabilities and equity</b>	<b>657,543</b>	<b>647,978</b>	<b>605,657</b>	<b>531,082</b>	<b>508,768</b>
<b>FINANCIAL RATIOS</b>					
Profit for the period as % of average equity	2.3	0.9	0.9	1.1	2.3
Profit before tax for the period as % of average equity	3.1	1.2	1.3	1.5	3.1
Loans and advances:equity	34.0	34.7	34.9	33.9	34.7
Growth in loans and advances for the period, %	(0.2)	1.1	1.2	0.9	1.1
Impairment losses for the period, %	0.00	0.02	0.03	0.01	0.00
Total capital ratio, %	19.3	21.1	17.9	24.0	26.1
Common Equity Tier 1 (CET1) capital ratio, %	16.8	17.6	14.8	20.2	21.7
Average number of full-time staff	128	132	115	123	122



# Six-quarter financial highlights

DKK million

	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012
<b>CORE EARNINGS AND RESULTS FOR THE PERIOD</b>						
<b>Core income from</b>						
- business operations	639	618	470	406	463	446
- junior covered bonds	(59)	(79)	(83)	(78)	(73)	(71)
- securities	(2)	(2)	(3)	0	3	(3)
<b>Total</b>	<b>578</b>	<b>537</b>	<b>384</b>	<b>328</b>	<b>393</b>	<b>372</b>
Operating costs, depreciation and amortisation	95	104	92	106	95	84
<b>Core earnings before impairment losses</b>	<b>483</b>	<b>433</b>	<b>292</b>	<b>222</b>	<b>298</b>	<b>288</b>
Impairment losses on loans and advances	18	232	90	122	123	84
<b>Core earnings after impairment losses</b>	<b>465</b>	<b>201</b>	<b>202</b>	<b>100</b>	<b>175</b>	<b>203</b>
Investment portfolio income	23	7	48	18	3	(59)
<b>Profit before tax</b>	<b>487</b>	<b>208</b>	<b>250</b>	<b>118</b>	<b>178</b>	<b>145</b>
Tax	119	52	63	29	45	37
<b>Profit for the period</b>	<b>368</b>	<b>156</b>	<b>187</b>	<b>89</b>	<b>133</b>	<b>108</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>						
<b>ASSETS</b>	31.03.2014	31.12.2013	30.09.2013	30.06.2013	31.03.2013	31.12.2012
Receivables from credit institutions	17,672	16,263	17,913	14,559	16,718	20,942
Mortgage loans	544,361	540,670	535,768	531,185	528,658	522,980
Bonds at fair value	92,539	79,357	109,151	50,393	99,557	85,235
Remaining assets	2,971	3,534	4,246	3,577	3,045	3,240
<b>Total assets</b>	<b>657,543</b>	<b>639,824</b>	<b>667,078</b>	<b>599,714</b>	<b>647,978</b>	<b>632,397</b>
<b>LIABILITIES AND EQUITY</b>						
Payables to credit institutions	585,452	565,734	590,041	521,723	566,943	547,012
Issued bonds	44,993	46,568	48,603	52,371	54,799	58,516
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	3,100	3,100	3,100
Remaining liabilities	7,976	8,767	9,836	7,209	7,913	8,679
Equity	16,022	15,655	15,498	15,311	15,223	15,090
<b>Total liabilities and equity</b>	<b>657,543</b>	<b>639,824</b>	<b>667,078</b>	<b>599,714</b>	<b>647,978</b>	<b>632,397</b>
<b>FINANCIAL RATIOS</b>						
Profit for the period as % of average equity pa	9.3	4.0	4.8	2.3	3.5	2.9
Core earnings after impairment losses as % of average equity pa	11.7	5.2	5.3	2.6	4.6	5.4
Costs as % of core income	16.5	19.4	24.0	32.4	24.2	22.6
Impairment losses for the period, %	0.00	0.05	0.02	0.02	0.02	0.02
Total capital ratio, %	19.3	21.3	21.9	21.9	21.1	22.2
Common Equity Tier 1 (CET1) capital ratio, %	16.8	17.8	18.3	18.3	17.6	18.4

This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.