

Annual Report 2013





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Management and company information

BOARD OF DIRECTORS

Søren Holm, Chairman

Group Managing Director,
Nykredit Realkredit A/S

Year of birth: 1956
Joined the Board on 19 August 2009

Managing Director of:
Nykredit Holding A/S

Chairman of:
Nykredit Administration V A/S

Director of:
Ejendomsselskabet Kalvebod A/S
JN Data A/S
Nykredit Bank A/S
Nykredit Mægler A/S
Realkreditrådet
VP Securities A/S (joined in 2013)

Claus E. Petersen, Deputy Chairman

CEO, Den Jyske Sparekasse

Year of birth: 1961
Joined the Board on 2 March 2012

Chairman of:
DJS Leasing A/S
Finanshuset Farsø Pantebrevsselskab A/S
Foreningen Lokale Pengeinstitutter
PRAS A/S

Director of:
Amanah Kredit A/S
Den Jyske Sparekasses Gavefond
Det Private Beredskab
Finansrådet
HN Invest Tyskland 1 A/S
Nykredit Holding A/S
Spar Pantebrevsinvest A/S
Værdiansættelsesrådet

Gert Jonassen

CEO, Arbejdernes Landsbank A/S

Year of birth: 1959
Joined the Board on 27 March 2007

Chairman of:
AL Finans A/S
Foreningen Bankernes EDB Central

Director of:
Bluegarden A/S
Bluegarden Holding A/S
Finanssektorens Uddannelsescenter
Kooperationen
LR Realkredit A/S
Nets Holding A/S
PensionDanmark Holding A/S
PensionDanmark Pensionsforsikringsaktieselskab
Regionale Bankers Forening

Member of the Executive Board:
Handels ApS Panoptikon

Karen Frøsig

Managing Director, Sydbank A/S

Year of birth: 1958
Joined the Board on 13 May 2008

Chairman of:
Bogføringsforeningen bankdata
Ejendomsselskabet af 1. juni 1968 A/S
Regionale Bankers Forening

Director of:
BI Holding A/S
DLR Kredit A/S
Finansrådet
PRAS A/S

Kim Duus

Group Managing Director,
Nykredit Realkredit A/S

Year of birth: 1956
Joined the Board on 19 August 2009

Managing Director of:
Nykredit Holding A/S

Director of:
Nykredit Bank A/S
Nykredit Portefølje Administration A/S

**Lars Holst**

Executive Vice President, Nykredit Realkredit A/S

Year of birth: 1952

Joined the Board on 19 August 2009

Managing Director of:
Ejendomsselskabet Kalvebod A/S

Petter Blondeau

Managing Director, Fynske Bank

Year of birth: 1959

Joined the Board on 5 November 2012

Director of:
Finansrådet
Finanssektorens Uddannelsescenter
Frisensgårdsvej A/S
Leasing Fyn bank A/S
Leasing Fyn Svendborg A/S
Lokale Pengeinstitutter
Poulsgade A/S
PRAS A/S
Regional Invest Fyn A/S
Strandbygade A/S
Sparekassekollegiet A/S

Jette Alsig Bargholz*

Adviser

Merete Nilausen*

Senior Project Consultant

Jari Loch Jensen*

Senior Specialist

Michael Holm Jensen*

Team Manager

* Staff-elected member

EXECUTIVE BOARD

Troels Bülow-Olsen, Managing Director
Joined the Executive Board on 1 October 2007

Director of:
Nykredit Mægler A/S

Allan Rømer, Managing Director
Joined the Executive Board on 1 August 2013

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

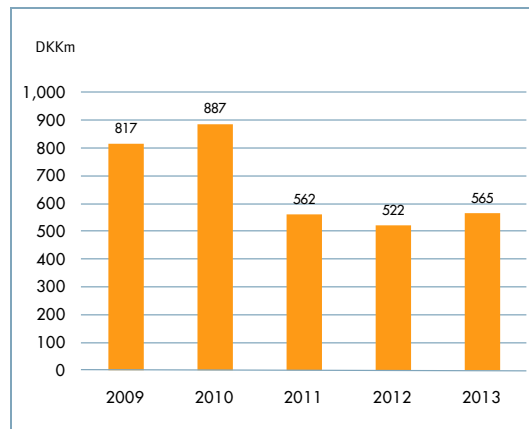
DKK MILLION

	2013	2012	2011	2010	2009
CORE EARNINGS AND PROFIT FOR THE YEAR					
Core income from					
- business operations	1,957	1,753	1,316	1,437	1,380
- junior covered bonds	(313)	(234)	(91)	(34)	(2)
- securities	(2)	21	156	123	181
Total	1,642	1,540	1,381	1,526	1,559
Operating costs, depreciation and amortisation	397	371	367	420	374
Core earnings before impairment losses	1,245	1,169	1,014	1,106	1,185
Impairment losses on loans and advances	567	528	447	158	515
Core earnings after impairment losses	678	641	567	948	670
Investment portfolio income	76	56	182	237	420
Profit before tax	754	697	749	1,185	1,090
Tax	189	175	187	298	273
Profit for the year	565	522	562	887	817
SUMMARY BALANCE SHEET, YEAR-END					
ASSETS					
Receivables from credit institutions	16,263	20,942	14,565	18,111	16,112
Mortgage loans	540,670	522,980	480,993	455,846	430,710
Bonds and equities	79,357	85,235	86,512	81,540	87,311
Remaining assets	3,534	3,240	4,327	4,894	3,762
Total assets	639,824	632,397	586,397	560,391	537,895
LIABILITIES AND EQUITY					
Payables to credit institutions	565,734	547,012	480,544	443,630	406,899
Issued bonds	46,568	58,516	78,328	90,193	104,789
Tier 2 capital	3,100	3,100	3,100	2,600	2,600
Remaining liabilities	8,767	8,679	10,607	10,712	11,238
Equity	15,655	15,090	13,818	13,256	12,369
Total liabilities and equity	639,824	632,397	586,397	560,391	537,895
FINANCIAL RATIOS					
Profit for the year as % of average equity	3.7	3.6	4.1	6.9	6.8
Core earnings after impairment losses as % of average equity	4.4	4.4	4.2	7.4	5.6
Costs as % of core income	24.2	24.1	26.6	27.5	24.0
Total capital ratio	21.3	22.2	18.8	22.9	20.2
Tier 1 capital ratio	17.8	18.4	15.6	19.3	16.7
Internal capital adequacy requirement (ICAAP), %	10.2	10.6	10.3	12.1	11.1

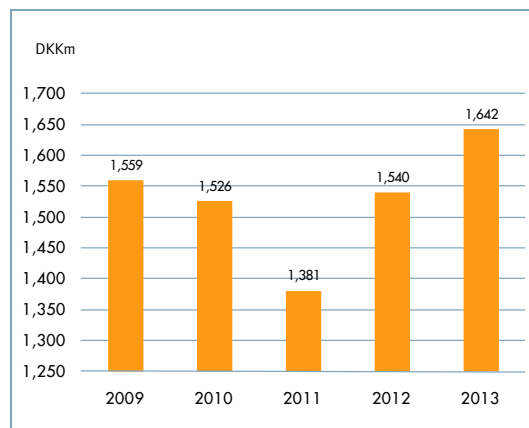


Management's Review

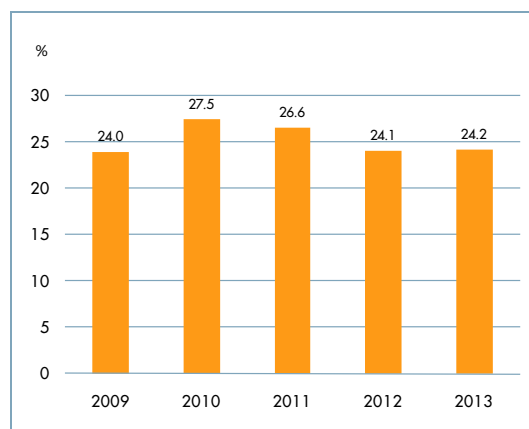
Profit for the year



Total core income



Costs as % of core income



RESULTS

Totalkredit recorded a profit before tax of DKK 754m against DKK 697m in 2012. Profit after tax came to DKK 565m against DKK 522m in 2012.

Income for 2013 was positively affected by price rises introduced on 1 October 2013 and an increase in the loan portfolio. The rise in income from lending was adversely affected by increasing impairment losses on loans and advances as well as growing expenses for supplementary collateral for SDO-funded lending.

Core earnings before impairment losses

Core income from business operations amounted to DKK 1,957m against DKK 1,753m in 2012. The rise was chiefly due to administration margin increases introduced with effect from October 2013 and a rise in the loan portfolio.

Net interest expenses for junior covered bonds issued to fund supplementary collateral for SDO-funded lending came to DKK 313m against DKK 234m the year before.

Core income from securities was a charge of DKK 2m compared with income of DKK 21m in 2012. The return on the investment portfolio calculated on the basis of the Danish central bank's lending rate declined by DKK 38m from 2012 to 2013, as the average lending rate declined from 0.43% in 2012 to 0.23% in 2013. The item also includes interest payable on subordinated debt, which declined from DKK 65m in 2012 to DKK 51m in 2013.

Operating costs, depreciation and amortisation amounted to DKK 397m against DKK 371m in 2012, primarily attributable to an increase in IT development costs.

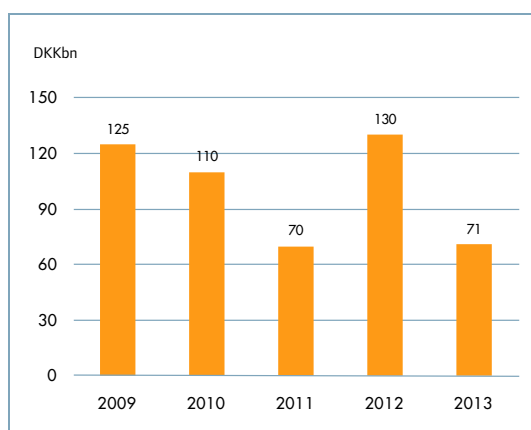
Totalkredit's core earnings before impairment losses were DKK 1,245m against DKK 1,169m in 2012.

Impairment losses on loans and advances

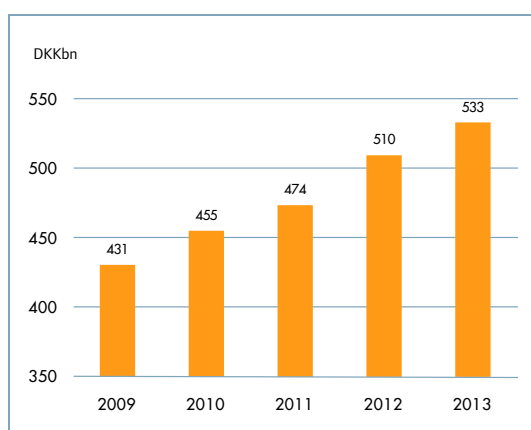
Impairment losses on loans and advances came to DKK 567m against DKK 528m in 2012, or 0.11% of loans and advances compared with 0.10% in 2012. Write-offs totalled DKK 663m in 2013, of which DKK 333m, or 50.3%, was covered by the partner banks.



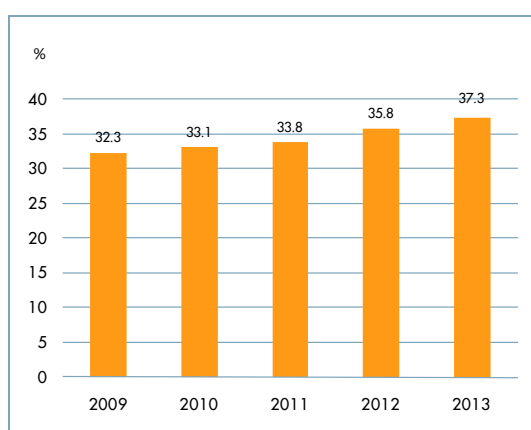
Gross new lending



Mortgage lending, year-end, nominal value



Share of Danish mortgage lending



Impairment provisions totalled DKK 1,174m, equal to 0.22% of loans and advances.

Individual impairment provisions stood at DKK 472m at end-2013 against DKK 458m at the beginning of the year.

Collective impairment provisions came to DKK 702m at end-2013 against DKK 446m at the beginning of the year.

The arrears ratio measured as at the September due date, 105 days past due, was 0.17% against 0.21% at the same time in 2012.

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

In 2013 686 properties mortgaged by TotalCredit were sold by public auction. 125 of these were acquired by TotalCredit. 157 properties were sold in 2013, and at year-end the portfolio of repossessed properties stood at 47 against 79 at the beginning of the year.

Investment portfolio income

The investment portfolio income was DKK 76m against DKK 56m the year before. In 2013 the investment portfolio income was positively affected by value adjustment of issued junior covered bonds totalling approximately DKK 11m, compared with an adverse effect of approximately DKK 77m in 2012.

Tax

Tax calculated on profit for the year was DKK 189m, equal to an effective tax rate of 25.1%.

Loans and advances

Loan portfolio

TotalCredit is Denmark's largest private residential mortgage provider.

Measured at fair value, the loan portfolio was DKK 541bn against DKK 523bn at the beginning of the year. In 2013 TotalCredit's loan portfolio measured at nominal value grew by DKK 23bn to DKK 533bn.

TotalCredit's market share of Danish residential mortgage lending rose to 37.3% from 35.8% at the beginning of the year.

Measured by loan type, the share of interest-only loans in the loan portfolio grew from 58.2% to 58.8%. The share of variable-rate loans dropped from 70.4% to 69.1%. Of these loans 26% had interest rate caps.

Geographically, approximately 57% of the loan portfolio is in Jutland and 21% is in the capital region and Northern Sealand. The remaining 22% is 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 77% against 78% at the beginning of the year.

Lending activity

In 2013 Danish mortgage banks' gross new lending for private residential property decreased about 43% compared with 2012. The lower activity level was primarily due to lower refinancing activity.

Totalkredit's gross new lending was approximately DKK 71bn, of which around DKK 15bn related to loans offered through Nykredit Realkredit A/S.

Required capital base and internal capital adequacy requirement

	2013	2012
Pillar I – primary risk		
Credit risk	6,805	6,533
Market risk	239	378
Operational risk	183	214
Total Pillar I	7,227	7,125
Pillar II – other risk		
Weaker economic climate	904	738
Other	813	786
Total Pillar II	1,717	1,524
Total required capital base	8,945	8,649
Total risk-weighted assets	87,708	81,614
Internal capital adequacy requirement	10.2	10.6

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 2013, available at nykredit.com/reports.

Parent company loan

At end-2013 loans raised with Nykredit Realkredit A/S for the purpose of providing supplementary collateral totalled DKK 27.1bn against DKK 26.3bn at the beginning of the year. Average debt for the purpose of providing supplementary collateral was DKK 28.9bn in 2013 against DKK 22.6bn in 2012.

Further, Totalkredit A/S has raised loans in the form of subordinated capital totalling DKK 3.1bn.

Capital base and capital adequacy

At end-2013, the capital base was DKK 18.7bn, corresponding to a total capital ratio of 21.3%. The capital requirement amounted to DKK 7.0bn. The Tier 1 capital ratio stood at 17.8%.

The internal capital adequacy requirement (ICAAP) was 10.2% at year-end.

Results relative to forecasts

Expectations for 2013 did not include the price rises introduced with effect from 1 October 2013. Gross lending followed expectations and was lower in 2013 than in 2012. As a result, core income from business operations exceeded the level expected at the beginning of the year.

Operating costs remained at the expected level, and the increase in impairment losses on loans and advances relative to 2012 was also in line with expectations.

Total investment income declined by DKK 3m from 2012 to 2013.

Due to the above factors, Totalkredit's profit before tax increased DKK 57m compared with 2012, to DKK 754m.

OUTLOOK FOR 2014

Lending activity is expected to remain at the level of 2013. The implemented price rises effective from 1 October 2013 will have a positive impact on core income from business operations.

Operating costs are expected to decline due to reduced marketing efforts.

Impairment losses on loans and advances are expected to remain at the level of 2013.

In total, profit before tax is expected to exceed the level of 2013. However, results are highly de-



pendent on developments in the housing market, employment levels and financial markets.

OTHER

Increased focus on the Totalkredit partnership

Over the years, the Totalkredit concept has become a great success for the Nykredit Group as well as for the Danish local and regional banks. On 9 December 2013, Nykredit announced the main elements of its plan "Nykredit 2015", one of which is increased focus on the Totalkredit partnership. This alliance will be intensified and further developed in coming years.

Product range

Totalkredit plans to extend its product range in 2014 to include a number of simple loan types covering the 0-80% LTV range. The new products include ordinary mortgage loans and secured homeowner loans based on one type of funding bond.

Secured homeowner loans

Totalkredit is expanding its business activities with the banks forming part of the Totalkredit partnership. From mid-2014, these banks will be able to offer a new competitive homeowner loan, when Denmark's leading mortgage bank for private homeowners broadens its product range to include a new type of secured homeowner loan funded by covered bonds (SDOs). The homeowner loan has been developed in association with the local banks of the Totalkredit alliance.

Management change

Allan Rømer was appointed Managing Director of Totalkredit A/S on 1 August 2013. Allan Rømer is 44 and comes from a position as Senior Vice President in Nykredit Realkredit A/S.

At the annual general meeting to be held in March 2014, Michael Rasmussen, Group Chief Executive of Nykredit, is expected to be appointed Chairman of the Board of Directors of Totalkredit A/S.

Credit rating

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 with Standard & Poor's. The capital centre is not open for new lending.

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 – as well as through Nykredit Realkredit A/S.

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

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

Risk is hedged by agreement with the partner banks. Under the agreement, write-offs 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.

The partner banks receive fees for sales and risk management. In 2013 the fees totalled DKK 1,915m against DKK 1,820m in 2012.

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 coordinated 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

fields. All the committees include one or more members of the Group Executive Board.

The most important committees relative to Totalkredit are:

The Group Asset/Liability Committee, which is charged primarily with monitoring 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 overall risk profile and capital requirements of the Nykredit Group.

The under-represented gender

Totalkredit pursues an active strategy to increase the number of women in management with particular focus on recruiting female managers for the highest management levels. Female representation on Totalkredit's Board of Directors is 14%, the defined target for end-2016 being 20%. Totalkredit's Board of Directors has also adopted a policy to increase the number of women at other managerial levels.

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 Nykredit's internal control systems, internal audit and risk management as well as 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. One of the principal tasks of the Remuneration Board is to make recommendations in respect of the Group's remuneration policy, including guidelines on incentive pay, for the approval of the board of directors. Further, the Remuneration Board makes proposals for remuneration of the committee of representatives, the board of directors and the executive board. It also 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 2013 of the Nykredit Realkredit Group.

CAPITAL AND RISK MANAGEMENT

The objective of the Nykredit Group is to be able to maintain active lending regardless of economic trends, while retaining a competitive credit rating. As a subsidiary of Nykredit Realkredit, Totalkredit is subject to the group's capital policy and 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 required 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 (RWA).

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

Pillar I

Pillar I capital covers credit, market and operational risks.



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 capital charge is added to reflect the uncertainty of the models used. Generally, the charge applied equals 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 requirements, which took effect on 1 January 2014. The new requirements will be implemented gradually up to 2019.

Overall, the new rules are expected to increase the capital requirement, and the Board of Directors will continually consider initiatives to ensure 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.

Applying the general balance principle allows Totalkredit to sustain a smooth prepayment process for its customers, even in the rare 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 or 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.

Types of risk

Totalkredit distinguishes between four main types of risk. Each type of risk has its own special features, and risk management is structured accordingly.

- *Credit risk* reflects the risk of loss following the non-performance of parties with whom Totalkredit has contracted.
- *Market risk* reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risks, etc).
- *Operational risk* reflects the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- *Liquidity risk* reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.

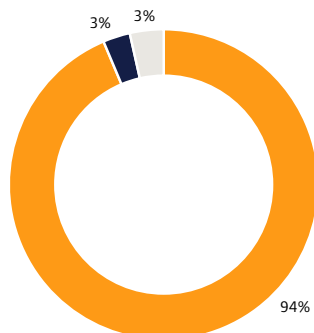
Credit, market and operational risks are mitigated by the holding of adequate capital, while liquidity risk is mitigated through a sufficient stock of liquid assets.

The determination of risk-weighted assets (RWA) is to ensure that credit institutions hold adequate capital to withstand potential losses. New liquidity measures are to ensure that credit institutions hold sufficient stocks of liquid assets to fulfil the claims of their creditors. This is described in more detail in the following sections.

Credit risk

Credit risk reflects the risk of loss following the non-performance of parties with whom Totalkredit has contracted.

Risk-weighted assets by type of risk



■ Credit risk ■ Operational risk
■ Market risk

Note: There is no quantification of RWA for liquidity risk

Risk-weighted assets for credit risk came to DKK 82.2bn at end-2013. Of this amount retail exposures accounted for DKK 73.6bn while the remaining DKK 8.6bn were credit institution exposures.

Since Totalkredit solely grants mortgage loans to personal customers, and the loans are evenly distributed throughout the country, no concentration risk is found.

Totalkredit has no single credit exposures exceeding 0.5% of the capital base. The ten largest mortgage exposures totalled DKK 287m, or 1.5% of the capital base.

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

Loans secured by mortgages over real estate 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.

Totalkredit 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 the property.

Credit risk models

Totalkredit applies Nykredit's internal ratings-

based (IRB) models in the determination of credit risk using three key parameters: Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).

The models used to determine PD and LGD are built on historical data allowing for periods of low as well as high business activity. The PD is calibrated by weighting current data against data dating back to the early 1990s at a 40:60 ratio. LGD ratios are calibrated so that the parameters reflect an economic downturn equal to the beginning of the 1990s.

The LGD is determined for each customer exposure using internal approaches based on loss and default data. The calculations factor in any security such as mortgages over real estate and bank guarantees, including the type and quality of security and the ranking in the order of priority.

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

The PD is determined for each individual customer on the basis of a customer's credit score and payment behaviour. 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 39.

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. Due to growing demand for fixed-rate repayment loans, Totalcredit will be reintroducing a 30-year fixed-rate repayment mortgage. The repayments will reduce Totalcredit's need for supplementary collateral over time.

At end-2013, Totalcredit had provided supplementary collateral of DKK 25.3bn, compared with DKK 28.3bn at the beginning of the year, for the part of SDO-funded lending that exceeded LTV limits.

In case of a 5% decline in property prices, the required supplementary collateral will amount to approximately DKK 34bn.

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 RWA for market risk. RWA for market risk totalled DKK 2.5bn at end-2013.

Totalcredit's market risk primarily derives from its investment portfolio and is very limited. Totalcredit's interest rate exposure is in the currencies 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 risk is measured as the change in market value caused by a general interest rate increase of 1 percentage point in respect of bonds and financial instruments.

Interest rate risk is managed by placing funds in bonds with different interest rate risks using German government bond futures and DKK- and EUR-denominated interest rate swaps. In 2013 the interest rate exposure target ranged from a loss of

DKK 100 to a gain of DKK 300m. The average exposure was about DKK 66m. The maximum interest rate exposure was DKK 126m, and the minimum exposure was DKK 9m. Totalcredit's interest rate exposure was DKK 90m at end-2013.

On refinancing, the borrower obtains a loan rate reflecting the yields of the bonds sold.

Refinancing risk is the risk of having to refinance debt in a period of high interest rates or unfavourable loan terms. With a view to reducing its refinancing risk, Totalcredit has spread 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 77m on post-tax results and equity, and an interest rate decrease of 1 percentage point will have a positive impact of about DKK 77m. By comparison, an interest rate increase of 1 percentage point would have had a negative impact of DKK 50m on post-tax results and equity at end-2012, and an interest rate decrease of 1 percentage point would have had a positive impact of DKK 50m.

Totalcredit's sensitivity to foreign exchange risk determined as the maximum loss at a change of +/-2.25% in EUR/DKK came to a loss of DKK 2.4m at end-2013 against DKK 0.1m at the beginning of the year.

Operational risk

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

Totalcredit's RWA for operational risk are determined using the basic indicator approach. This means that the capital requirement is calculated as 15% of average gross earnings for the past three years. In order to calculate RWA, the capital requirement is divided by 8%. At end-2013, RWA for operational risk came to DKK 3.1bn.

Totalcredit 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.

Liquidity risk

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

Mortgage lending is funded by 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.

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 judgement, reasonable and realistic assumptions. The points of uncertainty as to recognition and measurement are described in more detail in note 1 "Accounting policies" under "Significant accounting estimates and assessments".

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 internal controls and risk management systems, which together ensure that all relevant financial transactions are correctly reflected for accounting purposes and in financial statements. Totalkredit's Management regularly reviews items in respect of which estimates may have a material impact on the value of assets and liabilities.

The finance area of Totalkredit contributes to the

Group's financial management, 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 annual and interim reports and other financial data
- Review of reports from the Chief Risk Officer
- Annual assessment of the risk of fraud.

Controls

The purpose of Totalkredit's controls is to ensure that policies and guidelines 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 the IT systems applied.

Furthermore, in connection with the preparation of financial statements, a number of fixed procedures and internal controls ensure that the financial statements provide a fair presentation in accordance 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 2013 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 Financial Reports for Credit Institutions and Investment Firms, etc. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

Taastrup, 6 February 2014

EXECUTIVE BOARD

Troels Bülow-Olsen

Allan Rømer

We are of the opinion that the Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 31 December 2013 and of the results of the Company's operations and cash flows for the financial year 2013.

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,
formand

Claus E. Petersen,
næstformand

Petter Blondeau

Jette Alsig Bargholz

Kim Duus

Karen Frøsig

Lars Holst

Michael Holm Jensen

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 2013. 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 controls 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 controls established, including the risk management organised by Management relevant to 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 2013 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2013 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, 6 February 2014

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 2013, 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 2013 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2013 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, 6 February 2014

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup

State-Authorised Public Accountant

Henrik Wellejus

State-Authorised Public Accountant



Statements of income and comprehensive income for 1 January – 31 December

DKK MILLION

	Note	2013	2012
INCOME STATEMENT			
Interest income	2	16,871	18,186
Interest expenses	3	13,410	14,994
Net interest income		3,461	3,192
Fee and commission income	4	349	621
Fee and commission expenses	5	1,995	1,913
Net interest and fee income		1,815	1,900
Value adjustments	6	(97)	(304)
Other operating income		0	1
Staff and administrative expenses	7	397	371
Depreciation and impairment losses for property, plant and equipment	13	0	0
Impairment losses on loans, advances and receivables	8	567	528
Profit before tax		754	697
Tax	9	189	175
Profit for the year		565	522
statements of Comprehensive income			
Comprehensive income			
Profit for the year		565	522
Other comprehensive income		0	0
Total comprehensive income		565	522
Proposal for the distribution of profit			
Profit for the year		565	522
Total amount available for distribution		565	522
Transferred to equity		565	522
Total distribution		565	522



Balance sheet at 31 December

DKK MILLION

	Note	2013	2012
ASSETS			
Cash balances and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	10	16,263	20,942
Loans, advances and other receivables at fair value	11	540,751	523,069
Loans, advances and other receivables at amortised cost	11	36	35
Bonds at fair value	12	79,357	85,235
Other property, plant and equipment	13	0	0
Current tax assets		38	
Deferred tax assets		2	1
Assets in temporary possession	14	28	44
Other assets	15	3,342	3,064
Prepayments		7	7
Total assets		639,824	632,397
LIABILITIES AND EQUITY			
Payables to credit institutions	16	565,734	547,012
Issued bonds at fair value	16	46,568	58,516
Other liabilities	17	8,762	8,672
Total payables		621,064	614,200
Provisions		6	7
Subordinated debt	18	3,100	3,100
Equity			
Share capital		848	848
Reserves			
Series reserves		1,646	1,646
Other reserves		13,161	12,596
Total equity		15,655	15,090
Total liabilities and equity		639,824	632,397
OFF-BALANCE SHEET ITEMS			
Guarantees	19	0	0
Other commitments		10	11
Total off-balance sheet items		10	11



Statement of changes in equity

DKK MILLION

	Share capital	Series reserves	Other reserves	Total
Equity, 1 January 2013	848	1,646	12,596	15,090
Profit for the year			565	565
Comprehensive income for the year			565	565
Capital contribution on new share issue				
Equity, year-end	848	1,646	13,161	15,655
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 contribution on new share issue	49		701	750
Equity, year-end	848	1,646	12,596	15,090

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 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

	2013	2012
Profit after tax for the year	565	522
Adjustment for non-cash operating items, depreciation and impairment losses		
Depreciation and impairment losses for property, plant and equipment	0	0
Impairment losses on loans and advances	567	528
Prepayments/deferred income, net	0	4
Tax calculated on profit for the year	189	175
Other adjustments	(50)	73
Total	706	780
Profit for the year adjusted for non-cash operating items	1,271	1,302
Change in working capital		
Loans and advances	(18,186)	(42,538)
Deposits and payables to credit institutions	18,722	66,468
Issued covered bonds	(11,947)	(19,812)
Other working capital	(190)	(770)
Total	(11,601)	3,348
Corporation tax paid, net	(226)	(300)
Cash flows from operating activities	(10,556)	4,350
Cash flows from investing and financing activities		
Investments	5,877	1,277
Capital increase	0	750
Total	5,877	2,027
Total cash flows	(4,679)	6,377
Cash and cash equivalents, beginning of year	20,942	14,565
Cash and cash equivalents, year-end	16,263	20,942



Notes

1. ACCOUNTING POLICIES

GENERAL

The Financial Statements are prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. The Financial Statements are furthermore prepared in accordance with additional Danish disclosure requirements for 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, the sum of individual figures and the stated totals may differ slightly.

The accounting policies are unchanged compared with the Annual Report 2012.

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

The preparation of the Financial Statements involves the use of informed accounting estimates. These estimates and assessments 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 and assessments applied are based on assumptions which Management considers reasonable and realistic, but which are uncertain and unpredictable per se.

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 involve significant estimates and assessments 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 and assessments.

Furthermore, realisable values of security and expected dividend payments from bankrupt estates are subject to a number of estimates. Reference is

made to "Provisions for loan and receivable impairment" below for a detailed description.

FINANCIAL INSTRUMENTS

Recognition and classification of financial instruments

Financial instruments, including derivative financial instruments, represented more than 95% of TotalCredit's assets as well as liabilities. Loans and advances made up 84.5% of TotalCredit's assets at end-2013.

Recognition

Financial instruments are recognised on the settlement date. 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 in "Other assets"/ "Other liabilities" in the balance sheet and as "Value adjustments" in the income statement.

Assets measured at amortised cost following initial recognition are not value adjusted between the trade date and the settlement date.

Financial assets or liabilities are derecognised when the right to receive or pay related cash flows has lapsed or been transferred, and TotalCredit has transferred all risks and returns related to ownership in all material respects.

Initially, financial instruments are recognised at fair value. Subsequent measurement particularly depends on whether the instrument is measured at amortised cost or at fair value.

Measurement and classification

Financial instruments are classified as follows:

- Loans, advances and receivables at amortised cost/Other financial liabilities at amortised cost
- Financial assets and liabilities at fair value.

Loans, advances and receivables at amortised cost/Other financial liabilities at amortised cost

Receivables from credit institutions and central banks, loans, advances and other receivables as well as subordinated debt are included in this category.

Loans, advances and receivables as well as payables are measured at amortised cost after initial recognition. For loans, advances and receivables,

amortised cost equals cost less principal payments, provisions for loan impairment and other accounting adjustments. For liabilities, amortised cost equals the capitalised value using the effective interest method. Transaction costs are distributed over the life of the asset or liability.

Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

Financial assets and liabilities at fair value

Totalkredit's bond portfolio, mortgage lending, derivative financial instruments, payables relating to intercompany funding via Nykredit Realkredit A/S, junior covered bonds, issued bonds, etc, are included in this category.

After initial recognition, bonds are measured at fair value based on listed prices in an active market, generally accepted measurement methods based on market information or other generally accepted measurement methods.

It is assessed on an ongoing basis whether a market is considered active or inactive.

Totalkredit's 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.

The fair values of derivative financial instruments are determined using generally accepted measurement methods based on market information and other generally accepted measurement methods. Positive and negative fair values of derivative financial instruments are recognised in "Other assets" or "Other liabilities".

Mortgage loans granted in accordance with Danish mortgage legislation have been funded by issuing listed covered bonds (ROs and SDOs) of uniform terms. Such mortgage loans may be prepaid by 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 timing difference between the recognition of gains and losses in the financial statements. The pur-

chase 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 were 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 remaining term-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 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. Payables relating to intercompany funding via Nykredit Realkredit A/S are correspondingly measured at fair value, as it eliminates the accounting mismatch that would arise on using the general measurement provisions.

After initial recognition, issued covered bonds (ROs) and junior covered bonds are measured at fair value based on listed prices or other generally accepted measurement methods based on observable inputs.

Realised and unrealised gains and losses arising from changes in the fair value are recognised in "Value adjustments" through profit or loss for the period in which they arose. Value adjustments due to credit risk are recognised in "Impairment losses on loans, advances and receivables".

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 loan, individual impairment provisions are made for the loan.

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 the borrower will go bankrupt or be subject to other financial restructuring.

The loan is impaired by the difference between the carrying amount before impairment and the present 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 cash flows 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.

For lending where OEI is identified, individual impairment provisions are calculated using a statistical model. The statistical model is based on experiences with losses on similar loans.

Collective impairment provisions

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

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 and management judgement.

The rating model determines impairment based on credit quality migration as a result of the development in parameters from Totalkredit's internal ratings-based (IRB) models. Having been adjusted to the current economic climate and accounting rules, the parameters are based on cash flows until expiry of loan terms and the discounted present value of loss flows. The parameters are moreover adjusted 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.

Impairment provisions in general

Total provisions for loan impairment are deducted from the relevant loans under asset items. Write-offs and changes in loan impairment provisions for the year are 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.

If not reversed, impairment provisions are recorded as written off.

RECOGNITION, MEASUREMENT AND PRESENTATION IN GENERAL

Recognition and measurement

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

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

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 in the income statement 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.

Core earnings and investment portfolio income

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

Core earnings mirror income from customer-oriented business and core income from securities less operating costs, depreciation, amortisation and impairment losses on loans and advances. Net costs relating to junior covered bonds are recognised as a separate item. Net costs 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. Value adjustment of the issued junior covered bonds as well as the assets in which proceeds are invested are included in investment portfolio income.

Core income from securities includes the return Totalkredit would have obtained by placing its investment portfolio at a risk-free interest rate – the Danish central bank's average lending rate. Core income from securities also includes interest expenses relating to Tier 2 capital.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in bonds and derivative financial instruments. Price spreads and interest margins relating to mortgage lending are 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 activ-

ity 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 similar income, including interest-like commission received and other income that forms an integral part of the effective interest rate of the underlying instruments.

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.

Other operating income

Other operating income comprises operating income not attributable to other income statement items.

Staff and administrative expenses

Staff expenses include wages and salaries as well as social security costs, pensions etc.

Tax

Tax for the year, consisting of current tax for the year and changes to deferred tax, is recognised in the income statement.

Current tax liabilities and current tax assets are



recognised in the balance sheet as tax calculated on taxable income for the year adjusted for tax paid on account. The current tax for the year is calculated on the basis of the tax rates and rules prevailing on the balance sheet date.

Interest payable or deductible relating to voluntary payment of tax on account and interest payable or receivable on over-/underpaid tax is recognised in "Other interest income" or "Other interest expenses", as appropriate.

Deferred tax on all temporary differences between the carrying amounts and the tax bases of assets and liabilities is recognised using the balance sheet liability method.

ASSETS

Other property, plant and equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and costs directly related to the acquisition up to the time when the assets are ready for entry into service.

Depreciation is made on a straight-line basis over the expected useful lives of:

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

The residual values and useful lives of the assets are revalued at each balance sheet date. The carrying amount of an asset is written down to the recoverable amount if the carrying amount of the asset exceeds the estimated recoverable amount.

Gains and losses on the current replacement of property, plant and equipment are recognised in "Other operating income" or "Other operating expenses".

Assets in temporary possession

Assets in temporary possession include property, plant and equipment or groups thereof, for which:

- Totalkredit's possession is temporary only
- a sale is intended in the short term, and
- a sale is highly likely.

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.

Assets in temporary possession are measured at the lower of the carrying amount at the time of classification as assets in temporary possession and the fair value less selling costs.

LIABILITIES AND EQUITY

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 be given up to settle the obligation. Provisions are measured at Management's best estimate of the amount considered necessary to honour 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 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.

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 balances and demand deposits with central banks" and "Receivables from credit institutions and central banks".

Notes

DKK MILLION

	2013	2012
2. INTEREST INCOME		
Receivables from credit institutions	31	82
Loans and advances	12,747	14,364
Administration margin (income)	3,342	2,756
Bonds:		
- Self-issued covered bonds	12	3
- Other covered bonds	701	920
Derivative financial instruments:		
- Interest rate contracts	50	64
Other interest income		0
Total	16,883	18,189
Interest from self-issued covered bonds has been offset against interest expenses on issued bonds	(12)	(3)
Total	16,871	18,186
3. INTEREST EXPENSES		
Mortgage loan funding through Nykredit Realkredit A/S	12,168	12,495
Issued bonds	1,203	1,862
Set-off of interest from self-issued covered bonds	(12)	(3)
Other payables to Nykredit Realkredit A/S	0	573
Subordinated debt	51	65
Other interest expenses	0	2
Total	13,410	14,994
4. FEE AND COMMISSION INCOME		
Loan fees, new lending	221	403
Commission and other fees	128	218
Total	349	621
5. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	177	322
Commission to loan arrangers	1,668	1,375
Commission and other fees	150	216
Total	1,995	1,913



Notes

DKK MILLION

	2013	2012
6. VALUE ADJUSTMENTS		
Mortgage loans	4,095	5,974
Issued bonds, including bonds issued by Nykredit Realkredit in connection with the funding of mortgage loans granted by Totalkredit	(4,095)	(5,974)
Bonds	(198)	(61)
Foreign exchange	0	0
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	389	143
Other liabilities	(288)	(387)
Total	(97)	(304)
7. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	6	6
Staff expenses	81	77
Administrative expenses	310	288
Total	397	371
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	66	63
Pensions	5	7
Other social security expenses and charges	10	7
Total	81	77

Terms and conditions applying to the Board of Directors

The 10 members of the Board of Directors receive fixed fees 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-2013 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. The 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 2013:

Troels Bülow-Olsen, a total of DKK 2.5m of which DKK 166,000 relates to bonus schemes.

Allan Rømer, a total of DKK 0.5m, of which DKK 0 relates to bonus schemes (joined the Executive Board on 1 August 2013).

Hans Henrik Andersen, a total of DKK 1.2m of which DKK 94,000 relates to bonus schemes (resigned as of 30 September 2013).

The pensionable age for members of the Executive Board is 70 years. For Troels Bülow-Olsen, retirement at the age of 65 years is possible, after which he is entitled to pension benefits for 10 years equal to approximately 20% of his 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 months' notice. Upon resignation at Totalkredit A/S's request, they are entitled to termination benefits equal to 9-12 months' gross salary.

Loans to the Executive Board and Board of Directors

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

	2013	2012
Executive Board		1
Board of Directors	14	10
Management and related parties of Totalkredit's Parent Company	15	12

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	129	123
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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

	2013	2012
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
Change in individual impairment provisions for loans and advances	312	317
Change in collective impairment provisions for loans and advances	256	135
Write-offs for the year, net	291	275
Received on claims previously written off as impairment losses	(4)	(3)
Total impairment losses on loans, advances and receivables	855	724
Value adjustment of assets in temporary possession	50	62
Value adjustment of claims previously written off as impairment losses	(5)	(4)
Write-offs offset against commission payments to partner banks	(333)	(254)
Total	567	528
Specification of provisions for loan impairment		
Individual impairment provisions	472	458
Collective impairment provisions	702	446
Total impairment provisions	1,174	904
Individual impairment provisions		
Impairment provisions, beginning of year	458	393
Impairment provisions for the year	408	388
Impairment provisions reversed	(96)	(71)
Value adjustment of repossessed properties	(37)	(44)
Impairment provisions written off	(261)	(208)
Impairment provisions, year-end	472	458
Collective impairment provisions		
Impairment provisions, beginning of year	446	311
Impairment provisions for the year, net	282	135
Impairment provisions reversed	(25)	-
Impairment provisions, year-end	703	446

Notes

DKK MILLION

	2013	2012
8. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
Individual impairment provisions for repossessed properties		
Impairment provisions, beginning of year	128	96
Transferred from non-repossessed properties	37	44
Impairment provisions for the year	55	69
Impairment provisions reversed	(4)	(7)
Impairment provisions written off	(111)	(74)
Impairment provisions, year-end	104	128
Of total individual impairment provisions for mortgage loans, about 10% is attributable to loans in arrears but not referred to collection and about 76% to loans in arrears referred to collection. The remaining 14% are attributable to estates in bankruptcy or estates of deceased persons.		
Specification of loans and advances		
Loans and advances subject to individual impairment	1,947	2,191
Impairment provisions	472	458
Loans and advances after impairment provisions	1,475	1,733
Loans and advances subject to collective impairment	29,475	23,702
Impairment provisions	703	446
Loans and advances after impairment provisions	28,772	23,256
9. TAX		
Tax calculated on profit for the year	189	175
Change in deferred tax	0	0
Adjustment of tax assessed for previous years	0	0
Total	189	175
Current tax rate, %	25.0	25.0
Non-deductible costs, %	0.1	0.1
Effective tax rate, %	25.1	25.1



Notes

DKK MILLION

	2013	2012
10. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	16,263	20,942
Total	16,263	20,942
11. LOANS AND ADVANCES		
Loans, advances and other receivables at fair value	540,751	523,069
Loans, advances and other receivables at amortised cost	36	35
Total	540,787	523,104
Loans, advances and other receivables at fair value		
Mortgage loans	540,643	522,949
Arrears and outlays	108	120
Total	540,751	523,069
Mortgage loans		
Balance, beginning of year, nominal value	509,915	473,566
New loans	71,694	130,686
Ordinary principal payments	(6,113)	(4,692)
Prepayments and extraordinary principal payments	(43,009)	(89,645)
Balance, year-end, nominal value	532,487	509,915
Loans transferred relating to properties in temporary possession	(49)	(39)
Adjustment for interest rate risk	9,285	13,860
Adjustment for credit risk		
Individual impairment provisions	(378)	(341)
Collective impairment provisions	(702)	(446)
Balance, year-end, fair value	540,643	522,949
Arrears and outlays		
Arrears before impairment provisions	111	115
Outlays before impairment provisions	91	122
Provisions for arrears and outlays	(94)	(117)
Total	108	120

Notes

DKK MILLION

	2013	2012
11. LOANS AND ADVANCES (continued)		
Mortgage arrears up to and including the September 2013 due date, for which no provisions have been made, amounted to DKK 0m.		
Loans, advances and other receivables at amortised cost		
Mortgage loans	27	31
Other loans	9	4
Total	36	35
Measured at fair value, the item amounted to DKK 36m at end-2013 and DKK 35m at end-2012.		
Mortgage loans		
Balance, beginning of year, nominal value	31	47
Ordinary principal payments	0	0
Prepayments and extraordinary principal payments	(4)	(16)
Balance, year-end, nominal value	27	31
Mortgage loans 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	567,636	510,421
Mortgage loan guarantees provided by banks:		
Supplementary guarantees in addition to mortgages over real estate	8,126	7,987
Statutory guarantees for interim loans	10,240	10,050
Guarantees for loans disbursed before obtaining a registered mortgage	9,992	18,457
Total	28,358	36,494



Notes

DKK MILLION

	2013	2012
12. BONDS AT FAIR VALUE		
- Self-issued covered bonds	2,293	159
- Other covered bonds	79,357	85,235
Total	81,650	85,394
Self-issued covered bonds offset against issued bonds	(2,293)	(159)
Total bonds	79,357	85,235
Of which:		
Redeemed bonds	130	150
13. OTHER PROPERTY, PLANT AND EQUIPMENT		
Total cost, beginning of year	2	3
Additions	0	0
Disposals	1	1
Total cost, year-end	1	2
Depreciation, beginning of year	2	3
Depreciation for the year	0	0
Reversal of depreciation	1	1
Depreciation, year-end	1	2
Carrying amount, year-end	0	0
Write-off on acquisition of equipment for the year	0	0
14. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, year-end	22	8
Outlays	49	99
Impairment provisions, year-end	(43)	(63)
Total	28	44
15. OTHER ASSETS		
Positive market value of derivative financial instruments	166	1
Interest and commission receivable on loans and advances	2,051	1,764
Interest receivable from bonds and credit institutions	1,082	1,245
Other	43	54
Total	3,342	3,064

Notes

DKK MILLION

	2013	2012
16. PAYABLES TO CREDIT INSTITUTIONS AND ISSUED BONDS		
PAYABLES TO CREDIT INSTITUTIONS		
Payables to credit institutions, other payables	39	19
Payables to Nykredit Realkredit A/S	27,129	26,305
Mortgage loan funding through Nykredit Realkredit A/S	538,567	520,688
Total	565,735	547,012
Of which mortgage loan funding through Nykredit Realkredit A/S:		
Balance, beginning of year, nominal value	509,138	455,100
Additions	211,655	272,897
Redemptions and prepayments	(183,762)	(204,700)
Prepayments and extraordinary principal payments	(5,798)	(14,159)
Balance, year-end, nominal value	531,233	509,138
Fair value adjustment	7,334	11,550
Total	538,567	520,688
ISSUED BONDS		
Covered bonds issued against mortgages over real estate		
Balance, beginning of year, nominal value	56,366	77,128
Additions	-	-
Redemptions and prepayments	(7,472)	(14,052)
Prepayments and extraordinary principal payments	(1,985)	(6,710)
Balance, year-end, nominal value	46,909	56,366
Set-off of self-issued covered bonds	(2,293)	(159)
Fair value adjustment	1,952	2,309
Total	46,568	58,516
Of which pre-issuance	-	-
Bonds for redemption at next creditor payment date	1,254	2,269

Notes

DKK MILLION

Changes to 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 covered bonds from other Danish mortgage lenders.

Determined relative to other Danish mortgage lenders, the fair value has not been subject to changes attributable to Totalkredit's own credit risk in 2013 or since issuance, as there are no measurable price differences between bonds with identical properties from different mortgage lenders.

The yield spread between government bonds and covered bonds tightened in 2013 causing a rise in the fair value of issued bonds of DKK 6bn attributable to Totalkredit's own credit risk. Since 2008 spread widenings between government bonds and covered bonds have resulted in a fair value decline of approximately DKK 3bn 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 correspondingly. The determination allows for both maturity and nominal holding, but is to some extent based on estimates.

	2013	2012
17. OTHER LIABILITIES		
Negative market value of derivative financial instruments	168	5
Interest payable on issued covered bonds, including bonds issued by Nykredit Realkredit A/S for the funding of mortgage lending by Totalkredit A/S	7,104	6,460
Other	1,490	2,207
Total	8,762	8,672

18. SUBORDINATED DEBT

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

Subordinate loan capital

A loan of 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 Cibar. A loan of nom DKK 500m. The loan falls due at par (100) on 1 December 2018 and carries an interest rate of 6.0% pa above 3M Cibar.

Measured at fair value, the two loans total DKK 3,100m.

	2013	2012
19. OFF-BALANCE SHEET ITEMS		
Guarantees		
Financial guarantees	0	0
Total guarantees	0	0
Other commitments		
Other	10	11
Total other commitments	10	11
Total off-balance sheet items	10	11

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 related party transactions occurred in 2013.

Agreements include intra-group funding, loan capital and supplementary security, referral commission, tasks related to IT support and IT development projects, payroll and staff administration, fund and risk management, and other administrative tasks. Trading in goods and services between the parties took place on an arm's length basis or on a cost reimbursement basis.

Significant related party transactions prevailing/entered into in 2013 include:

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

In 2013 Totalkredit A/S raised additional loans with Nykredit Realkredit A/S serving as collateral in Totalkredit's capital centres. On 31 December 2013, these loans totalled DKK 27.1bn against DKK 26.3bn on 31 December 2012.

Totalkredit A/S has raised loans with Nykredit Realkredit A/S in the form of subordinated debt. At end-December 2013, 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:

	2013	2012
Income statement		
Interest income	470	781
Interest expenses	12,316	13,160
Fee and commission expenses	219	183
Value adjustments	(3,998)	(5,278)
Costs	166	151
Assets		
Receivables from credit institutions and central banks	14,494	16,271
Bonds at fair value	63,412	69,278
Other assets	1,003	1,114
Liabilities and equity		
Payables to credit institutions	565,729	547,007
Other liabilities	6,465	6,533
Tier 2 capital	3,100	3,100

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

Reference is made to note 7 for information on transactions with the Board of Directors and the Executive Board.



Notes

DKK MILLION

21. CREDIT RISK

Totalkredit's maximum credit exposure comprises selected balance sheet and off-balance sheet items.

Total credit exposure

	2013	2012
Receivables from credit institutions and central banks	16,263	20,942
Loans, advances and other receivables at fair value	540,751	523,069
Loans, advances and other receivables at amortised cost	36	35
Bonds at fair value	79,357	85,235
Other assets	3,342	3,064
Off-balance sheet items	10	11
Total	639,759	632,356

Concentration risk

Pursuant to the Danish Financial Business Act, an exposure with any one customer or group of interconnected customers must not, after subtracting highly secure claims, exceed 25% of the capital base. Totalkredit had no exposures in 2013 or 2012 which exceeded this limit.

Security collateral received

Loans, advances and collateral security provided are subject to regular review. On loan disbursement, the partner banks will provide a guarantee for a loan until a mortgage free from any adverse endorsements has been registered and Totalkredit has approved the mortgage loan. Reference is made to note 11 for further information on guarantees received for loans. Subsequent to the mortgage loan approval, loans are hedged for risk purposes, cf the mention on page 7 of the Annual Report.

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		
2013	300,382	124,614	84,825	16,714	7,417	6,691	540,643	77%
2012	284,132	119,664	86,823	19,200	7,486	5,643	522,949	78%

* 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	
2013	56	23	16	3	1	1	100
2012	54	23	17	4	1	1	100

Notes

DKK MILLION

	2013	2012
21. CREDIT RISK (continued)		
Private residential mortgage lending		
Mortgage lending		
- Bond debt outstanding	532,514	509,946
- Number of loans	564,403	510,421
Bond debt outstanding by loans involving:		
- bank guarantees	39,998	47,408
- set-off agreement with partner banks	358,062	369,109
- no security	134,454	93,429
Total	532,514	509,946
Bond debt outstanding by loan type		
Fixed-rate loans		
- repayment loans	100,963	100,473
- interest-only loans	63,806	50,615
Adjustable-rate mortgages (ARMs)		
- repayment loans	78,554	70,330
- interest-only loans	194,008	188,821
Loans with interest rate caps		
- repayment loans	39,367	41,635
- interest-only loans	55,367	57,524
Loans without interest rate caps		
- repayment loans	449	549
- interest-only loans	-	-
Total	532,514	509,946
Bond debt outstanding by region		
- Capital Region of Denmark	112,120	102,952
- Sealand Region	70,388	68,604
- North Denmark Region	79,098	75,961
- Central Denmark Region	147,053	141,914
- South Denmark Region	123,585	120,186
- Greenland	270	330
Total	532,514	509,946

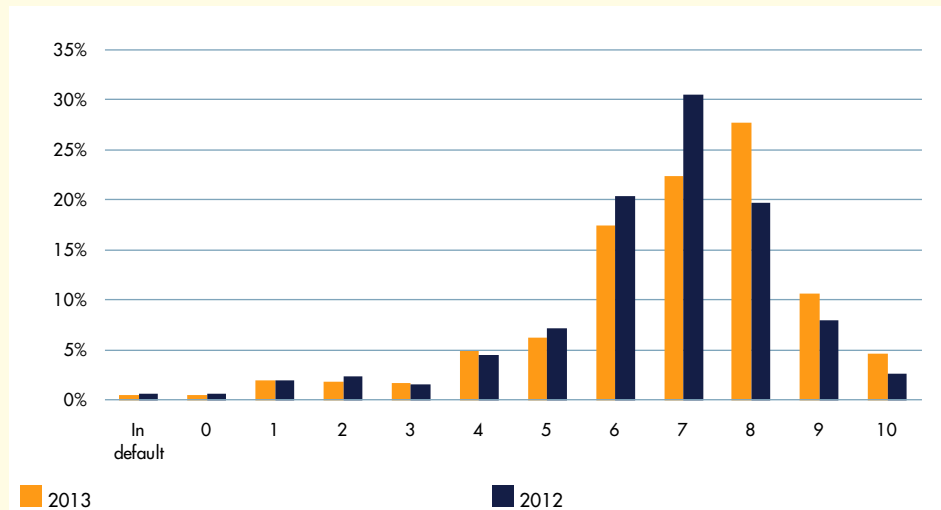


Notes

DKK MILLION

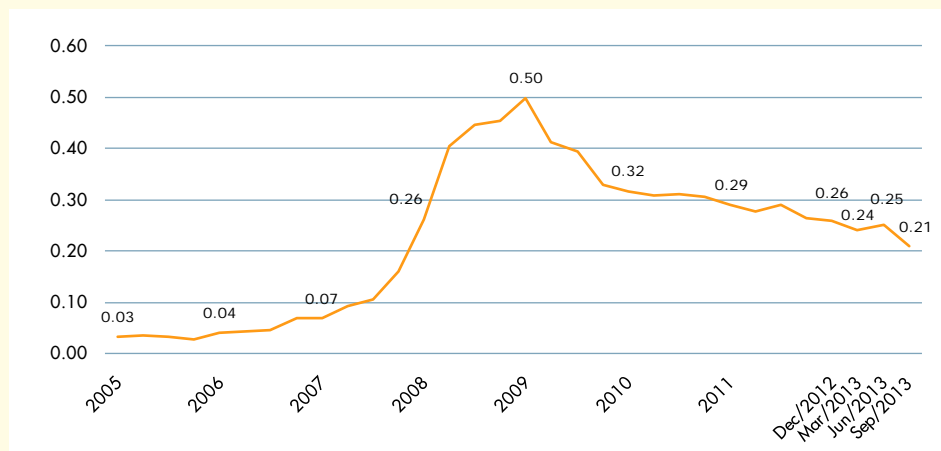
21. CREDIT RISK (continued)

Outstanding amount by rating category



The breakdown shows the total outstanding amounts by rating category, reflecting customers' probability of defaulting on their obligations to Totalkredit. 10 is the highest rating.

Arrears ratio, mortgage lending – 75 days post due date



22. MARKET RISK

The average exposure was about DKK 66m. The maximum interest rate exposure was DKK 126m, and the minimum exposure was DKK 9m. Totalkredit's interest rate exposure was DKK 90m at end-2013.

Foreign exchange risk determined as the greatest loss at a change of +/-2.25% in EUR/DKK amounted to a loss of DKK 2.4m at end-2013 against DKK 0.1m at the beginning of the year.

Notes

DKK MILLION

	2013	2012
23. LIQUIDITY RISK		
By time-to-maturity		
Receivables from credit institutions		
Demand deposits	963	9,692
Up to 3 months	11,900	7,850
Over 3 months and up to 1 year	3,400	3,400
Total	16,263	20,942
Mortgage loans and arrears		
Up to 3 months	5	4
Over 3 months and up to 1 year	1,211	50
Over 1 year and up to 5 years	73	996
Over 5 years	539,462	522,054
Total, cf note 11	540,751	523,104
Nykredit Realkredit A/S mortgage loan funding		
Up to 3 months	41,602	49,470
Over 3 months and up to 1 year	126,824	117,464
Over 1 year and up to 5 years	208,446	173,887
Over 5 years	161,695	179,867
Total, cf note 16	538,567	520,688
Issued bonds		
Up to 3 months	1,316	2,410
Over 3 months and up to 1 year	1,565	1,573
Over 1 year and up to 5 years	23,368	25,684
Over 5 years	22,612	29,008
Total	48,861	58,675
Set-off of self-issued bonds	(2,293)	(159)
Total, cf note 16	46,568	58,516



Notes

DKK MILLION

24. DERIVATIVE FINANCIAL INSTRUMENTS

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 2013	
	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value	Nominal value	Net market value
Interest rate contracts								
Forward contracts/futures, purchased	53,166	129	11	0			53,177	129
Forward contracts/futures, sold	44,311	(133)	2	0			44,313	(133)
Swaps								
Unsettled spot transactions	2,657	1					2,657	1
Market value of non-guaranteed contracts								
					Positive	Negative	Positive	Negative
Interest rate contracts								
Forward contracts/futures, purchased					130	1	130	1
Forward contracts/futures, sold					34	167	34	167
Swaps								
Unsettled spot transactions					2	1	2	1

Notes

DKK MILLION

25. FINANCIAL HIGHLIGHTS

Key figures

	2013	2012	2011	2010	2009
Net interest and fee income	1,815	1,900	1,636	2,023	1,779
Value adjustments	(97)	(304)	(73)	(261)	200
Other operating income	0	1	0	2	0
Staff and administrative expenses	397	371	366	420	373
Depreciation and impairment losses for property, plant and equipment	0	0	1	1	1
Impairment losses on loans, advances and receivables	567	528	447	158	515
Tax	189	175	187	298	273
Profit for the year	565	522	562	887	817

Summary balance sheet, year-end

Assets

Receivables from credit institutions	16,263	20,942	14,565	18,111	16,112
Mortgage loans	540,670	522,980	480,993	455,846	430,710
Bonds	79,357	85,235	86,512	81,540	87,311
Remaining assets	3,534	3,240	4,327	4,894	3,762
Total assets	639,824	632,397	586,397	560,391	537,895

Liabilities and equity

Payables to credit institutions	565,734	547,012	480,544	443,630	406,899
Issued bonds	46,568	58,516	78,328	90,193	104,789
Tier 2 capital	3,100	3,100	3,100	2,600	2,600
Remaining liabilities	8,767	8,679	10,607	10,712	11,238
Equity	15,655	15,090	13,818	13,256	12,369
Total liabilities and equity	639,824	632,397	586,397	560,391	537,895

Financial ratios

Total capital ratio, %	21.3	22.2	18.8	22.9	20.2
Tier 1 capital ratio, %	17.8	18.4	15.6	19.3	16.7
Return on equity before tax, %	4.9	4.8	5.5	9.2	9.1
Return on equity after tax, %	3.7	3.6	4.1	6.9	6.8
Income:cost ratio	1.78	1.78	1.92	3.05	2.23
Foreign exchange position, %	0.7	0.0	0.1	0.0	0.0
Total impairment provisions, %	0.2	0.2	0.1	0.1	0.1
Impairment losses for the year, %	0.1	0.1	0.1	0.0	0.1
Growth in loans and advances for the year, %	4.4	7.7	3.9	5.9	10.2
Loans and advances:equity (loan gearing)	34.5	34.7	34.8	34.4	34.8

Capital base and capital adequacy

DKK MILLION

	2013	2012
Capital base		
Tier 1 capital		
- Equity, year-end	15,655	15,090
- Capitalised tax assets	(2)	(2)
- Other deductions from Tier 1 capital	(32)	(35)
Tier 1 capital after deductions	15,621	15,052
Total Tier 2 capital	3,100	3,100
Deductions from capital base	(32)	(35)
Total capital base after deductions	18,689	18,117
Capital requirements		
Credit risk	6,573	5,844
Market risk	198	420
Operational risk	246	265
Total capital requirement¹	7,017	6,529
Total risk-weighted assets	87,708	81,614
Financial ratios		
Tier 1 capital ratio	17.8	18.4
Total capital ratio	21.3	22.2

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-2013 the capital requirement under the transitional rules came to DKK 17.2bn.

For a more detailed description of the determination of the capital base and the internal capital adequacy requirement, reference is made to the report Risk and Capital Management 2013, 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 lending	0	0	293	214	1,104	33	80	1,523	59	35	3,342
Interest, net	0	0	(1)	(2)	(2)	0	(1)	(3)	0	0	(10)
Administrative expenses	0	0	(177)	(131)	(662)	(20)	(50)	(914)	(36)	(22)	(2,011)
Impairment losses on loans and advances	0	0	(62)	(70)	(211)	0	(3)	(218)	(2)	0	(567)
Tax	0	0	(13)	(3)	(58)	(3)	(7)	(97)	(5)	(3)	(189)
Profit (loss) for the year	(1)	0	39	9	173	9	20	291	15	10	565
Balance sheet – assets											
Mortgage loans	15	1	47,172	33,562	174,425	5,189	10,839	255,371	8,724	5,489	540,788
Other assets	107	1	4,561	4,803	34,292	1,564	2,840	50,109	2,002	1,055	101,334
Total assets	123	2	51,733	38,365	208,717	6,753	13,680	305,480	10,725	6,544	642,121
Balance sheet – liabilities and equity											
Payables to credit institutions	-	-	-	34,751	202,400	5,893	10,703	297,048	9,306	5,595	565,696
Issued covered bonds	16	1	48,844	-	-	-	-	-	-	-	48,861
Other liabilities	0	0	478	387	2,813	89	152	4,667	130	94	8,810
Subordinated debt	13	0	433	403	1,579	50	-	589	-	33	3,100
Equity	92	1	1,978	2,824	1,925	721	2,825	3,176	1,289	823	15,655
Total liabilities and equity	123	2	51,733	38,365	208,717	6,753	13,680	305,480	10,725	6,544	642,121
Inflow and outflow of funds, net	(1)	0	39	9	173	9	1,820	(2,309)	815	10	565

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	639,824
Assets in the series financial statements	642,121
Difference specified as follows:	(2,298)
Self-issued bonds have been offset against the liability item "Issued bonds"	(2,293)
Interest receivable from self-issued bonds has been offset against "Other liabilities"	(4)
Total	(2,298)

* The series financial statements have been presented in accordance with the Danish Executive Order on series financial statements of mortgage lenders, no 872 of 20 November 1995.

Complete series financial statements at individual series level may be obtained from Totalkredit A/S.



Loan arranging credit institutions

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 Sparekasse
Danske Andelskassers Bank	Rønde og Omegns Sparekasse
Den Jyske Sparekasse	Salling Bank A/S
Djurslands Bank A/S	Saxo Privatbank
Dragsholm Sparekasse	A/S Skjern Bank
Dronninglund Sparekasse	Spar Nord Bank A/S
Fanø Sparekasse	Sparekassen Balling
Faster Andelskasse	Sparekassen Bredebro
Flemløse Sparekasse	Sparekassen Djursland
Folkesparkassen	Sparekassen for Nørre Nebel og Omegn
Frørup Andelskasse	Sparekassen Faaborg A/S
Frøs Herreds Sparekasse	Sparekassen Himmerland A/S
Frølev-Møllerup Sparekasse	Sparekassen Hobro
Fynske Bank	Sparekassen Kronjylland
Fælleskassen	Sparekassen Sjælland
Hals Sparekasse	Sparekassen Thy
Handelsbanken	Sparekassen Vendsyssel
Hvidbjerg Bank Aktieselskab	Sydbank A/S
Jyske Bank A/S	Søby Sparekasse
Klim Sparekasse	Sønderhå-Hørsted Sparekasse
Kreditbanken A/S	Totalbanken A/S
Københavns Andelskasse	vestjyskBANK A/S
Langå Sparekasse	Vistoft Sparekasse
Lollands Bank A/S	Vorbasse-Hejnsvig Sparekasse
Lægernes Pensions Bank	Østjydsk Bank A/S
Lån og Spar Bank A/S	
MERKUR, Den Almennyttige Andelskasse	
Middelfart Sparekasse	
A/S Møns Bank	
A/S Nordfyns Bank	
Nordjyske Bank A/S	
Nykredit Realkredit A/S	

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.