

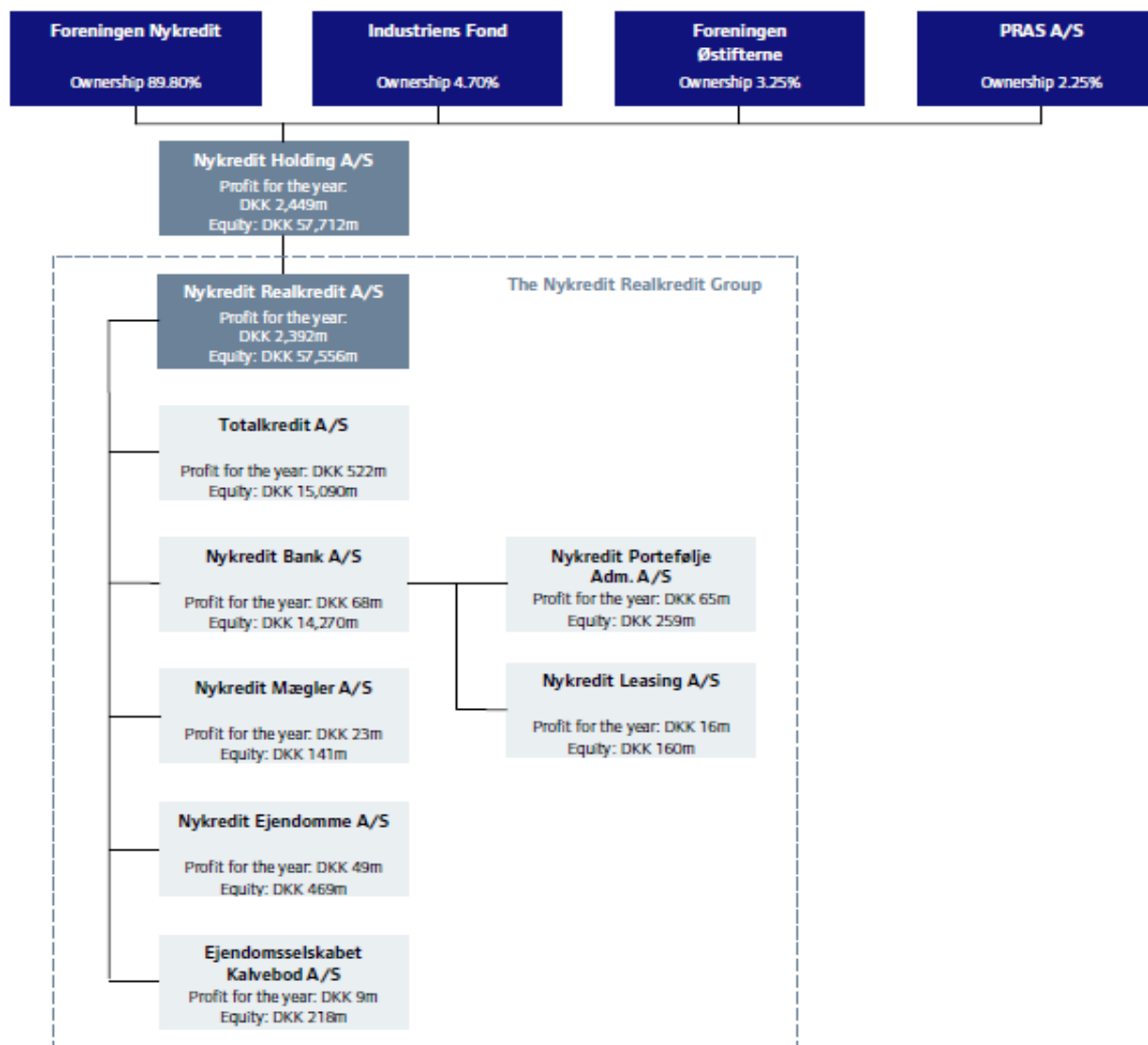
# Fact Book Q4 2013

The Nykredit Realkredit Group

Unaudited

**Nykredit**

# Group chart



# The Nykredit Realkredit Group history

## From mortgage bank to financial services group

**Two mortgage  
associations merge  
into  
Nykredit  
1985**

Deregulation  
of the Danish  
mortgage  
sector  
**1989**

Nykredit is one of  
Denmark's leading  
financial services  
groups  
**2013**

## Development in activities

**1989** Establishment of estate agencies

**1994** Set-up of Nykredit Bank

**1998** Set-up of Nykredit Markets and Nykredit  
Asset Management

**1998** Set-up of Nykredit Forsikring

**2000** Merger with Østifterne Forsikring

**2003** Acquisition of Totalkredit

**2008** Acquisition of Forstædernes Bank

**2010** Sale of Nykredit Forsikring

### Foreningen Nykredit

Foreningen Nykredit (the Nykredit Association) owns just below 90% of Nykredit and is thus the largest shareholder.

### Members

1. Mortgage customers of Nykredit Realkredit
2. Customers with facilities with Nykredit Bank of at least DKK 50,000
3. Mortgage customers of Totalkredit (optional)

### Committee of Representatives

The ultimate authority of Foreningen Nykredit is the Committee of Representatives, which has 100 representatives elected by and among the members (mortgage customers of Nykredit Realkredit) and bondholders.

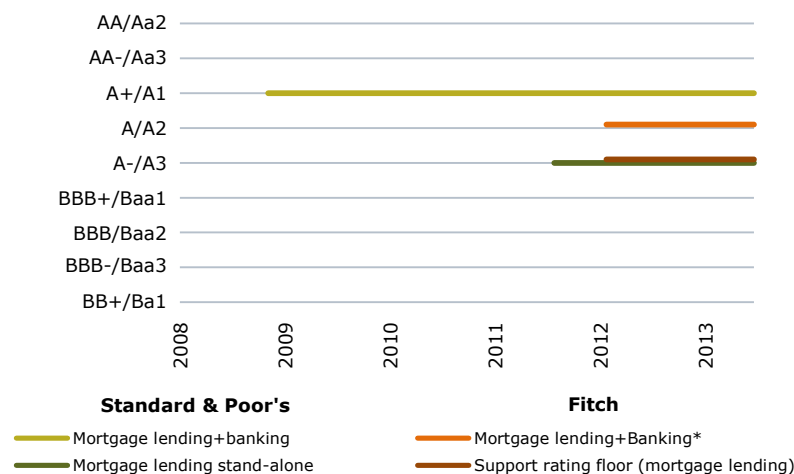
The Committee of Representatives elects the Board of Directors of Foreningen Nykredit and approves annual reports and amendments to the Articles of Association.

# Rating

## Nykredit ratings

Standard & Poor's		Fitch	
Short-term	Long-term	Short-term	Long-term
A-1	A+*	F1	A

\* Negative outlook



## Nykredit Realkredit

	S&P	Fitch
<b>Covered bonds</b>		
Capital Centre H (covered bonds, SDO)	AAA	
Capital Centre E (covered bonds, SDO)	AAA	
Capital Centre G (covered bonds, RO)	AAA	
Capital Centre I (covered bonds, RO)	AAA	
Capital Centre D (covered bonds, RO)	AAA	
Capital Centre C (covered bonds, RO)	AAA	
<b>Senior secured bonds (junior covered bonds)</b>		
Capital Centre D (senior secured bonds, JCB)	A+*	
Capital Centre E (senior secured bonds, JCB)	A+*	
Capital Centre H (senior secured bonds, JCB)	A+*	
<b>Unsecured debt</b>		
Short-term unsecured rating	A-1	F1
Long-term unsecured rating	A+*	A
<b>Capital instruments</b>		
Hybrid capital (Tier 1)	BBB	

\* Negative outlook

## Nykredit Bank A/S

	S&P	Fitch
Short-term deposit rating	A-1	F1
Long-term deposit rating	A+*	A
<b>Euro MTN Programme</b>		
- Short-term senior debt	A-1	F1
- Long-term senior debt	A+*	A
<b>Euro Commercial Paper and Certificate of Deposit Programme</b>		
- Short-term senior debt	A-1	F1

\* Negative outlook

# Market share – lending

## Market share

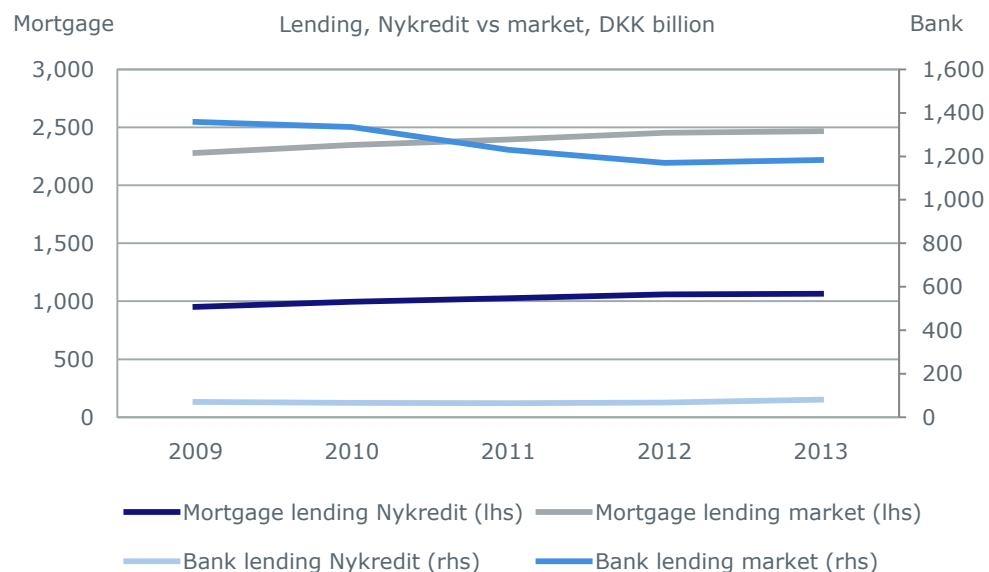
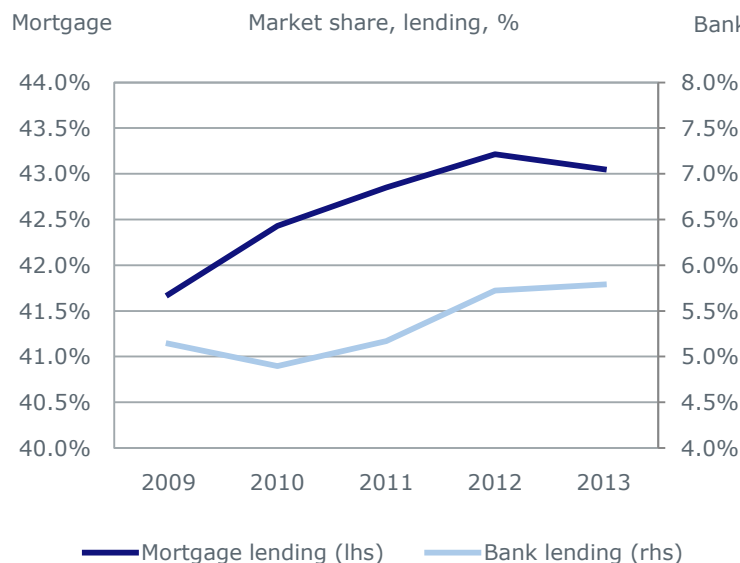
DKK billion	2009	2010	2011	2012	2013
Bank lending*	70	65	64	67	81
Mortgage lending	950	996	1,027	1,060	1,064
<b>Total</b>	<b>1,020</b>	<b>1,061</b>	<b>1,091</b>	<b>1,127</b>	<b>1,145</b>

## Market share

Bank lending	5.1%	4.9%	5.2%	5.7%	6.8%
Mortgage lending	41.7%	42.4%	42.9%	43.2%	43.1%
<b>Total</b>	<b>28.0%</b>	<b>28.8%</b>	<b>30.1%</b>	<b>31.1%</b>	<b>31.4%</b>

Note: MFI statistics – lending and distribution of market share in Denmark

\* Bank lending includes reverse transactions



# Core income – the Nykredit Realkredit Group

## The Nykredit Realkredit Group

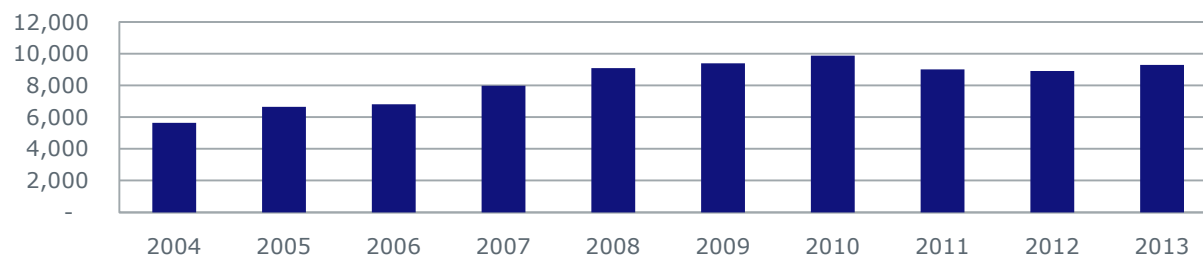
DKK million	2009	2010	2011	2012	2013
<b>Core earnings from</b>					
Business operations	8,816	9,569	9,188	10,200	10,430
Value adjustment of devaluations and corporate bonds	(176)	(47)	(632)	(1,067)	(766)
Junior covered bonds	(67)	(120)	(190)	(436)	(484)
Securities	829	470	644	212	118
<b>Total core income</b>	<b>9,402</b>	<b>9,873</b>	<b>9,010</b>	<b>8,909</b>	<b>9,297</b>
Operating costs, depreciation and amortisation, excl special value adjustments	5,395	5,499	5,709	5,776	5,758
Operating costs, depreciation and amortisation – special value adjustments	363	88	158	(205)	218
Payment to Guarantee Fund for Depositors and Investors/commission, government guarantee scheme	500	371	100	23	71
<b>Core earnings before impairment losses</b>	<b>3,144</b>	<b>3,914</b>	<b>3,042</b>	<b>3,314</b>	<b>3,250</b>
Impairment losses on loans and advances – mortgage lending	1,348	888	1,026	1,592	2,414
Impairment losses on loans and advances – banking	6,253	1,214	388	557	349
Impairment losses on loans and advances – government guarantee scheme	318	280	-	-	-
<b>Core earnings after impairment losses</b>	<b>(4,776)</b>	<b>1,532</b>	<b>1,628</b>	<b>1,165</b>	<b>486</b>
Investment portfolio income	4,759	2,060	179	2,444	1,887
<b>Profit before cost of capital</b>	<b>(17)</b>	<b>3,592</b>	<b>1,807</b>	<b>3,609</b>	<b>2,373</b>
Net interest on additional Tier 1 capital	(95)	(461)	(462)	(465)	(460)
<b>Profit before tax</b>	<b>(112)</b>	<b>3,131</b>	<b>1,345</b>	<b>3,144</b>	<b>1,914</b>
Tax	(29)	786	223	575	240
Profit from discontinued insurance operations	245	1,511	-	-	-
<b>Total profit</b>	<b>162</b>	<b>3,857</b>	<b>1,123</b>	<b>2,569</b>	<b>1,674</b>

Note: Forstædernes Bank was included in the Consolidated Financial Statements as from 17 October 2008.

Value adjustment of the portfolio of subordinated debt instruments in Danish banks (Kalvebod issues) is included in investment portfolio income from 1 January 2011. Comparative figures have been restated.

Largely all the Group's investment activities are marked to market, for which reason group earnings exhibit a certain degree of volatility.

Total core income, DKKm

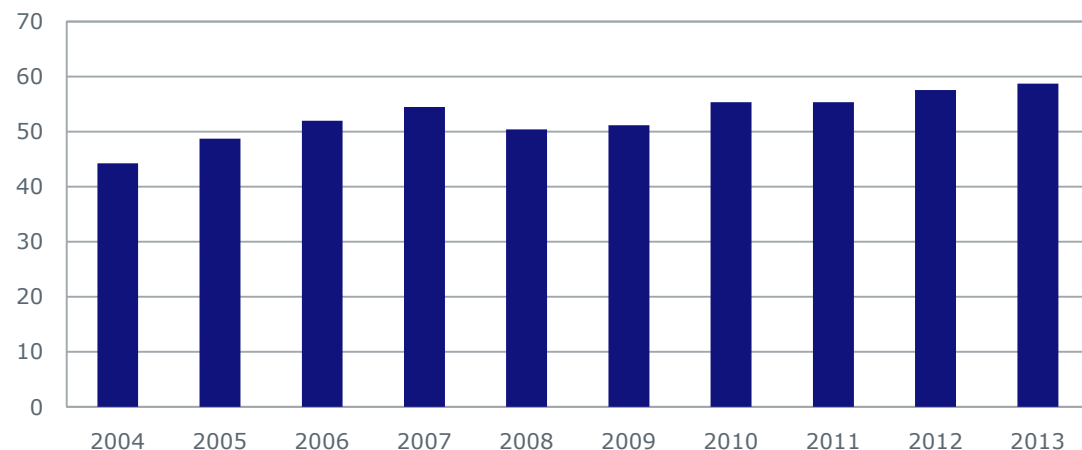


# Balance sheet summary – the Nykredit Realkredit Group

## The Nykredit Realkredit Group

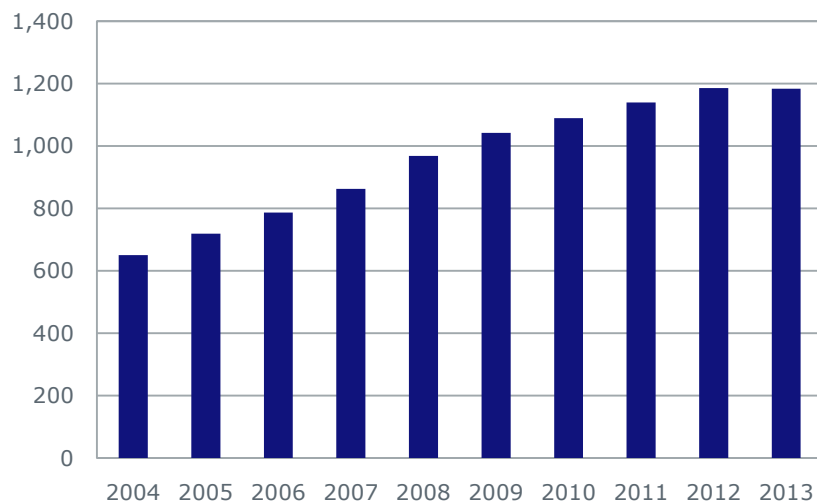
DKK million	2009	2010	2011	2012	2013
<b>Assets</b>					
Receivables from credit institutions and central banks	62,909	58,657	66,258	60,174	35,758
Mortgage loans at fair value	981,227	1,030,478	1,084,317	1,136,445	1,136,644
Bank loans - excl reverse transactions	60,908	58,833	55,776	49,727	46,963
Bonds and equities	86,620	99,144	100,794	82,413	92,961
Remaining assets	55,521	64,029	85,760	104,646	105,087
<b>Total assets</b>	<b>1,247,185</b>	<b>1,311,140</b>	<b>1,392,905</b>	<b>1,433,405</b>	<b>1,417,414</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	119,313	95,879	117,626	67,539	44,393
Deposits	64,483	55,467	57,404	54,509	65,172
Issued bonds at fair value	889,899	974,319	1,021,942	1,103,818	1,130,020
Subordinated debt	15,433	11,618	11,204	11,281	10,964
Remaining liabilities	106,816	118,537	129,419	138,701	108,148
Equity	51,241	55,320	55,310	57,556	58,716
<b>Total liabilities and equity</b>	<b>1,247,185</b>	<b>1,311,140</b>	<b>1,392,905</b>	<b>1,433,405</b>	<b>1,417,414</b>

Equity, DKKbn

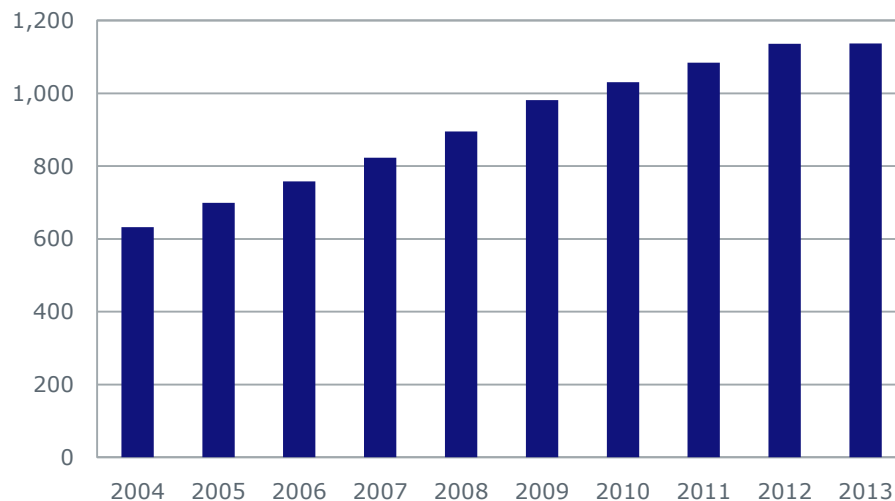


# Balance sheet summary – the Nykredit Realkredit Group

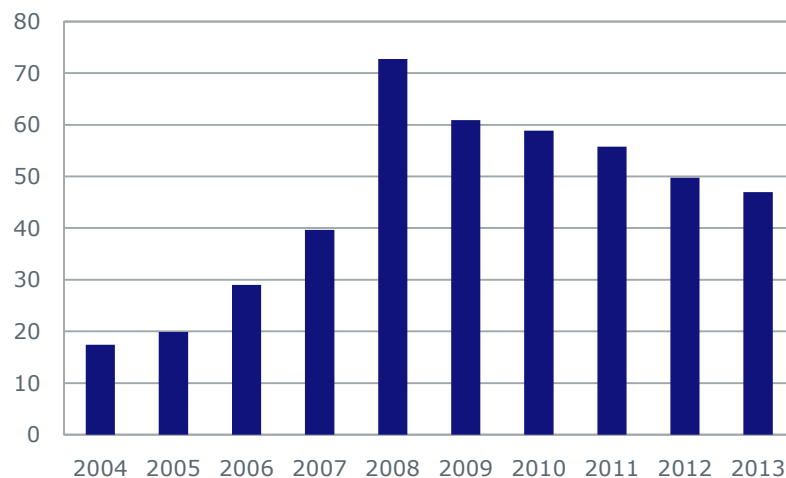
Total lending, DKKbn



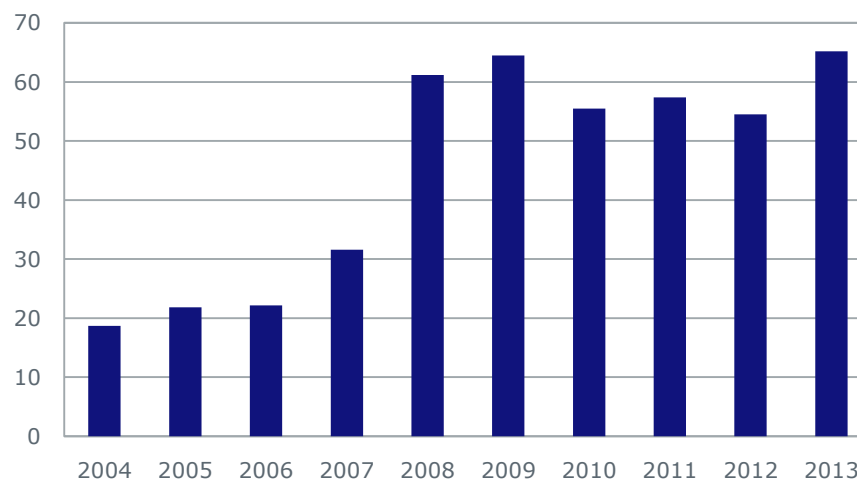
Total mortgage lending, DKKbn



Total bank lending, DKKbn



Total bank deposits, DKKbn

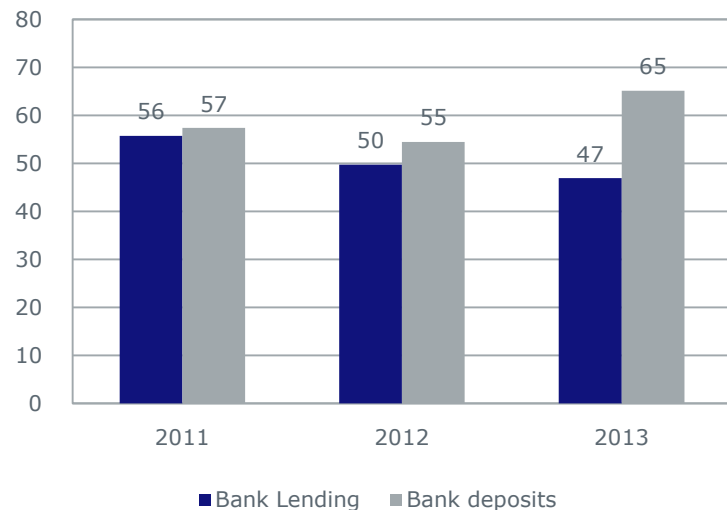


The balance sheet summary is based on fair value

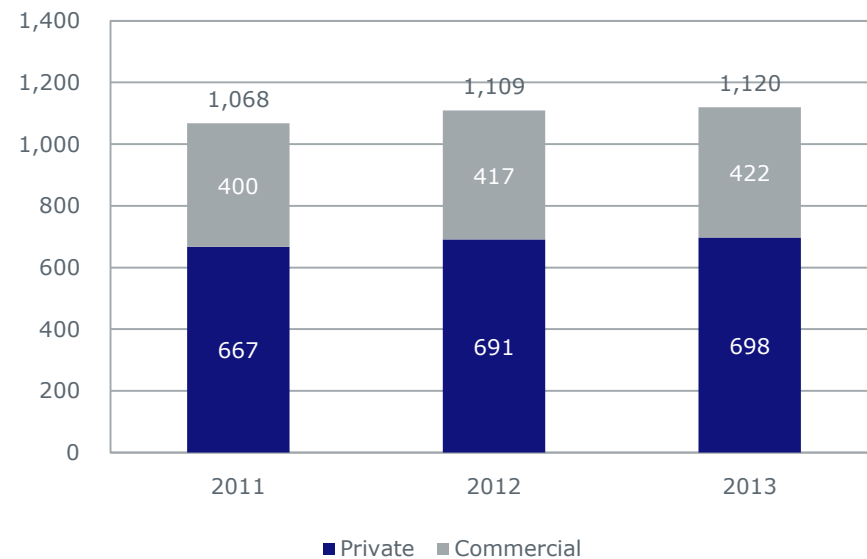


# Lending and deposits

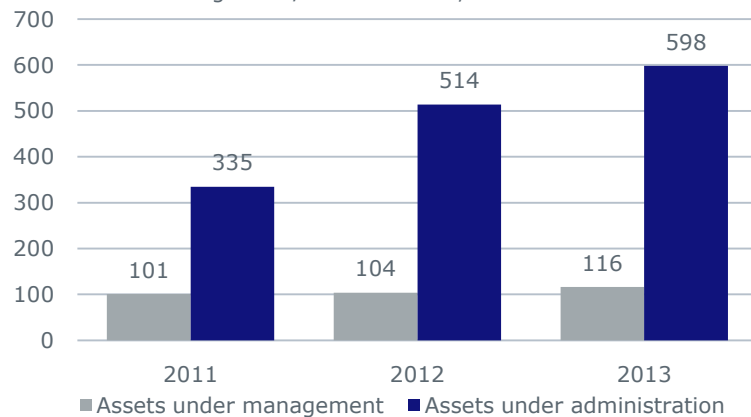
Bank lending/bank deposits, DKKbn



Mortgage lending, DKKbn

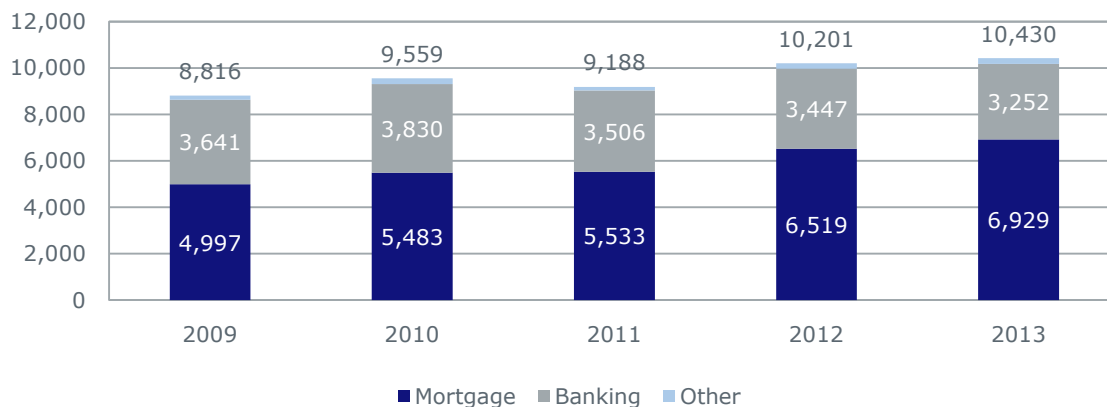


Assets under management/administration, DKKbn

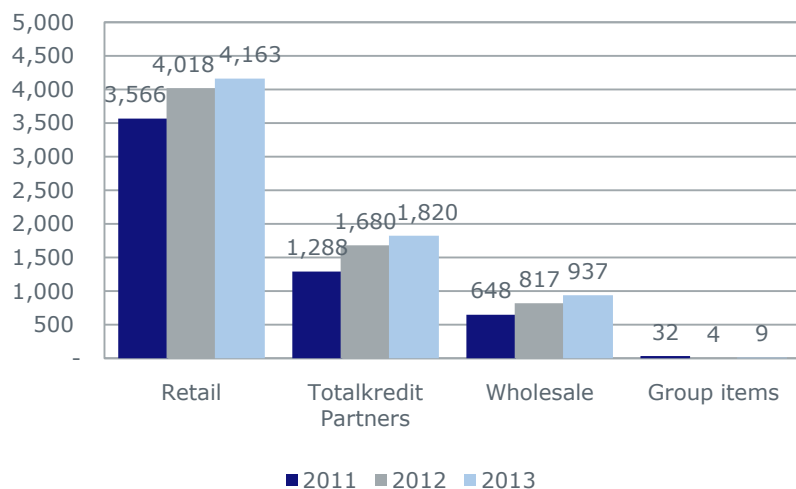


# Core earnings– the Nykredit Realkredit Group

Core earnings from business operations, DKKm



Core earnings from business operations by business area – Mortgage, DKKm

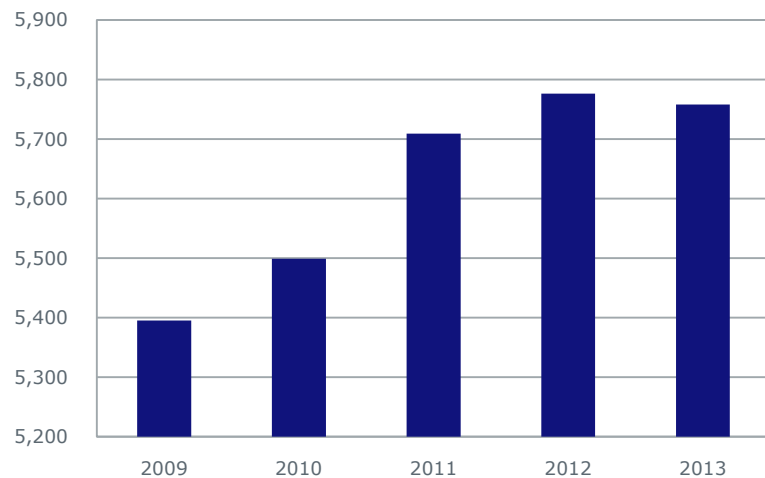


Core earnings from business operations by business area – Banking, DKKm

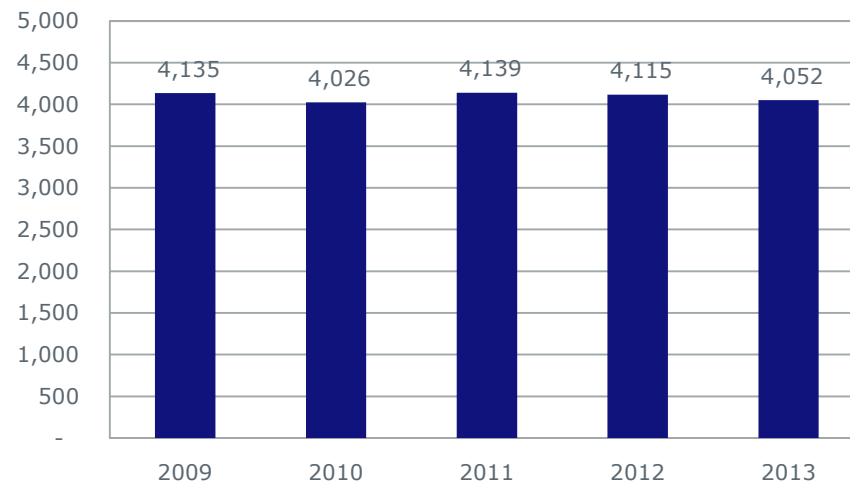


# Breakdown of costs

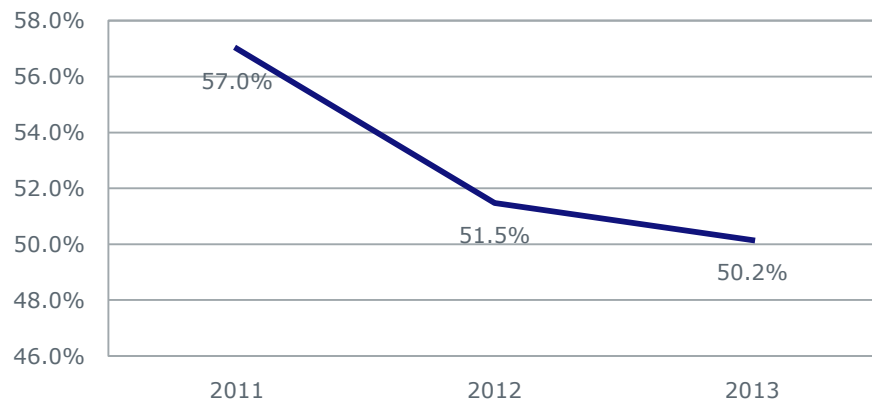
Operating costs, DKKm



Average number of full-time employees



Overhead costs as % of core earnings from business operations



Operating costs include expenses related to staff, IT (excl staff), marketing, premises and other operating costs

# Core income – the Nykredit Bank Group

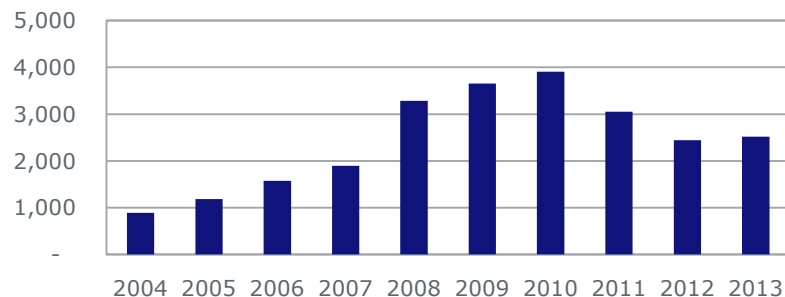
## The Nykredit Bank Group

DKK million	2009	2010	2011	2012	2013
<b>Core earnings from</b>					
Business operations	3,641	3,830	3,506	3,447	3,252
Value adjustment of derivatives and corporate bonds	(176)	(47)	(632)	(1,067)	(766)
Proprietary Trading (activity transferred to Nykredit Realkredit in 2009)	47	-	-	-	-
Securities	143	126	175	61	33
<b>Total core income</b>	<b>3,655</b>	<b>3,909</b>	<b>3,049</b>	<b>2,441</b>	<b>2,519</b>
Operating costs and depreciation of equipment	1,969	1,781	1,814	1,824	2,002
Provisions for costs relating to reorganisation	-	-	-	-	50
Payment to the Danish Guarantee Fund for Depositors and Investors	-	-	100	23	71
Commission payable under the government guarantee scheme (Bank Rescue Package I)	500	370	-	-	-
Value adjustment of associate	(183)	30	-	-	78
<b>Core earnings before impairment losses</b>	<b>1,003</b>	<b>1,788</b>	<b>1,135</b>	<b>594</b>	<b>474</b>
Impairment losses on loans and advances and provisions for guarantees	6,253	1,215	388	557	349
Provisions for guarantees relating to the government guarantee scheme	318	279	-	-	-
<b>Core earnings after impairment losses</b>	<b>(5,568)</b>	<b>294</b>	<b>747</b>	<b>37</b>	<b>125</b>
Investment portfolio income	366	223	(154)	30	(40)
<b>Profit (loss) before tax</b>	<b>(5,202)</b>	<b>517</b>	<b>593</b>	<b>67</b>	<b>85</b>
Tax	(1,264)	122	160	(1)	8
<b>Total profit (loss)</b>	<b>(3,938)</b>	<b>395</b>	<b>433</b>	<b>68</b>	<b>77</b>

Note: Forstædernes Bank was included in the Consolidated Financial Statements as from 17 October 2008.

Value adjustment of the portfolio of subordinated debt instruments in Danish banks (Kalvebod issues) has been included from 1 January 2011. Comparative figures have been restated. Largely all the Group's investment activities are marked to market, for which reason group earnings exhibit a certain degree of volatility.

Total core income, DKKm



# Balance sheet summary – the Nykredit Bank Group

## The Nykredit Bank Group

DKKm	2009	2010	2011	2012	2013
<b>Assets</b>					
Cash balance and receivables from credit institutions and central banks	46,361	29,480	50,244	44,812	23,173
Loans, advances and other receivables at fair value	11,963	12,920	22,007	35,401	56,814
Loans, advances and other receivables at amortised cost	60,921	59,072	55,901	49,807	47,024
Bonds at fair value and equities	65,670	75,266	61,063	58,399	64,219
Remaining assets	30,294	33,684	43,153	52,099	32,904
<b>Total assets</b>	<b>215,209</b>	<b>210,422</b>	<b>232,368</b>	<b>240,518</b>	<b>224,134</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	56,843	48,351	63,093	55,355	57,732
Deposits and other payables	65,117	55,699	57,551	54,701	65,405
Issued bonds at amortised cost	44,059	32,848	26,137	28,498	26,689
Other non-derivative financial liabilities at fair value	6,798	25,679	27,308	33,741	29,248
Remaining payables	28,084	32,416	43,594	53,468	30,216
Provisions	765	847	233	235	247
Subordinated debt	1,169	813	250	250	250
Equity	12,374	13,769	14,202	14,270	14,347
<b>Total liabilities and equity</b>	<b>215,209</b>	<b>210,422</b>	<b>232,368</b>	<b>240,518</b>	<b>224,134</b>

## Supervisory diamond (calculated at parent level)

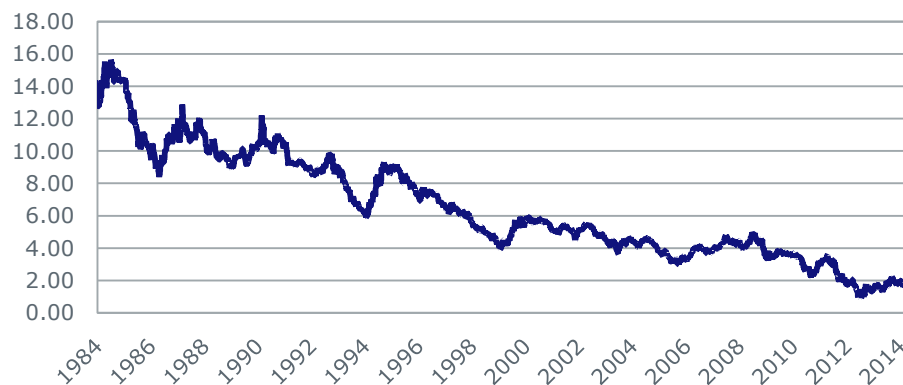
	2011	2012	2013
Lending growth (limit value <20%)	-5.4	-10.7	-7.6
Large exposures (limit value <125%)	0	0	0
Property exposure (limit value <25%)	16.8	14.6	10.4
Funding ratio (limit value <1,0%)	0.7	0.6	0.5
Excess liquidity coverage (limit value >50%)	176	183.1	276

# Income from securities

DKK million	2011	2012	2013
Investment portfolio income through profit or loss	179	2,444	1,887
Investment portfolio income through equity	(1,087)	(176)	(301)
<b>Total investment portfolio income</b>	<b>(907)</b>	<b>2,267</b>	<b>1,586</b>
- of which bonds	(245)	1,837	858
- of which equities	229	151	333
- of which strategic equities	(891)	279	395

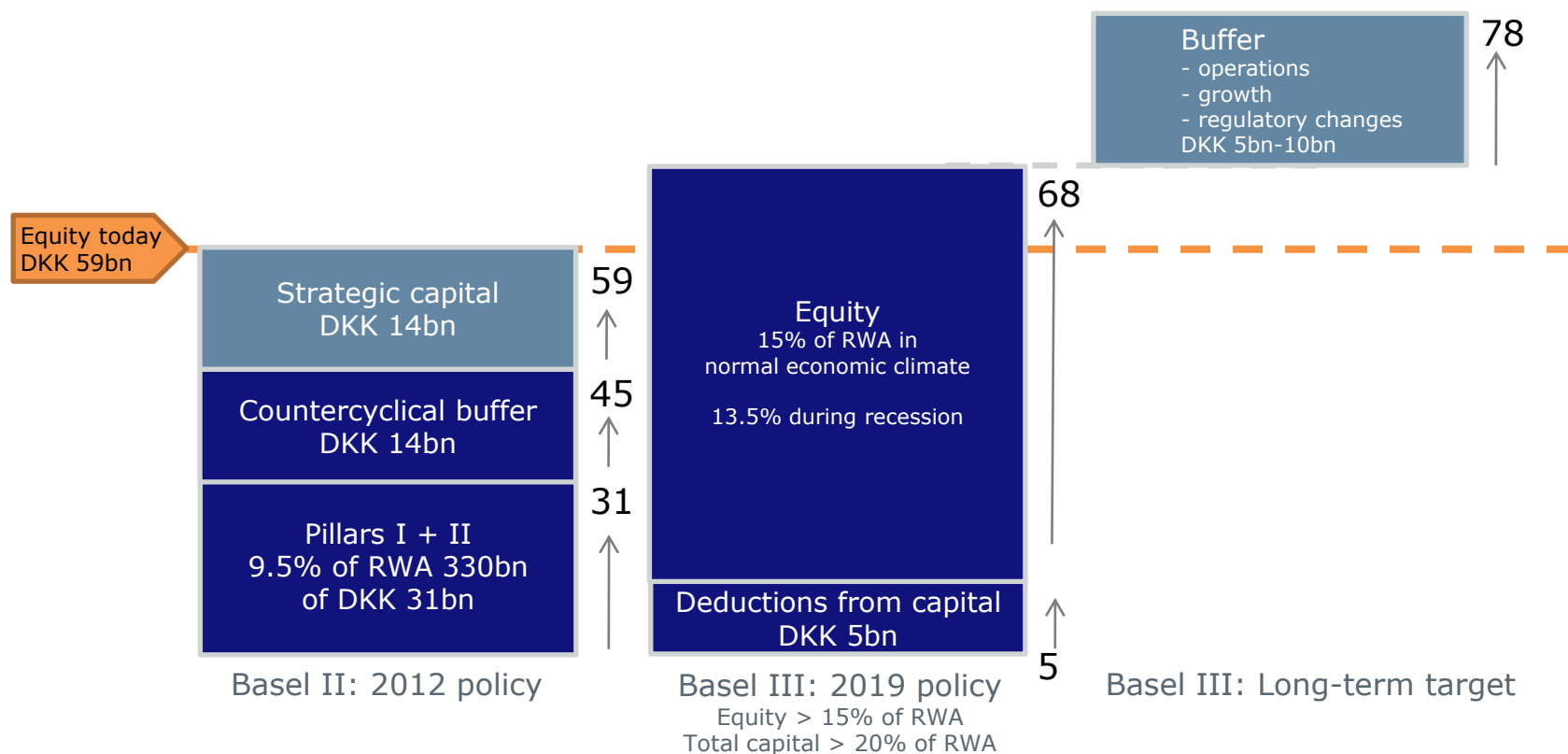
## Historically low interest rates

10-year Danish government bond yield, %



Largely all the Group's investment activities are marked to market, for which reason group earnings exhibit a certain degree of volatility.

# Equity policy going forward



Note: Incl future regulatory changes

Note: The above figures reflect the present lending balances

# Ratios and key figures – the Nykredit Realkredit Group

## Key figures

	2009	2010	2011	2012	2013
<b>Net interest margin, %</b>					
The Nykredit Realkredit Group	0.9%	0.9%	0.8%	0.8%	0.8%
<b>Impairment losses for the year as % of loans and advances</b>					
Mortgage lending	0.18%	0.09%	0.10%	0.14%	0.22%
Banking	6.07%	1.31%	0.42%	0.59%	0.31%
<b>Write-offs</b>					
Mortgage lending	160	463	634	1,029	957
Banking	646	3,035	2,217	848	613
Swaps	-	-	-	63	148
<b>Total provisions for loan impairment</b>					
Mortgage lending	1,942	2,226	2,485	2,954	4,378
Banking (including guarantees)	8,422	6,888	4,407	4,139	4,097
Swaps	-	107	755	1,496	2,229
<b>Total provisions for loan impairment/write-offs</b>					
Mortgage lending	12.1	4.8	3.9	2.9	4.6
Banking	13.0	2.3	2.0	4.9	6.7
Swaps	-	-	-	23.7	15.1

## Capital ratios

	2009	2010	2011	2012	2013
Core Tier 1 capital ratio, %	16.70%	18.50%	17.09%	19.10%	18.89%
Capital ratio (excl. core tier 1), %	13.50%	15.10%	13.87%	15.83%	15.80%
Solvency ratio, %	17.80%	18.50%	17.09%	19.10%	18.89%

## Ratios

	2009	2010	2011	2012	2013
Profit for the year as % of average equity	0.30%	7.24%	2.03%	4.55%	2.88%
Return on assets, %	0.03%	0.30%	0.08%	0.18%	0.12%
Return on RWA, %	0.05%	1.18%	0.32%	0.79%	0.48%

Nykredit's earnings should be seen relative to the balance sheet structure and capital level. A prevailing part of the assets consists of mortgage loans with low risk and low margins.

Price adjustments on mortgage products may be implemented at four months' notice and at a shorter notice for banking products.



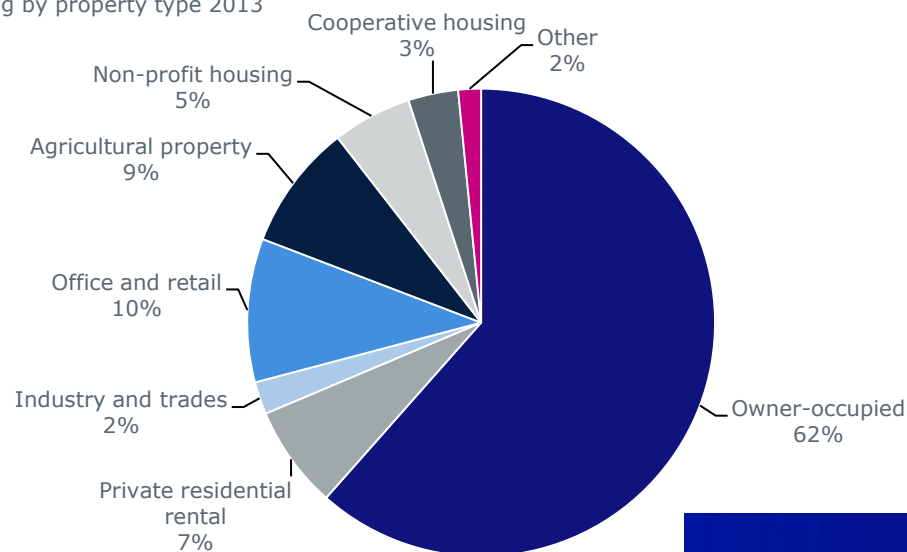
# Mortgage lending

## Mortgage lending by property type

DKK million	2009	2010	2011	2012	2013	Average impairment provisions over 5 years	Average write-offs over 5 years
Private residential property	611,904	639,094	660,891	682,969	689,057	0.19%	0.06%
Private residential rental	57,647	62,624	68,082	75,489	79,692	0.78%	0.12%
Industry and trades	26,662	25,694	24,544	23,635	25,119	0.67%	0.21%
Office and retail	86,923	94,643	103,081	112,444	111,215	0.29%	0.07%
Agricultural property	94,675	97,361	97,251	97,688	97,217	0.35%	0.05%
Non-profit housing	58,597	57,679	58,382	60,060	61,385	0.04%	0.00%
Cooperative housing	36,023	37,989	39,001	39,066	38,649	0.25%	0.00%
Other	12,784	14,553	16,373	17,444	17,636	0.48%	0.05%
<b>Total</b>	<b>985,216</b>	<b>1,029,636</b>	<b>1,067,606</b>	<b>1,108,797</b>	<b>1,119,970</b>	<b>0.19%</b>	<b>0.04%</b>

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

Mortgage lending by property type 2013

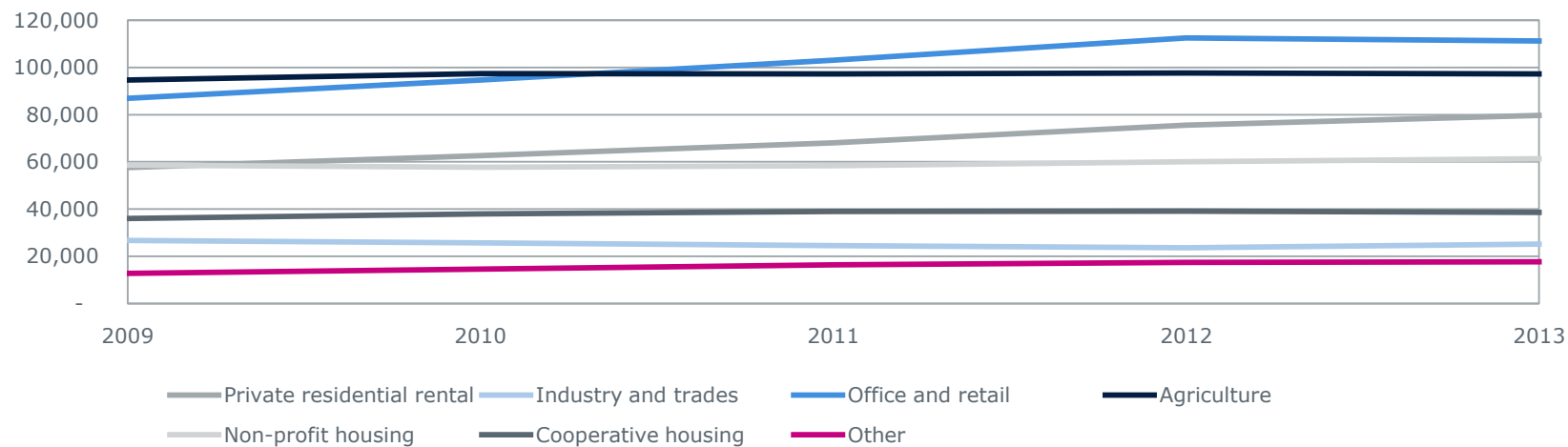


# Mortgage lending

Mortgage lending, DKKm



Mortgage lending by property type (excl private residential property), DKKm

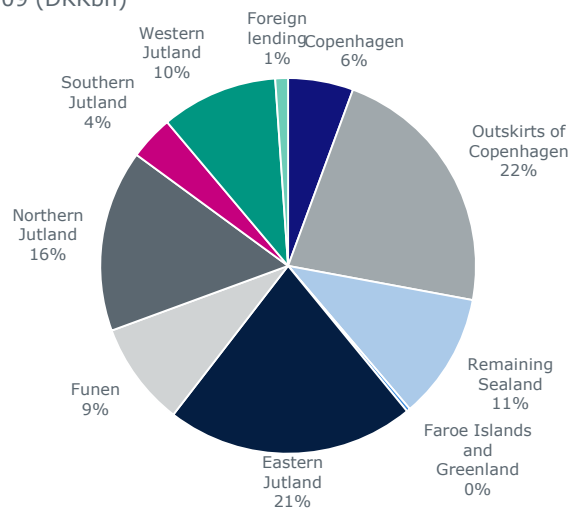


# Mortgage lending

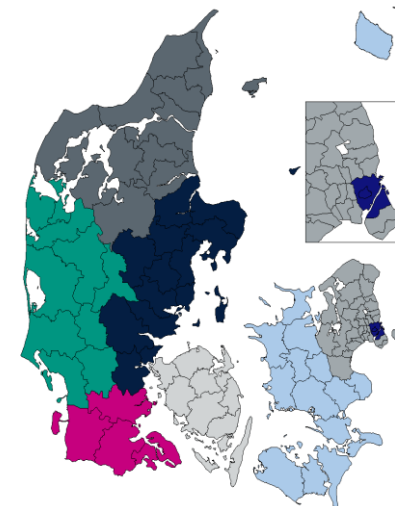
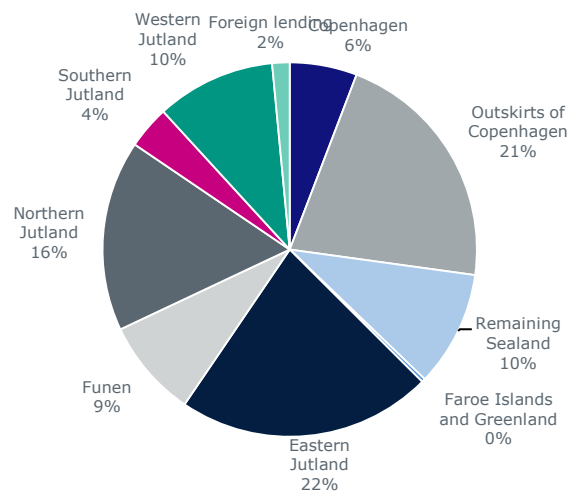
## Mortgage loans by geography

DKK billion	2009	2010	2011	2012	2013
Copenhagen	84	88	91	96	98
Outskirts of Copenhagen	181	185	192	198	199
Remaining Sealand	97	100	101	102	102
Faroe Islands and Greenland	2	2	2	3	3
Eastern Jutland	200	210	218	226	229
Funen	84	86	88	88	87
Northern Jutland	163	174	179	186	189
Southern Jutland	39	41	42	43	42
Western Jutland	99	105	110	115	116
Foreign lending	36	38	45	55	56

2009 (DKKbn)

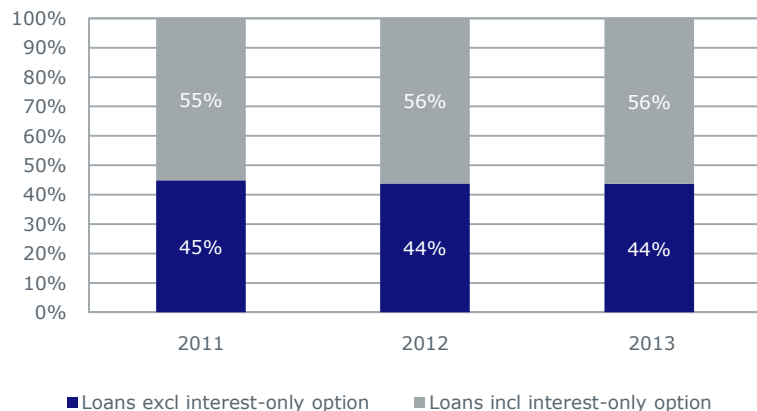


2013 (DKKbn)

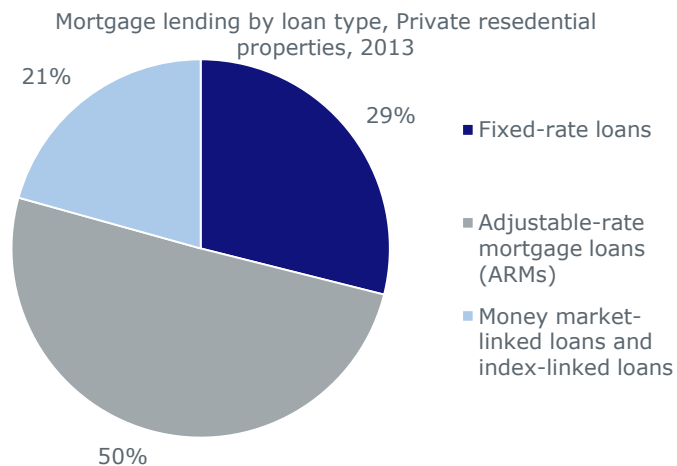
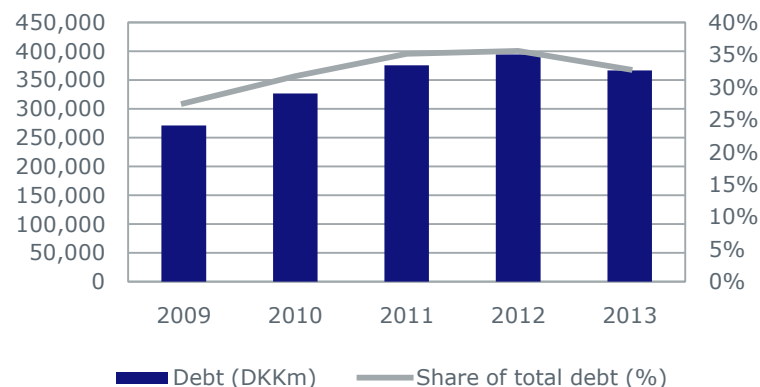


# Mortgage lending

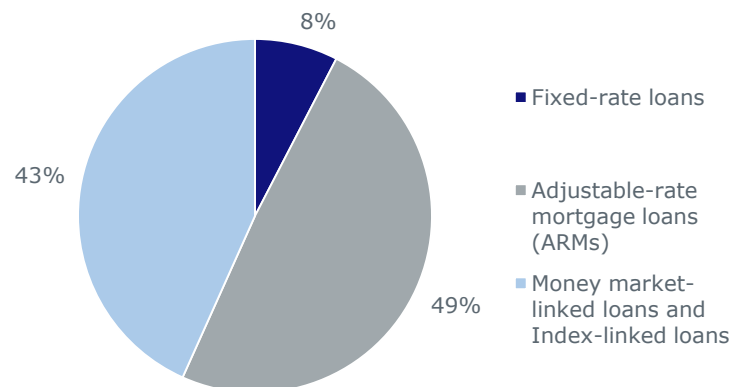
Bond debt outstanding by loan and interest type, all segments



Variable-rate loans with refinancing within one year (ARMs, money market-linked and index-linked), debt outstanding with maturity less than 1 year, all segments, variable-rate loans



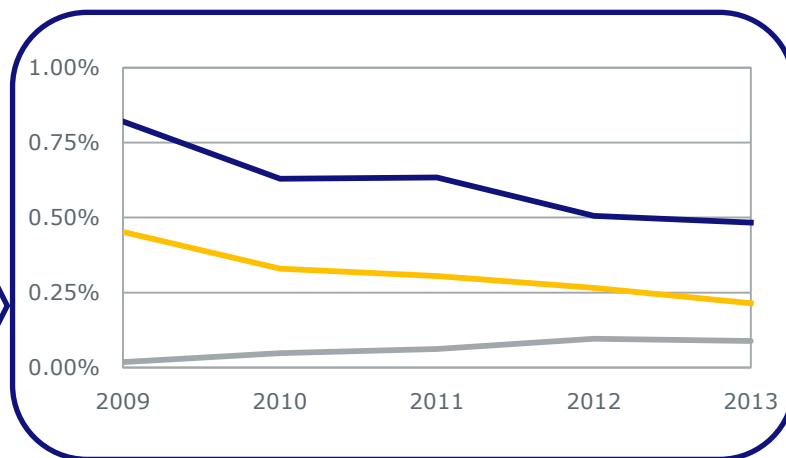
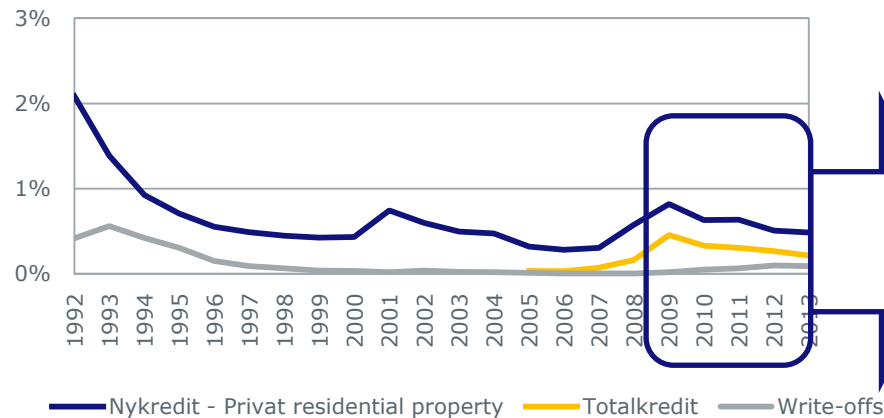
Mortgage lending by loan type, commercial, 2013



The proportion of commercial loans is not necessarily risk explanatory as most commercial customers hedge their interest rate risk using eg interest rate swaps, but not necessarily with Nykredit as counterparty.

# Arrears – mortgage lending

Arrears - 75 days past due, %



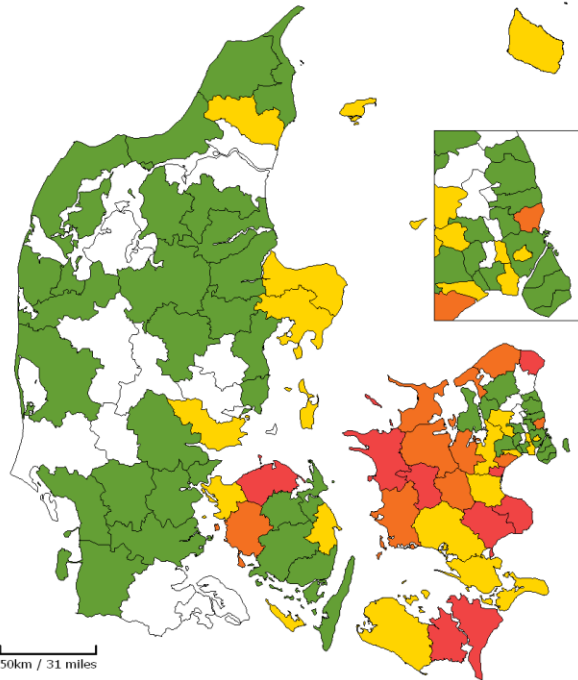
Note: Totalkredit has been consolidated with Nykredit Realkredit from 10 November 2003

Arrears - 75 days past due, %

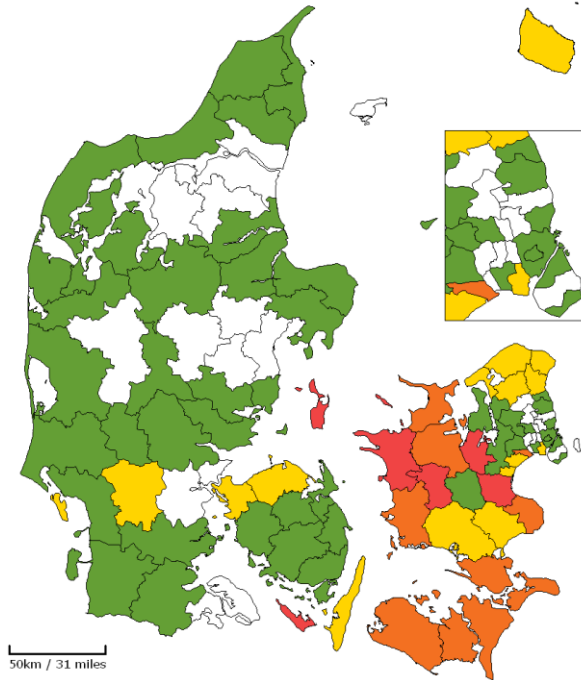


# Geographical distribution of arrears/total mortgage lending – private residential property, mortgage lending

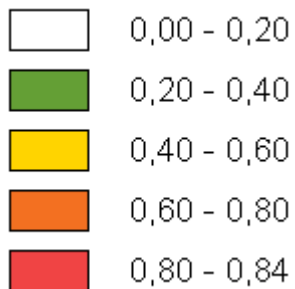
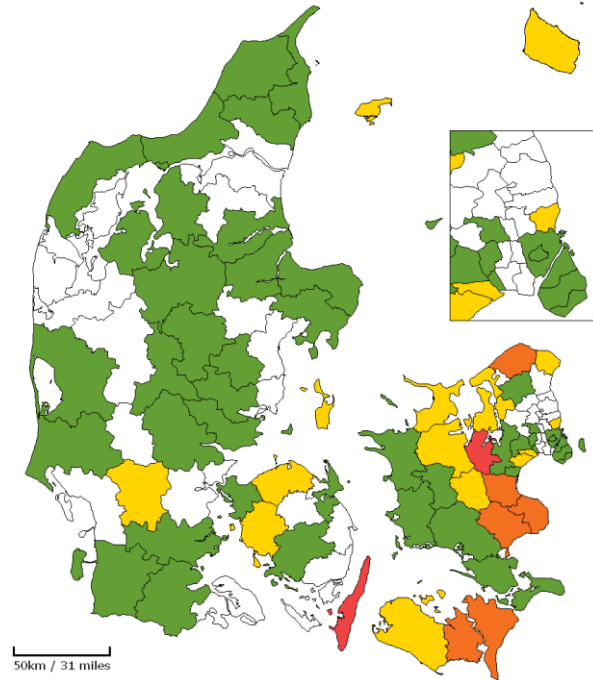
2011



2012

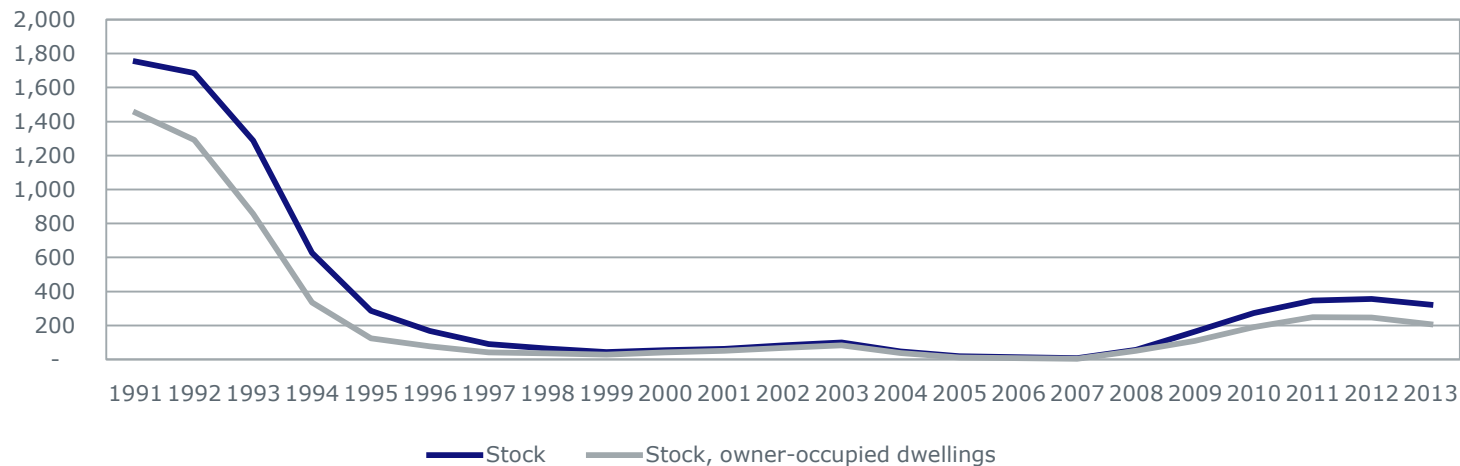


2013

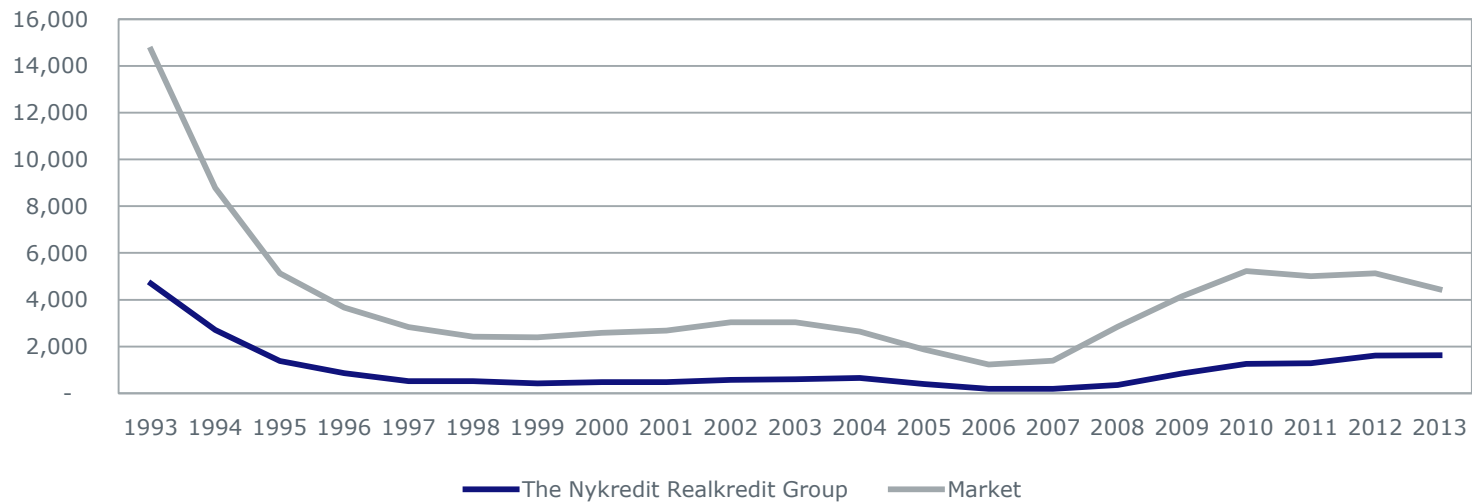


# Reposessed properties and forced sales

Reposessions, The Nykredit RealkreditGroup



Forced sales in Denmark



# Risk relating to mortgage lending

## The Nykredit Realkredit Group

### Debt outstanding relative to estimated property values, continuous distribution, end-2013

DKKm	0-40	40-60	60-80	80-100	Over 100	Non-profit housing	Total	LTV median	Average LTV
							%	%	
Private residential property	396,728	157,449	103,749	29,826	8,621	0	696,373	35	75
Private residential rental	72,973	26,234	13,865	2,855	626	0	116,552	31	67
Industry and trades	16,555	5,258	2,145	962	241	0	25,160	29	66
Office and retail	85,373	22,917	3,609	786	258	0	112,944	25	54
Agricultural property	71,527	19,766	7,544	1,915	704	0	101,456	26	60
Other	13,238	3,095	1,242	134	86	0	17,796	24	55
<b>Total end-2013</b>	<b>656,393</b>	<b>234,719</b>	<b>132,155</b>	<b>36,479</b>	<b>10,536</b>	<b>67,562</b>	<b>1,137,843</b>	<b>31</b>	<b>68</b>
<b>Total end-2012</b>	<b>654,182</b>	<b>231,850</b>	<b>135,812</b>	<b>37,645</b>	<b>8,456</b>	<b>69,852</b>	<b>1,137,797</b>	<b>31</b>	<b>68</b>

Note: The average LTV is determined as the top part of the debt outstanding relative to estimated property values. The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the non-profit housing segment. For this reason, LTVs of non-profit housing offer no relevant risk data. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

### Statutory LTV limits by property category

Private residential property for all-year habitation	80%*
Private cooperative housing	
Private residential rental properties	
Non-profit housing	
Youth housing	
Senior housing	
Properties used for social, cultural or educational purposes	60%
Holiday homes	
Agricultural and forestry properties, market gardens etc**	
Office and retail properties**	
Industry and trades properties**	
Utilities	
Other properties - including undeveloped land	40%

(\*) some loan types offered for residential properties are subject to a lower LTV limit than 80%, but no supplementary collateral is required unless the LTV ratio subsequently exceeds 80%

(\*\*) The LTV limit may be extended up to 70% against supplementary collateral for the part in excess in 60%

5.41% of total lending is outside statutory LTV limits

## The Nykredit Realkredit Group

### Debt outstanding relative to estimated property values, end-2013

LTV, %	0-40	40-60	60-80	80-100	Over 100
Private residential property	57	23	15	4	1
Private residential rental	63	23	12	2	1
Industry and trades	66	21	9	4	1
Office and retail	76	20	3	1	0
Agricultural property	71	19	7	2	1
Other	74	17	7	1	0
<b>Total end-2013</b>	<b>61</b>	<b>22</b>	<b>12</b>	<b>3</b>	<b>1</b>



# Risk relating to mortgage lending

## Prudential placement of outstanding debt in relation to estimated value of property Q4 2013

### Fair value 2013 LTV (loan-to-value), The Nykredit Realkredit Group

DKKm	0-40	40-60	60-80	80-100	Over 100	Non-profit housing	Total	LTV-median	Average LTV
							%	%	
Private residential property	64,178	154,465	234,276	179,864	63,590	0	696,373	35	75
Private residential rental	27,571	33,278	36,195	15,102	4,406	0	116,552	31	67
Industry and trades	6,936	9,198	5,147	2,105	1,774	0	25,160	29	66
Office and retail	41,383	52,318	14,225	3,489	1,530	0	112,944	25	54
Agriculture	44,545	31,202	17,150	5,892	2,667	0	101,456	26	60
Other	8,352	5,557	3,274	242	371	0	17,796	24	55
<b>Total Q4 2013</b>	<b>192,964</b>	<b>286,018</b>	<b>310,268</b>	<b>206,694</b>	<b>74,338</b>	<b>67,562</b>	<b>1,137,843</b>	<b>31</b>	<b>68</b>
<b>Total Q4 2012</b>	<b>200,781</b>	<b>242,268</b>	<b>303,406</b>	<b>255,645</b>	<b>65,846</b>	<b>69,852</b>	<b>1,137,797</b>	<b>31</b>	<b>68</b>

Note: The average LTV is determined as the top part of the debt outstanding relative to estimated property values. The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the non-profit housing segment. For this reason, LTVs of non-profit housing offer no relevant risk data. In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV range 0-40% and one third in the LTV range 40-60%.

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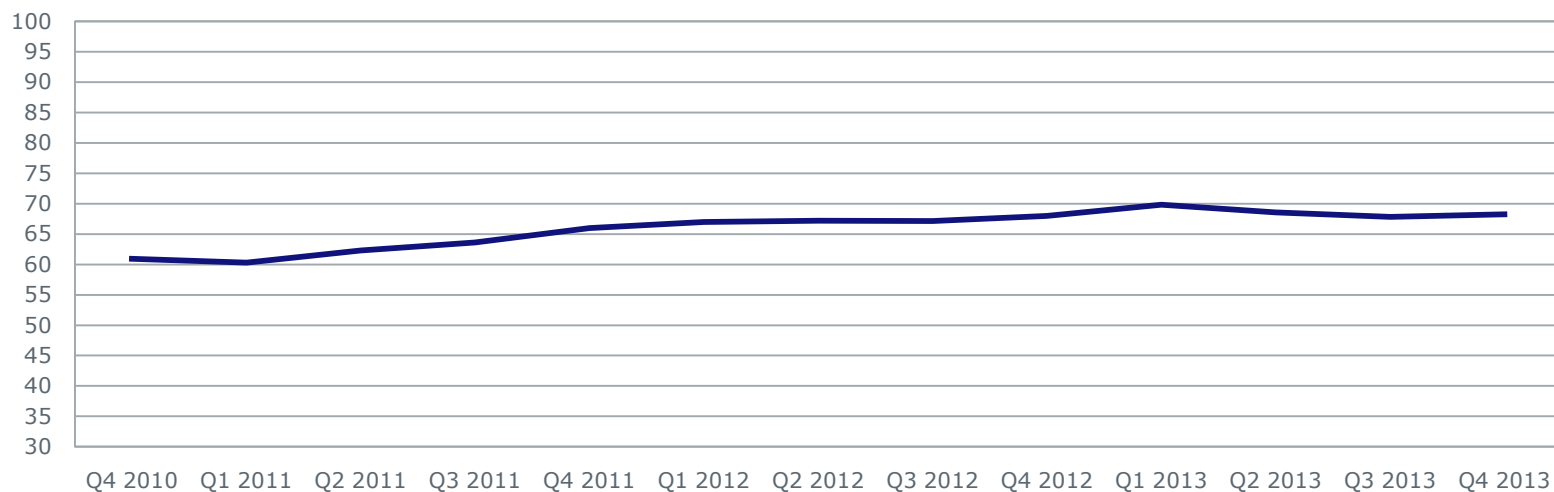
28.2% of total lending is outside statutory LTV limits

### The Nykredit Realkredit Group Debt outstanding relative to estimated property values, end-2013

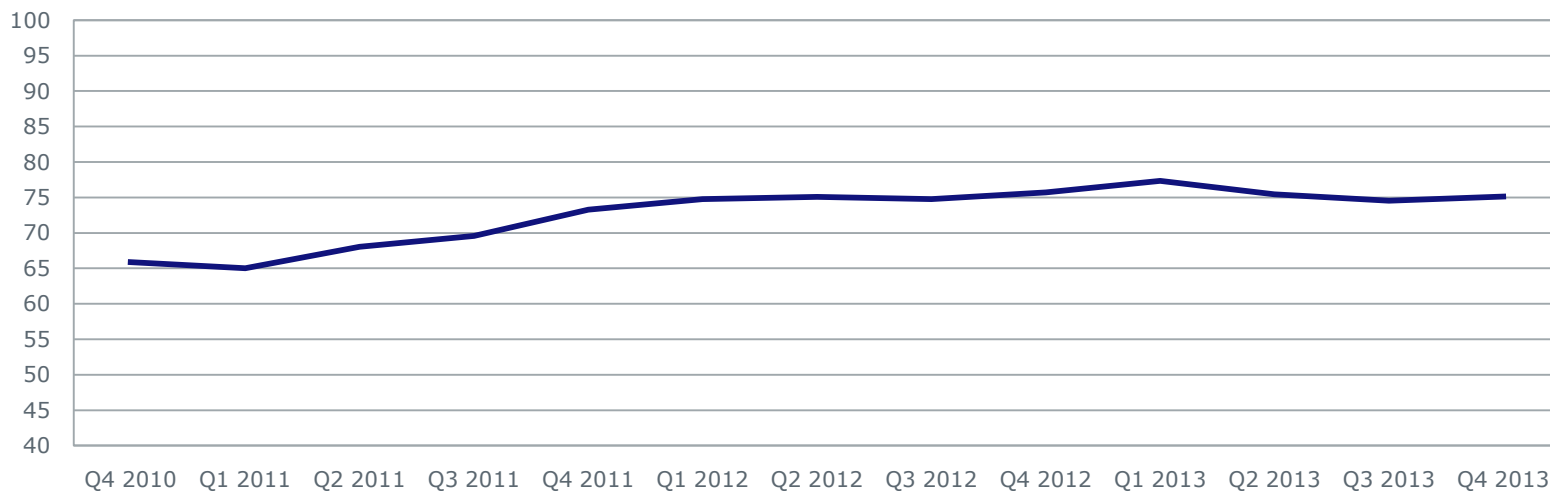
%	0-40	40-60	60-80	80-100	Over 100
Private residential property	9	22	34	26	9
Private residential rental	24	29	31	13	4
Industry and trades	28	37	20	8	7
Office and retail	37	46	13	3	1
Agriculture	44	31	17	6	3
Other	47	31	18	1	2
<b>Total Q4 2013</b>	<b>18</b>	<b>27</b>	<b>29</b>	<b>19</b>	<b>7</b>

# LTV

Average LTV – all segments, %

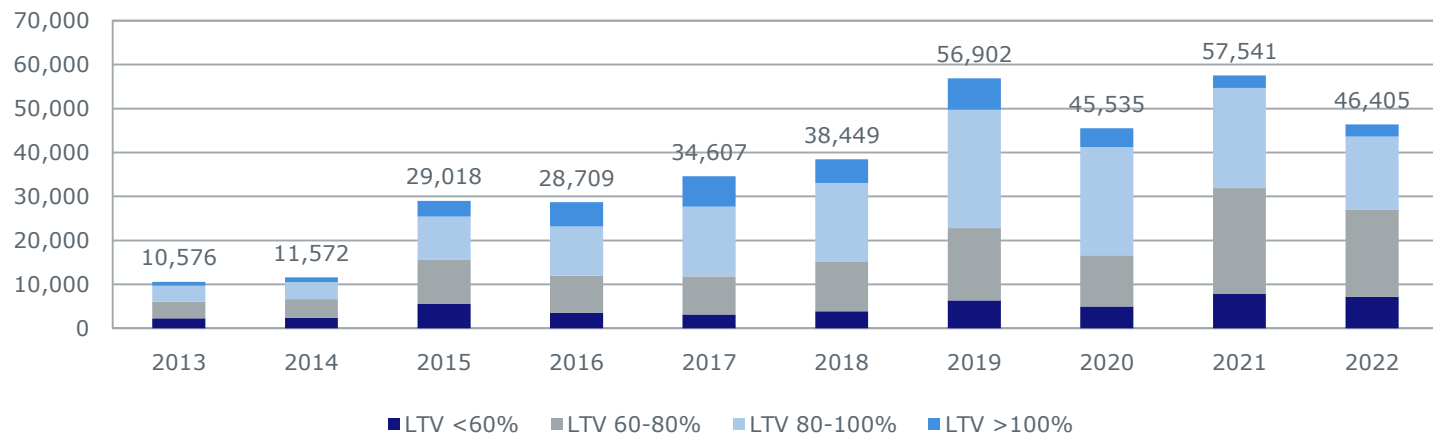


Average LTV – private residential properties, %

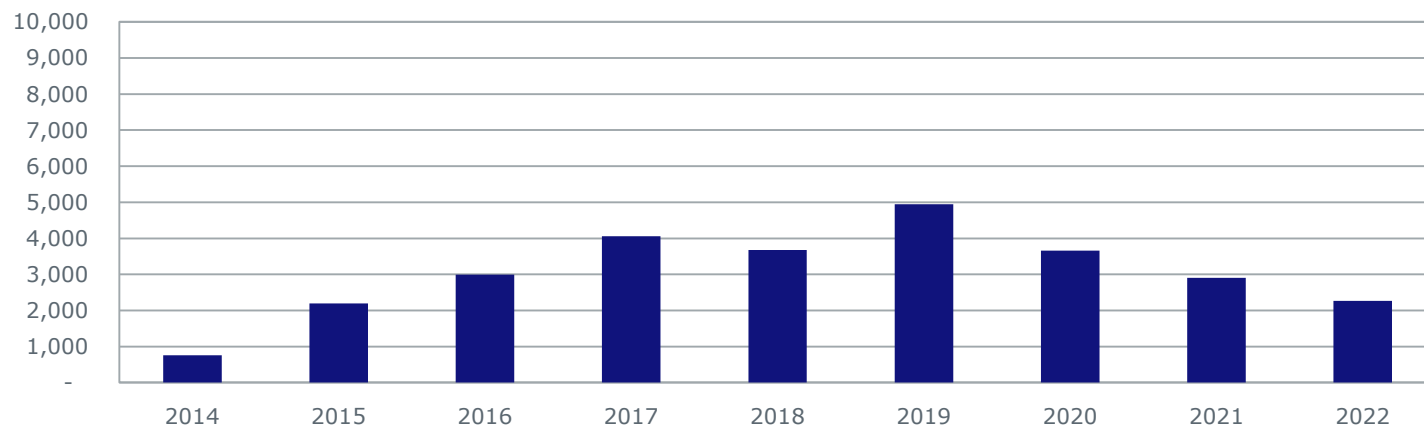


# Mortgage lending – expiry of interest-only period

LTV distribution – size of loans by interest-only expiry, DKKm



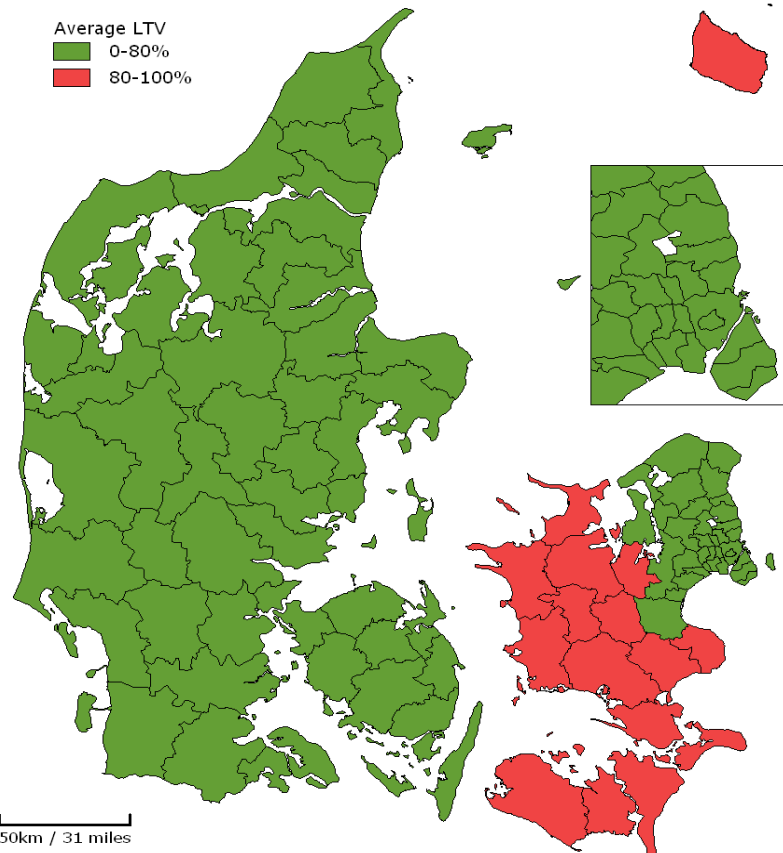
Debt outstanding over 80% LTV with expiry of interest-only period, by year



Note: The charts depict snapshots of the present situation which will change significantly over the years as a result of refinancing and changing property prices etc.

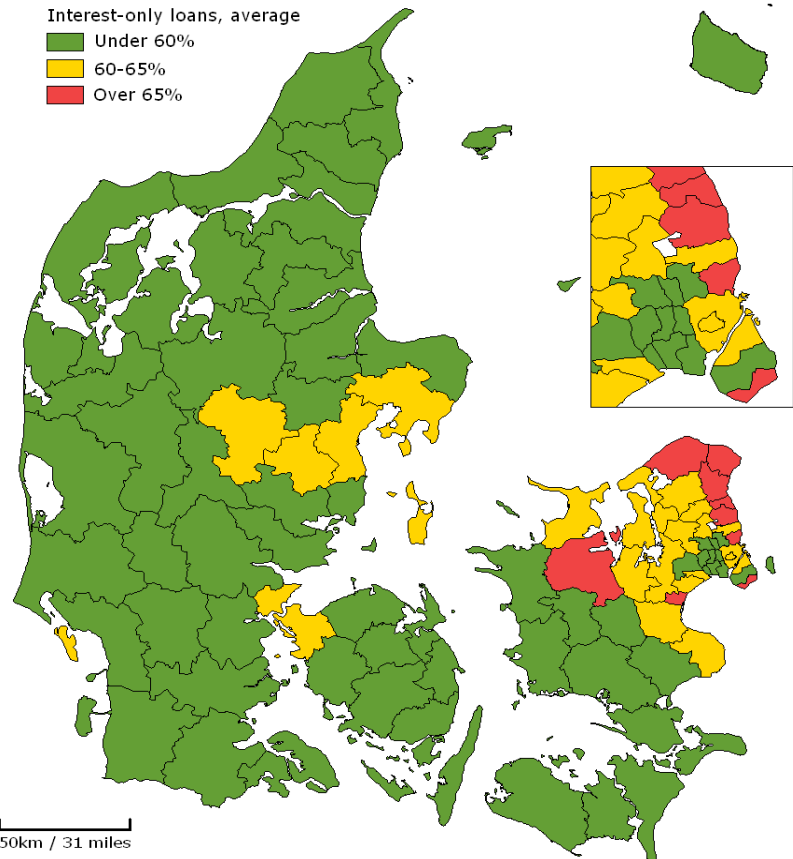
# Interest-only loans prevalent where LTVs are low

## LTV ratios



LTV ratios, home loans, the Nykredit Realkredit Group, 2013

## Distribution of interest-only loans, 2013

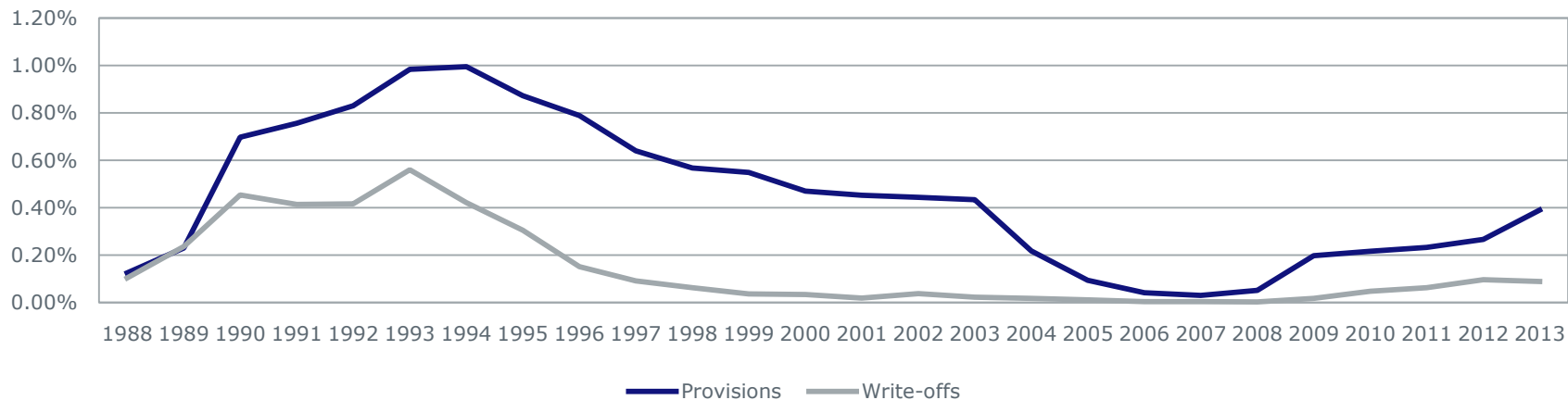


Interest-only, home loans, the Nykredit Realkredit Group, 2013

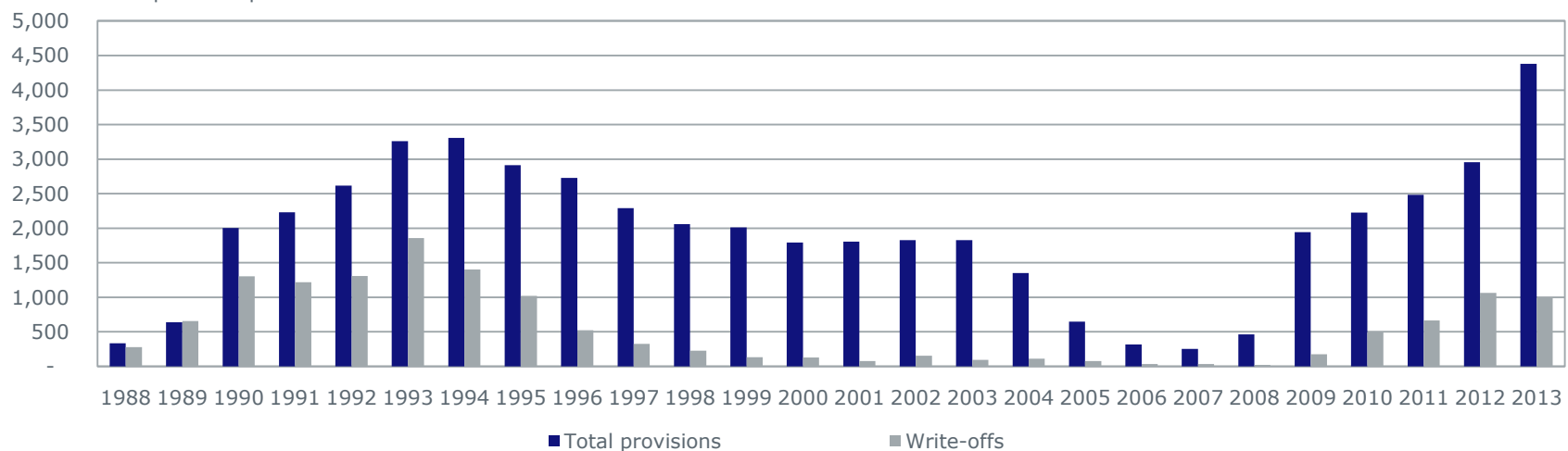
Note: Private residential lending in municipalities with above 80% LTVs and low marketability (above national average of 200 days on market) amounts to 3.2% of private residential lending.

# Impairment provisions and losses – mortgage lending

Provisions and losses as % of loans and advances



DKKm - Impairment provisions and write-offs



Note: Pursuant to the IFRS rules, Nykredit will make impairments corresponding to the expected losses on the loan portfolio, even if exposures have not impaired

# Impairment provisions – mortgage lending

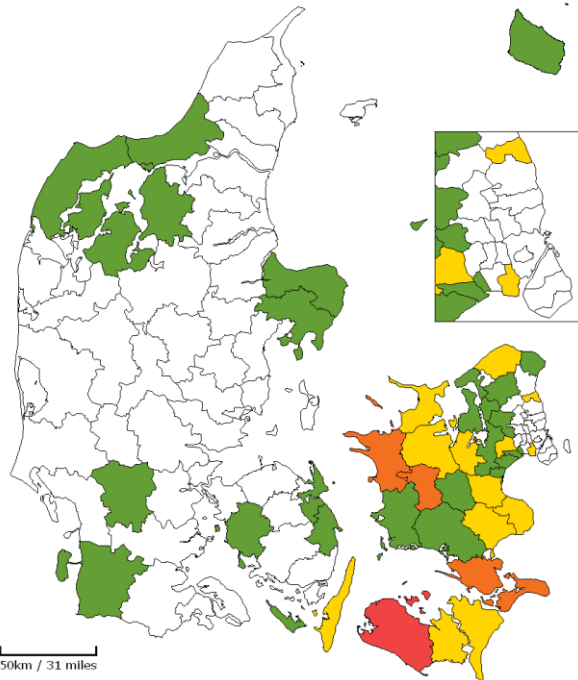
## Impairment provisions - by property type

DKK million	2009	2010	2011	2012	2013
Private residential property	234	247	348	641	993
Industry and trades	108	201	168	143	218
Office and retail	147	259	230	303	555
Agricultural property	58	217	481	440	494
Non-profit housing	63	78	88	96	175
Private residential rental	797	662	388	365	461
Cooperative housing	-	39	76	64	307
<b>Total Nykredit Realkredit</b>	<b>1,407</b>	<b>1,703</b>	<b>1,780</b>	<b>2,051</b>	<b>3,204</b>
Totalkredit	535	523	704	903	1,174
<b>The Nykredit Realkredit Group</b>	<b>1,942</b>	<b>2,226</b>	<b>2,483</b>	<b>2,954</b>	<b>4,378</b>

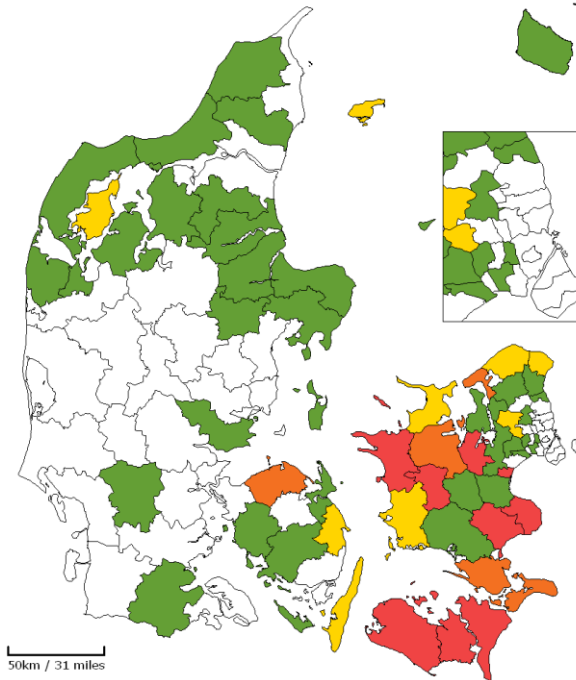
Provisions: Include individual and collective provisions (including provisions following from management judgement)

# Geographical distribution of write-offs/total mortgage lending – private residential property, mortgage lending

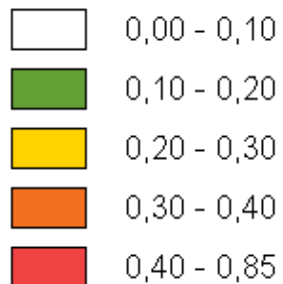
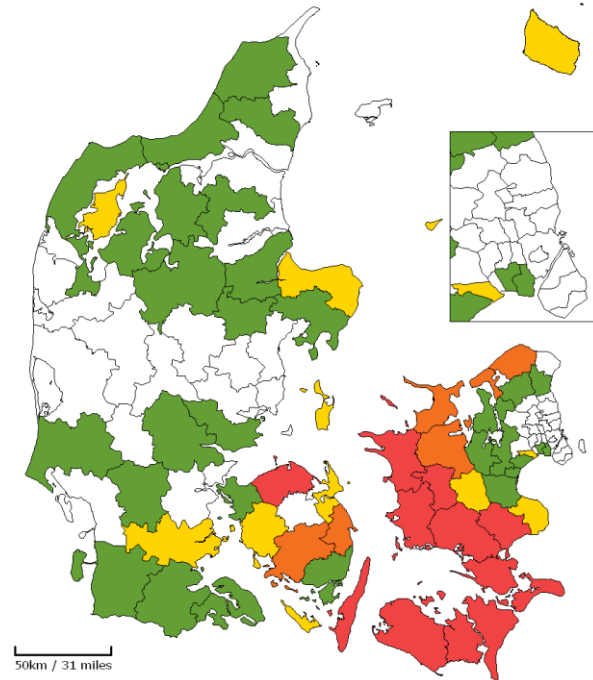
2011



2012



2013



# Write-offs – mortgage lending

## Write-offs - by property type

DKK million	2009	2010	2011	2012	2013
Private residential property	73	152	162	239	283
Industry and trades	44	43	63	68	41
Office and retail	8	59	92	123	89
Agricultural property	1	14	11	88	110
Non-profit housing	6	2	5	30	8
Private residential rental	18	60	68	174	92
Cooperative housing	0	0	0	4	5
<b>Total Nykredit Realkredit</b>	<b>150</b>	<b>329</b>	<b>402</b>	<b>726</b>	<b>627</b>
Totalkredit	10	134	232	303	330
<b>The Nykredit Realkredit Group, mortgage lending</b>	<b>160</b>	<b>463</b>	<b>634</b>	<b>1,029</b>	<b>957</b>

Write-offs: Write-offs for the year regardless whether the loan loss has been recognised through profit or loss for the same year. Totalkredit after set-off.



# Bank lending – loans, advances and guarantees

## Loans and advances

DKK million	2009	2010	2011	2012	2013
<b>Public sector</b>	<b>133</b>	<b>253</b>	<b>237</b>	<b>308</b>	<b>259</b>
<b>Commercial customers</b>					
Agriculture, hunting and forestry	1,580	2,019	2,102	1,638	1,640
Other corporate	54,331	53,592	60,111	69,079	89,153
<b>Total corporate</b>	<b>55,911</b>	<b>55,611</b>	<b>62,213</b>	<b>70,717</b>	<b>90,793</b>
Personal customers	16,840	16,128	15,459	14,183	12,786
<b>Total</b>	<b>72,884</b>	<b>71,992</b>	<b>77,909</b>	<b>85,208</b>	<b>103,838</b>

## Guarantees

DKK million	2009	2010	2011	2012	2013
<b>Public sector</b>	<b>365</b>	<b>553</b>	<b>305</b>	<b>205</b>	<b>234</b>
<b>Commercial customers</b>					
Agriculture, hunting and forestry	1,005	537	346	319	386
Other corporate	12,839	7,952	5,314	5,816	5,997
<b>Total corporate</b>	<b>13,844</b>	<b>8,489</b>	<b>5,660</b>	<b>6,135</b>	<b>6,383</b>
Personal customers	9,177	6,183	4,177	5,829	5,003
<b>Total</b>	<b>23,386</b>	<b>15,225</b>	<b>10,142</b>	<b>12,169</b>	<b>11,620</b>

# Bank lending – provisions

## Provisions for individual loan impairment and guarantees

DKK million	2009	2010	2011	2012	2013
<b>Public sector</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>Commercial customers</b>					
Agriculture, hunting and forestry	85	77	107	162	168
Other corporate	7,253	5,599	3,377	3,205	3,002
<b>Total corporate</b>	<b>7,338</b>	<b>5,676</b>	<b>3,484</b>	<b>3,367</b>	<b>3,170</b>
Personal customers	711	790	616	532	538
<b>Total</b>	<b>8,162</b>	<b>6,466</b>	<b>4,100</b>	<b>3,903</b>	<b>3,708</b>

## Collective impairment provisions

DKK million	2009	2010	2011	2012	2013
<b>Public sector</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
<b>Commercial customers</b>					
Agriculture, hunting and forestry	3	5	13	5	9
Other corporate	204	300	234	155	250
<b>Total corporate</b>	<b>207</b>	<b>305</b>	<b>247</b>	<b>160</b>	<b>259</b>
Personal customers	51	117	61	76	103
<b>Total</b>	<b>258</b>	<b>422</b>	<b>308</b>	<b>236</b>	<b>370</b>

## Total impairment provisions

DKK million	2009	2010	2011	2012	2013
<b>Public sector</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>
<b>Commercial customers</b>					
Agriculture, hunting and forestry	0	82	120	167	177
Other corporate	7,460	5,899	3,611	3,360	3,252
<b>Total corporate</b>	<b>7,460</b>	<b>5,981</b>	<b>3,731</b>	<b>3,527</b>	<b>3,429</b>
Personal customers	762	907	677	608	641
<b>Total</b>	<b>8,335</b>	<b>6,888</b>	<b>4,408</b>	<b>4,139</b>	<b>4,078</b>

Following the Danish FSA's inspection of the Group's credits area, Nykredit Bank has made a more conservative assessment of cooperative housing exposures. There is objective evidence of impairment (OEI) when a conservatively assessed rent is not sufficient to restore positive equity in a housing cooperative over a 30-year cash flow. In some cases, this results in negative value adjustment of interest rate swaps and impairment of loans and advances. Individual value adjustment of interest rate swaps generally follows the principles applying to impairment of loans and advances in respect of the same customer, and the swaps are value adjusted to zero if the unsecured part of the loan is written off.

# Weak customers and non-performing loans (NPL) – mortgage lending

## **Exposure to weak customers (rating 0)**

	2011	2012	2013
Total impairment provisions, rating 0 (DKK million)	140	215	373
Bond debt outstanding with OEI (DKK million)	9,825	10,404	12,734
Total bond debt outstanding (DKK million)	1,067,606	1,108,797	1,119,970
Bond debt outstanding with OEI/total bond debt outstanding (%)	0.9%	0.9%	1.1%

## **Non-performing loans (rating -1)**

	2011	2012	2013
Total impairment provisions, NPL (DKK million)	1,498	1,967	2,741
Bond debt outstanding, NPL (DKK million)	16,284	18,377	22,412
Total bond debt outstanding (DKK million)	1,067,606	1,108,797	1,119,970
Bond debt outstanding, NPL/total bond debt outstanding (%)	1.5%	1.7%	2.0%

**Note:**

The rating categories range from 0 to 10, 10 being the highest rating. NPL for mortgage products, an exposure is considered in default 75 days past due. Exposures for which individual impairment provisions have been made or a direct loss has been incurred are also considered in default.

Non-performing loans fall outside the rating scale and thus constitute a separate category. Customer ratings are an important element of the credit policy and customer assessment.

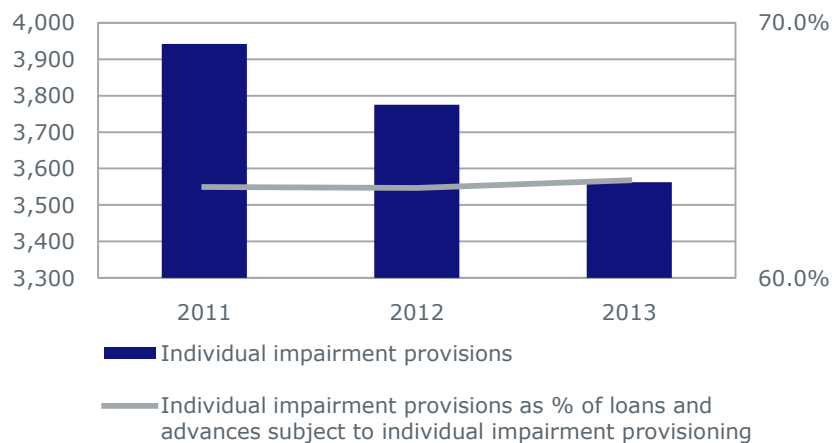
# Non-performing loans (NPL) – bank lending

## Non performing bank loans (rating NPL)

	2011	2012	2013
Individual impairment provisions (DKK million)	3,942	3,775	3,563
Non-performing loans of which loans and advances subject to individual impairment provisioning (DKK million)	6,202	5,942	5,582
Individual impairment provisions as % of loans and advances subject to individual impairment provisioning (%)	64%	64%	64%

Note: Exposures in default includes loans and advances provided for individually and loans and advances to customers with an elevated risk of future default, but not necessarily a high risk of future losses, as the loss risk also depends on any security provided for a loan.

Bank lending – non-performing loans (rating NPL), DKKm



# Business areas

Business areas	
Retail	Retail comprises Nykredit's personal customers and small and medium-sized enterprises (SMEs). The business area includes mortgage lending to Nykredit's personal customers arranged via Totalkredit
Totalkredit Partners	Totalkredit Partners arranges the Group's mortgage loans to personal customers via local and regional banks
Wholesale	Wholesale comprises Corporate & Institutional Banking and the business units Nykredit Markets and Nykredit Asset Management.
Group Items	Group Items comprises income and costs not allocated to the business areas, including core income from securities and investment portfolio income.

# Core income – business areas

## Lending, deposits and core income – business areas

DKK million	2011	2012	2013
<b>Mortgage lending</b>			
Retail	445,029	450,218	447,736
-of which Nykredit Realkredit	432,614	425,283	409,926
-of which Totalkredit	12,415	24,935	37,810
Totalkredit Partners	461,151	484,980	494,677
Wholesale	161,426	173,599	177,557
Group items	-	-	-
<b>Total mortgage lending</b>	<b>1,067,606</b>	<b>1,108,797</b>	<b>1,119,970</b>
<b>Bank lending</b>			
Retail	29,005	27,105	26,067
Wholesale	24,105	19,655	18,498
Group items	2,666	2,968	2,398
<b>Total bank lending</b>	<b>55,776</b>	<b>49,727</b>	<b>46,963</b>
<b>Deposits</b>			
Retail	35,013	36,174	39,506
Wholesale	19,401	16,286	24,527
Group items	2,989	2,049	1,139
<b>Total deposits</b>	<b>57,403</b>	<b>54,509</b>	<b>65,172</b>
<b>Core income</b>			
Retail	5,088	5,117	5,859
Totalkredit Partners	1,276	1,481	1,582
Wholesale	1,988	2,203	1,799
Group items	658	109	58
<b>Total core income</b>	<b>9,010</b>	<b>8,909</b>	<b>9,297</b>

In 2010 the segment financial statements were affected by the merger between Nykredit Bank and Forstædernes Bank and a general reorganisation at end-2009 relating to strategy 2013. Comparative figures have been restated to the widest extent possible.

# Business areas – Retail

## Results - Retail

DKK million	2011	2012	2013
<b>Core earnings from</b>			
Business operations	5,578	6,192	6,203
Value adjustment of derivatives and corporate bonds	(408)	(928)	(179)
Junior covered bonds	(82)	(147)	(165)
<b>Total core income</b>	<b>5,088</b>	<b>5,117</b>	<b>5,859</b>
Operating costs including payment to Guarantee Fund for Depositors and Investors	3,157	3,128	3,184
Depreciation of property, plant and equipment and amortisation of intangible assets	16	13	10
<b>Core earnings before impairment losses</b>	<b>1,914</b>	<b>1,977</b>	<b>2,665</b>
Impairment losses on loans and advances – mortgage lending	863	1,048	1,599
Impairment losses on loans and advances – banking	408	511	406
<b>Core earnings after impairment losses</b>	<b>642</b>	<b>418</b>	<b>659</b>

## Activities - Retail

DKK million	2011	2012	2013
<b>Mortgage lending</b>			
Gross new lending	57,233	66,717	40,657
Portfolio at nominal value, year-end	445,029	450,218	447,736
Impairment losses for the year as % of loans and advances	0.19%	0.24%	0.36%
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	826	1,307	1,791
Collective impairment provisions	734	611	1,045
Total impairment provisions as % of loans and advances	0.35%	0.43%	0.63%
Portfolio of repossessed properties, year-end (properties)	255	276	273
<b>Banking</b>			
Loans and advances, year-end	29,005	27,105	26,067
Deposits, year-end	35,013	36,174	39,506
Impairment losses for the year as % of loans and advances	1.41%	1.84%	1.51%
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	1,935	2,003	2,126
Collective impairment provisions	179	140	196
Total impairment provisions as % of loans and advances	6.79%	7.33%	8.18%
Guarantees, year-end	5,052	10,270	10,051
Provisions for guarantees, year-end	63	73	48

# Business areas – Totalkredit Partners

## Results – Totalkredit Partners

DKK million	2011	2012	2013
<b>Core earnings from</b>			
Business operations	1,369	1,744	1,875
Junior covered bonds	(94)	(263)	(293)
<b>Total core income</b>	<b>1,276</b>	<b>1,481</b>	<b>1,582</b>
Operating costs	425	411	409
Depreciation of property, plant and equipment and amortisation of intangible assets	492	521	521
<b>Core earnings before impairment losses</b>	<b>359</b>	<b>549</b>	<b>652</b>
Impairment losses on loans and advances	447	508	554
<b>Core earnings after impairment losses</b>	<b>(88)</b>	<b>41</b>	<b>98</b>

## Activities – Totalkredit Partners

DKK million	2011	2012	2013
<b>Mortgage</b>			
Gross new lending	69,952	115,392	56,238
Portfolio at nominal value, year-end	461,151	484,980	494,677
Impairment losses for the year as % of loans and advances	0.10%	0.10%	0.11%
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	393	441	458
Collective impairment provisions	311	429	681
Total impairment provisions as % of loans and advances	0.15%	0.18%	0.23%
<b>Portfolio of repossessed properties, year-end (properties)</b>	<b>85</b>	<b>77</b>	<b>46</b>



# Business areas – Wholesale

## Results – Wholesale

DKK million	2011	2012	2013
<b>Core earnings from</b>			
Business operations	2,227	2,368	2,412
Value adjustment of derivatives and corporate bonds	(224)	(140)	(587)
Junior covered bonds	(15)	(26)	(26)
<b>Total core income</b>	<b>1,988</b>	<b>2,203</b>	<b>1,799</b>
Operating costs including payment to Guarantee Fund for Depositors and Investors	797	840	823
Depreciation of property, plant and equipment and amortisation of intangible assets	3	5	6
<b>Core earnings before impairment losses</b>	<b>1,189</b>	<b>1,358</b>	<b>970</b>
Impairment losses on loans and advances – mortgage lending	(284)	37	251
Impairment losses on loans and advances – banking	(40)	34	(29)
<b>Core earnings after impairment losses</b>	<b>1,513</b>	<b>1,287</b>	<b>748</b>

## Activities – Wholesale

DKK million	2011	2012	2013
<b>Mortgage</b>			
Gross new lending	29,487	35,460	26,270
Portfolio at nominal value, year-end	161,426	173,599	177,557
Impairment losses for the year as % of loans and advances	(0.18%)	0.02%	0.14%
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	140	104	262
Collective impairment provisions	80	63	141
Total impairment provisions as % of loans and advances	0.14%	0.10%	0.23%
Portfolio of repossessed properties, year-end (properties)	7	3	3
<b>Banking</b>			
Loans and advances, year-end	24,105	19,655	18,498
Deposits, year-end	19,401	16,286	24,527
Impairment losses for the year as % of loans and advances	(0.17%)	0.17%	(0.16%)
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	1,959	1,729	1,419
Collective impairment provisions	129	81	174
Total impairment provisions as % of loans and advances	7.97%	8.43%	7.93%
Guarantees, year-end	10,257	8,708	7,021
Provisions for guarantees, year-end	51	8	55
<b>Assets under management</b>	<b>101,331</b>	<b>103,698</b>	<b>116,269</b>
<b>Assets under administration</b>			
<b>Nykredit Portefølje Administration A/S</b>	<b>334,796</b>	<b>513,675</b>	<b>598,434</b>
of which the investment funds of the Nykredit Group	35,417	46,518	51,808

# Business areas – Group Items

## Results – Group Items

DKK million	2011	2012	2013
<b>Core earnings from</b>			
Business operations	15	(104)	(60)
Securities	644	212	118
<b>Total core income</b>	<b>658</b>	<b>109</b>	<b>58</b>
Operating costs	624	646	627
Depreciation of property, plant and equipment and amortisation of intangible assets	195	227	235
Operating costs, depreciation and amortisation – special value adjustments	158	(205)	218
Payment to the Danish Guarantee Fund for Depositors and Investors	100	9	14
<b>Core earnings before impairment losses</b>	<b>(420)</b>	<b>(569)</b>	<b>(1,036)</b>
Impairment losses on loans and advances – mortgage lending	-	-	10
Impairment losses on loans and advances – banking	19	12	(27)
<b>Core earnings after impairment losses</b>	<b>(439)</b>	<b>(581)</b>	<b>(1,019)</b>

## Activities – Group Items

DKK million	2011	2012	2013
<b>Banking</b>			
Loans and advances, year-end	2,666	2,968	2,398
Deposits, year-end	2,989	2,049	1,139
<b>Total impairment provisions, year-end</b>			
Individual impairment provisions	91	90	60
Collective impairment provisions	0	15	0
Total impairment provisions as % of loans and advances	3.32%	3.43%	2.42%
<b>Guarantees, year-end</b>	<b>1,675</b>	<b>1,051</b>	<b>1,455</b>

# The Danish economy

## Nykredit's regional housing price forecasts

%	2012	2013F	2014F	2015F
<b>Houses – entire country</b>	<b>-4.1</b>	<b>0.4</b>	<b>2.1</b>	<b>2.2</b>
Copenhagen	-4.3	6.2	3.3	3.4
West and South Sealand	-9.7	-3.6	0.0	0.6
East Jutland	-2.6	-0.1	1.1	1.5
West Jutland	-2.4	-3.0	1.2	1.6
North Jutland	0.4	0.3	2.4	1.7
<b>Owner-occupied flats – entire country</b>	<b>-1.4</b>	<b>7.6</b>	<b>6.3</b>	<b>3.1</b>
Copenhagen	-0.3	12.1	5.8	4.5
Aarhus	-0.8	4.2	4.3	3.9

# The Danish economy

## Danish economy - key figures

	2009	2010	2011	2012	2013
GDP	-5.0%	5.7%	1.8%	1.9%	1.8%
Inflation (%)	1.3%	2.3%	2.8%	2.4%	0.8%
Public deficit	-2.8%	-2.7%	-2.0%	-4.2%	-1.9%
Balance of payment	3.4%	5.9%	5.9%	5.8%	7.3%
Unemployment (%)	3.6%	4.3%	4.1%	4.5%	4.5%*
Government net foreign assets	72,994	246,563	514,943	689,955	738,225

Source: [www.statistikbanken.dk](http://www.statistikbanken.dk) - \*Unemployment end of August.

The above key figures present a general overview of the Danish economy. For household financial indicators, please refer to the financial statement and budget report 2014, pp 67-89, 100-105 (in Danish), of the Danish Ministry of Finance (<http://www.fm.dk/publikationer/2014/finansredegoerelse-2014>).

# Definitions

Ratio	Definitions
Return on equity pa	Profit (loss) for the year/period divided by average equity.
Core earnings before impairment losses as % of average equity pa	Core earnings before impairment losses divided by average equity.
Core earnings after impairment losses as % of average equity pa	Core earnings after impairment losses divided by average equity.
Total provisions for loan impairment and guarantees	Total individual and collective impairment provisions as well as provisions for guarantees at year-end/end of period.
Total impairment provisions, %	Total provisions for loan impairment and guarantees at year-end divided by the sum of loans and advances at fair value, arrears and outlays, loans and advances at amortised cost, guarantees and total provisions for loan impairment and guarantees at year-end.
Tier 1 capital ratio, %	Tier 1 capital after deductions divided by risk-weighted assets (RWA).
Net interest margin, %	Net interest income divided by the difference between average interest-bearing assets and average interest-bearing liabilities for the period.
Return on RWA,%	Profit (loss) for the year/period after tax divided by average risk-weighted assets.
Average number of full-time staff	The average number of full-time staff, determined on the basis of the Danish ATP method, excluding Nykredit Forsikring A/S and JN Data A/S.
Core income from business operations	Including value adjustment of derivatives, corporate bonds and junior covered bonds.

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