

To NASDAQ OMX Copenhagen A/S
and the press

15 May 2014

**NYKREDIT BANK A/S – a subsidiary of Nykredit Realkredit A/S
consolidated in the Nykredit Group's Financial Statements**

**Q1 INTERIM REPORT – THE NYKREDIT BANK GROUP
1 JANUARY – 31 MARCH 2014**

- Results were a loss before tax of DKK 1m against a profit before tax of DKK 99m in Q1/2013.
- Core income from customer activities, excl Nykredit Markets, was DKK 642m, up 4.6% on Q1/2013, while core income from business operations totalled DKK 778m against DKK 800m in Q1/2013.

The development in core income from business operations should be viewed in the light of low domestic and international bond trading activity, which affected Nykredit Markets's trading income, and continued subdued loan demand.

- Value adjustment of interest rate swaps and credit bonds totalled a charge of DKK 228m, of which DKK 181m was an effect of interest rate falls. Value adjustment came to a credit of DKK 15m in Q1/2013.
- Operating costs amounted to DKK 511m against DKK 472m in Q1/2013. Costs as a percentage of core income from business operations were 67.7% compared with 62.0% in Q1/2013.
- Impairment losses reduced by DKK 177m to DKK 40m compared with DKK 217m in Q1/2013, equal to almost 0% of loans and advances for the period compared with 0.2% in Q1/2013.
- The balance sheet stood at DKK 229bn compared with DKK 224bn at end-2013.

LIQUIDITY

- Excess coverage relative to statutory liquidity requirements was 270%, and the Bank had a deposit surplus of DKK 20.6bn.
- The Bank's liquidity coverage ratio (LCR) came to 133% according to the future LCR rules.

CAPITAL

- Equity stood at DKK 14.3bn at 31 March 2014.
- The total capital ratio and the Tier 1 capital ratio came to 16.1% and 15.7%, respectively. The Common Equity Tier 1 (CET1) capital ratio (core Tier 1 capital ratio) was 15.5%.
- The internal capital adequacy requirement (ICAAP) was 11.1%.

ABOUT THE NYKREDIT BANK GROUP

The Q1 Interim Reports 2014 of the Nykredit Bank Group and the Nykredit Group and further information about Nykredit are available at nykredit.com.

Contacts

Corporate Communications, tel +45 44 55 14 72 or +45 20 46 16 65
Bjørn Mortensen, Managing Director, tel +45 44 55 18 95

Nykredit Bank A/S
Kalvebod Brygge 1-3
DK-1780 Copenhagen V
Tel +45 44 55 18 00

FINANCIAL HIGHLIGHTS – THE NYKREDIT BANK GROUP

DKK million	Q1/ 2014	Q1/ 2013	FY 2013
CORE EARNINGS AND RESULTS FOR THE PERIOD			
Core income from			
- business operations	778	800	3,252
- value adjustment of derivatives and corporate bonds	(228)	15	(766)
- securities	7	10	33
Total	557	825	2,519
Operating costs and depreciation of equipment	511	472	2,002
Provisions for costs relating to reorganisation	-	-	50
Payment to the Guarantee Fund for Depositors and Investors	16	24	71
Profit from investments in associates and group enterprises	-	-	78
Core earnings before impairment losses	30	329	474
Impairment losses on loans and advances and provisions for guarantees	40	217	349
Core earnings after impairment losses	(10)	112	125
Investment portfolio income	9	(13)	(40)
Profit (loss) before tax	(1)	99	85
Tax	9	25	8
Profit (loss) for the period	(10)	74	77
SUMMARY BALANCE SHEET, END OF PERIOD			
Assets			
Cash balance and receivables from central banks			
	and credit institutions		
Loans, advances and other receivables at fair value	29,389	29,287	23,173
Loans, advances and other receivables at amortised cost	35,831	43,097	56,814
Bonds at fair value and equities	48,078	50,271	47,024
Remaining assets	82,471	64,250	64,219
Total assets	228,871	239,332	224,134
Liabilities and equity			
Payables to credit institutions and central banks	58,492	56,264	57,732
Deposits and other payables	68,694	65,183	65,405
Issued bonds at amortised cost	23,849	27,362	26,689
Other non-derivative financial liabilities at fair value	33,108	26,702	29,248
Remaining payables	29,894	48,910	30,216
Provisions	247	317	247
Subordinated debt	250	250	250
Equity	14,337	14,344	14,347
Total liabilities and equity	228,871	239,332	224,134
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	12,306	10,084	11,620
Other commitments	6,734	8,591	6,906
FINANCIAL RATIOS			
Profit (loss) for the period as % of average equity pa	(0.3)	2.1	0.5
Profit (loss) before tax for the period as % of average equity pa	0.0	2.8	0.6
Core earnings before impairment losses as % of average equity pa	0.9	9.2	3.3
Core earnings after impairment losses as % of average equity pa	(0.3)	3.1	0.9
Costs excl impairment losses as % of core income from business operations	67.7	62.0	63.7
Provisions for loan impairment, DKKm	3,820	4,067	3,994
Impairment losses for the period, %	0.0	0.2	0.3
Total capital ratio, %	16.1	20.6	16.8
Tier 1 capital ratio, %	15.7	20.6	16.4
CET1 capital ratio, %	15.5	20.2	16.1
Average number of full-time staff	860	856	859

THE NYKREDIT BANK GROUP

NYKREDIT BANK GROUP RESULTS

The Group recorded a loss before tax of DKK 1m against a profit before tax of DKK 99m in Q1/2013.

The Group's performance relative to Q1/2013 was very much attributable to negative value adjustments of interest rate swaps, which came to a charge of DKK 228m compared with a credit of DKK 15m in Q1/2013.

Core income from business operations decreased by DKK 22m to DKK 778m. This development was a result of an earnings decline of DKK 45m in Nykredit Markets due to lower fixed income trading activity, while other business units and Group Items combined saw growth of DKK 23m compared with Q1/2013.

Impairment losses reduced to DKK 40m from DKK 217m in Q1/2013, nearing 0% of loans and advances for the period under review compared with 0.2% in Q1/2013.

Core income from business operations

Core income fell by 3% from DKK 800m in Q1/2013 to DKK 778m. Retail contributed DKK 489m, which was unchanged from Q1/2013. By contrast, core income from Wholesale declined by DKK 35m, mainly as an effect of lower trading activity in Nykredit Markets.

Results from Group Items, which were a loss of DKK 27m, improved by DKK 12m compared with Q1/2013.

The period continued to be affected by subdued loan demand, and the Group's lending at amortised cost was DKK 48bn, an upturn of DKK 1bn compared with end-2013. Deposits went up by DKK 3.3bn in Q1/2014 from DKK 65.4bn at end-2013 to DKK 68.7bn.

Value adjustment of derivatives and corporate bonds

Value adjustment in Q1/2014 was a charge of DKK 228m, of which interest rate swaps represented a charge of DKK 230m.

The development in Q1/2014 comprised a charge of DKK 49m relating to a net increase in swap transactions, while the declining interest rate level resulted in a charge of DKK 181m. The greater part of the value adjustment derived from active interest rate swaps, and higher interest rates will thus result in considerable positive value adjustment.

In Q1/2013 value adjustment of interest rate swaps was a credit of DKK 14m.

Value adjustment of corporate bonds contributed a credit of DKK 2m against a credit of DKK 1m in Q1/2013.

Core income from securities

Core income from securities fell back from DKK 10m in Q1/2013 to DKK 7m in Q1/2014, which mirrored a change in the risk-free interest rate, which dropped from an average of 0.3% in Q1/2013 to 0.2% in Q1/2014. The risk-free interest rate equals the Danish central bank's lending rate.

Operating costs, depreciation and amortisation

Staff and administrative expenses rose by DKK 39m, or 8%, to DKK 508m. Payroll costs accounted for a rise of DKK 8m, or 4%, while other administrative expenses grew by DKK 31m, or 11.5%.

Payroll costs and other administrative expenses were in line with expectations. Compared with Q1/2013, other administrative expenses were affected by IT costs and settlement of balances with the Parent Company relating to administrative tasks. The cost level was not affected by "Nykredit 2015", as provisions for costs relating to the organisational changes were made in 2013.

The Nykredit Bank Group

Results before tax for 1 January – 31 March by business area

DKK million	Retail		Wholesale		Group Items		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Core income from:								
customer activities, gross	316	309	489	530	(27)	(39)	778	800
payment for distribution	173	179	(173)	(179)	-	0	0	-
Core income from business operations	489	488	316	351	(27)	(39)	778	800
Value adjustment of derivatives and corporate bonds	(307)	14	79	1	-	-	(228)	15
Core income from securities	-	-	-	-	7	10	7	10
Total core income	182	502	395	352	(20)	(29)	557	825
Operating costs	256	222	176	179	79	71	511	472
Payment to the Guarantee Fund for Depositors and Investors	12	12	3	3	1	9	16	24
Core earnings before impairment losses	(86)	268	216	170	(100)	(109)	30	329
Impairment losses on loans and advances	73	101	(37)	64	4	52	40	217
Core earnings after impairment losses	(159)	167	253	106	(104)	(161)	(10)	112
Investment portfolio income	-	-	-	-	9	(13)	9	(13)
Profit (loss) before tax for the period	(159)	167	253	106	(95)	(174)	(1)	99
Costs excl impairment losses as % of core income from business operations	54.8	48.0	56.6	51.9	-	-	67.7	62.0

The average number of full-time staff totalled 860 compared with 856 in Q1/2013 and an average of 859 for 2013.

Danish Guarantee Fund for Depositors and Investors

Payment to the Fund amounted to DKK 16m in Q1/2014 compared with DKK 24m in Q1/2013. The payments in Q1/2014 were ordinary contributions to the Fund.

Impairment losses and provisions

Impairment losses and provisions reduced from DKK 217m in Q1/2013 to DKK 40m in Q1/2014.

This reduction comprised a DKK 190m drop in individual impairment provisions, a DKK 63m decrease in income from collective impairment provisions and a DKK 50m reduction in provisions for guarantees compared with Q1/2013.

Compared with Q1/2013, impairment losses in Wholesale dropped DKK 101m to an income of DKK 37m.

Impairment losses in Retail declined DKK 28m to DKK 73m due to a reduction of DKK 112m in impairment losses on commercial customers and an increase of DKK 84m in impairment losses on personal customers compared with Q1/2013.

Impairment losses in Group Items were DKK 4m compared with DKK 52m in Q1/2013. This reduction should be seen in the light of the major impairment losses recorded on financial companies in 2013.

Impairment losses for the period were close to 0% of loans, advances and guarantees compared with 0.2% in Q1/2013.

Investment portfolio income

The investment portfolio produced an income of DKK 9m in Q1/2014 compared with a loss of DKK 13m in Q1/2013.

Investment portfolio income equals the excess income obtained from the portfolios not allocated to the business areas in addition to risk-free interest. In Q1/2013 investment portfolio income also included commission to Nykredit Holding A/S for a loss guarantee provided to strengthen the Bank's total capital ratio and Tier 1 capital ratio. The loss guarantee was terminated by the Bank's Management at end-2013.

Tax

The calculated tax charge for the period was DKK 9m. The high tax rate relative to the loss before tax for the period of DKK 1m resulted from an adjustment of current tax assessed for previous years.

OUTLOOK FOR 2014

The Group recorded a loss before tax of DKK 1m for Q1/2014.

This was lower than expected at the beginning of the year, primarily due to expenses for value adjustment of interest rate swaps, but also due to lower core income from business operations partly stemming from low trading activity in Nykredit Markets.

Conversely, the quarter saw a positive development in impairment losses on loans and advances, which were considerably below the level in Q1/2013 as well as the Group's expectations, whereas capacity costs were broadly as budgeted.

As recent years have seen considerable volatility in the quarterly determination of value adjustment of interest rate swaps – resulting from both interest rate fluctuations and the development in the credit quality of the Group's loan exposures – the quarter under review does not immediately give rise to a revision of the profit guidance for the full year, and we still expect value adjustments to be lower than the charge of DKK 775m for the financial year 2013.

The Bank therefore still expects core earnings after impairment losses in the region of DKK 400m, but net results remain subject to some uncertainty about the interest rate development, including the effect from the value adjustment of interest rate swaps.

BALANCE SHEET, EQUITY AND CAPITAL ADEQUACY

Balance sheet

The balance sheet stood at DKK 228.9bn compared with DKK 224.1bn at end-2013.

The Nykredit Bank Group Lending and deposits

DKK million	31.03.2014	31.12.2013	31.03.2013
Loans and advances			
Retail	27,780	28,351	29,029
Personal	13,440	13,804	14,011
Commercial	14,340	14,547	15,018
Wholesale	20,224	18,498	20,814
Loans and advances at fair value (reverse lending)	35,831	56,814	43,097
Group Items and other lending	74	175	428
Deposits			
Retail	40,792	39,506	38,630
Personal	21,570	21,959	21,583
Commercial	19,222	17,547	17,047
Wholesale	26,658	24,526	23,915
Deposits at fair value (repo)	23,339	18,513	17,200
Group Items and other deposits	1,244	1,373	2,638

In Q1/2014, loans and advances of DKK 2.3bn have been reclassified from Group Items to Commercial. The amount was approximately DKK 2.3bn at end-2013 and DKK 2.7bn at 31 March 2013. Comparative figures have been restated.

The Nykredit Bank Group Equity

DKK million	31.03.2014	31.12.2013	31.03.2013
Equity, beginning of period	14,347	14,270	14,270
Profit (loss) after tax for the period	(10)	77	74
Equity, end of period	14,337	14,347	14,344

The Nykredit Bank Group Common Equity Tier 1 capital, own funds and capital adequacy

DKK million	31.03.2014	31.12.2013	31.03.2013
Share capital	6,045	6,045	6,045
Retained earnings	8,292	8,303	8,299
Prudent valuation adjustment	305	-	-
Intangible assets	(21)	(23)	(23)
Common Equity Tier 1 capital	14,012	14,325	14,321
Additional Tier 1 capital	250	250	250
Transitional adjustment of Additional Tier 1 capital	(50)	(17)	(34)
Additional Tier 1 capital	200	233	216
Provisions relative to expected losses in accordance with the IRB approach	359	374	-
Transitional adjustment of Tier 2 capital	0	(17)	-
Tier 2 capital	359	357	-
Own funds	14,571	14,915	14,537
Total risk exposure amount	90,661	88,709	70,724
Total capital ratio, %	16.1	16.8	20.6
Tier 1 capital ratio, %	15.7	16.4	20.6
CET1 capital ratio, %	15.5	16.1	20.2
Internal capital adequacy requirement (ICAAP), %	11.1	12.0	10.4

Balances with credit institutions and cash balances grew by DKK 6.2bn to DKK 29.4bn, whereas loans and advances at fair value (reverse lending) decreased by DKK 21.0bn to DKK 35.8bn.

Loans and advances at amortised cost were DKK 48.1bn, just exceeding the DKK 47.0bn recorded at end-2013. This level continued to reflect moderate loan demand within both Retail and Wholesale. Compared with end-2013, Wholesale lending grew by approximately DKK 1.7bn, while Retail lending fell by approximately DKK 0.6bn.

The bond portfolio expanded from DKK 63.9bn at end-2013 to DKK 82.1bn. The varying portfolio size was principally an effect of Nykredit Bank's repo activities as well as trading and liquidity positions. The portfolio mainly consisted of high-rated government and covered bonds.

Other assets totalled DKK 32.9bn against DKK 32.6bn at end-2013. At 31 March 2014, DKK 27.7bn was attributable to positive market values of derivatives compared with DKK 25.9bn at end-2013. The positive market values related to the Bank's customer activities in derivatives and own positions for hedge accounting purposes. The interest rate risk was widely hedged through offsetting interest rate swaps, and the market value should therefore be viewed in the context of "Other liabilities", which included negative market values in the amount of DKK 24.4bn.

Moreover, "Other assets" included interest and commission receivable.

Payables to credit institutions and central banks rose from DKK 57.7bn at end-2013 to DKK 58.5bn at 31 March 2014.

Deposits and other payables came to DKK 68.7bn, up DKK 3.3bn on end-2013, when deposits came to DKK 65.4bn. Retail deposits grew by DKK 1.3bn, while Wholesale improved by DKK 2.1bn. Group Items and other deposits went down by DKK 0.1bn.

Relative to lending at amortised cost, the Bank's deposit surplus was DKK 20.6bn.

Issued bonds fell from DKK 26.7bn at end-2013 to DKK 23.8bn at 31 March 2014, reflecting the Bank's general liquidity management.

Other non-derivative financial liabilities at fair value, which include deposits relating to repo transactions, came to DKK 33.1bn against DKK 29.2bn at end-2013.

"Other liabilities" totalled DKK 29.9bn against DKK 30.1bn at end-2013. The item mainly consisted of negative market values of financial instruments in the amount of DKK 24.4bn as well as interest and commission payable.

Equity

Equity stood at DKK 14.3bn at 31 March 2014 and was solely affected by the loss after tax of DKK 10m for the period.

Own funds and total capital ratio

Own funds totalled DKK 14.6bn at 31 March 2014 compared with DKK 14.9bn at end-2013, and the total capital ratio stood at 16.1% against 16.8 at end-2013. The internal capital adequacy requirement (ICAAP) was 11.1% at 31 March 2014 against 12.0% at end-2013.

Nykredit Bank aims to have a Tier 1 capital ratio of at least 13%. At 31 March 2014, the Tier 1 capital ratio was 15.7% against 16.4% at end-2013. The Common Equity Tier 1 (CET1) capital ratio came to 15.5% at 31 March 2014 compared with 16.1% at end-2013.

The total risk exposure amount (REA) (previously referred to as risk-weighted assets) rose by DKK 2.0bn compared with end-2013. This development comprised a rise of DKK 2.3bn in items involving credit risk, a drop of DKK 1.0bn in items involving operational risk and a rise of DKK 0.7bn in items involving market risk.

Credit ratings

Nykredit Bank is rated by Standard & Poor's and Fitch Ratings.

Standard & Poor's has assigned Nykredit Bank a short-term rating of A-1 and a long-term rating of A+. The long-term rating has been assigned a negative outlook.

Fitch has assigned Nykredit Bank a long-term unsecured rating of A and a short-term unsecured rating of F1 with stable outlooks.

Nykredit Bank's ratings are unchanged compared with end-2013.

Nykredit Bank A/S Credit ratings

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

BUSINESS AREAS

BUSINESS AREAS

The Nykredit Bank Group's business areas are:

- Retail, which comprises personal customers as well as small and medium-sized enterprises (SMEs)
- Wholesale, which comprises the business units Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management.
- Group Items, which comprises the Bank's Treasury area and other income and costs, including IT development costs, not allocated to the business areas as well as core income from securities and investment portfolio income.

Gross income from customer business is generally allocated to the business areas which have supplied the individual products (including Nykredit Markets and Nykredit Asset Management).

Gross income which may be attributed to the sales activities of Retail and Corporate & Institutional Banking is subsequently reallocated in full. Correspondingly, Retail and Corporate & Institutional Banking pay a proportion of the capacity costs of Nykredit Markets and Nykredit Asset Management that may be attributed to the sales activities.

Retail

Retail posted a loss before tax of DKK 159m compared with a profit of DKK 167m in Q1/2013.

The development was chiefly due to value adjustment of interest rate swaps, which came to a charge of DKK 307m in Q1/2014 against a credit of DKK 14m in Q1/2013. Impairment losses on loans and advances were down DKK 28m on Q1/2013.

Core income from business operations amounted to DKK 489m, largely unchanged relative to Q1/2013, when core income was DKK 488m.

Wholesale: Income and income allocation to Retail

DKK million	Q1/2014	Q1/2013
Customer activities, gross		
Nykredit Markets	136	186
Nykredit Asset Management	194	199
Corporate & Institutional Banking	159	145
Total	489	530
Income allocated to Retail		
Nykredit Markets	(66)	(70)
Nykredit Asset Management	(120)	(121)
Corporate & Institutional Banking	13	12
Total allocation to Retail	(173)	(179)
Core income		
Nykredit Markets	71	116
Nykredit Asset Management	74	78
Corporate & Institutional Banking	172	157
Total	316	351

Operating costs amounted to DKK 256m in line with expectations.

Impairment losses fell to DKK 73m in Q1/2014 compared with DKK 101m in Q1/2013, chiefly attributable to impairment losses on loans and advances to personal customers. This development resulted from a DKK 112m reduction in impairment losses on SMEs and a DKK 84m rise in the impairment losses on personal customers relative to Q1/2013.

Impairment losses were 0.2% of loans and advances against 0.3% in Q1/2013.

Costs (excluding impairment losses) as a percentage of core income from business operations totalled 54.8% compared with 48.0% in Q1/2013.

The subsidiary Nykredit Leasing contributed a profit before tax of DKK 12.0m to the business area's results against DKK 6.7m in Q1/2013.

Lending and deposits

The business area's lending activities decreased from DKK 28.4bn to DKK 27.8bn, while deposits increased by DKK 1.3bn from DKK 39.5bn at end-2013 to DKK 40.8bn.

Wholesale

Wholesale comprises banking activities with the Bank's corporate and institutional clients, including non-profit housing customers, Nykredit Markets and Nykredit Asset Management activities as well as Other Activities, which includes a special loan portfolio of non-continuing exposures.

The business area posted a profit of DKK 253m in Q1/2014. Relative to the profit of DKK 106m posted for Q1/2013, profit was up DKK 147m, particularly due to positive value adjustment of interest rate swaps totalling DKK 78m. Moreover, impairment provisions generated an income of DKK 37m against a loss of DKK 64m in Q1/2013, equivalent to an improvement of DKK 101m.

Gross income

The area's gross income totalled DKK 489m against DKK 530m in Q1/2013.

Of this amount, gross income from Nykredit Markets was DKK 136m, down DKK 50m on Q1/2013, while income from Nykredit Asset Management was on a level with Q1/2013.

Corporate & Institutional Banking recorded a DKK 14m upturn in gross income from customer activities, which totalled DKK 159m.

Earnings in the Nykredit Markets business area, which includes trading with institutional clients, were adversely affected in Q1/2014 by the low activity levels in the fixed income market, which accounts for a significant proportion of Nykredit Markets's business activities.

The market share of fixed income activities grew in Q1/2014, but due to generally lower market activity, including a drop of almost 10% in the bond volumes traded on NASDAQ OMX Copenhagen compared

with Q1/2013, the higher market share did not fully compensate for the reduced earnings.

Gross income in Nykredit Asset Management came to DKK 194m against DKK 199m in the same period in 2013. Assets under management amounted to DKK 115bn, corresponding to a rise of DKK 3bn compared with end-Q1/2013. Assets under administration totalled DKK 613bn against DKK 546bn at end-Q1/2013.

Core earnings

The business area's core income from business operations amounted to DKK 316m, down DKK 35m on Q1/2013. This was mainly a result of the lower activity levels in financial markets, which affected Nykredit Markets's earnings. Core income from Corporate & Institutional Banking improved by DKK 15m, while Nykredit Asset Management was on a level with Q1/2013.

Q1/2014 saw a positive value adjustment of derivatives and corporate bonds of DKK 79m, an improvement of DKK 78m compared with Q1/2013.

Operating costs were DKK 176m, broadly the same as in Q1/2013.

Impairment losses on loans and advances equalled an income of DKK 37m against losses of DKK 64m in Q1/2013. The business unit Other Activities contributed an income of DKK 27m in Q1/2014.

Impairment losses represented an income of 0.1% of loans and advances against losses of 0.1% in Q1/2013.

Operating costs as a percentage of core income from business operations were 56.6% compared with 51.9% in Q1/2013.

The subsidiary Nykredit Portefølje Administration reported a profit before tax of DKK 20m, largely unchanged relative to Q1/2013.

Lending and deposits

Lending increased from DKK 18.5bn at end-2013 to DKK 20.2bn at 31 March 2014. This included the portfolio of non-continuing exposures of DKK 0.9bn against DKK 0.8bn at end-2013.

Deposits came to DKK 26.6bn against DKK 24.5bn at end-2013.

Group Items

Group Items includes the results of the Bank's Treasury area, core earnings and investment portfolio income from securities as well as other income and expenses not allocated to the business areas. Significant unallocated costs include IT development costs.

Results for the period were a loss of DKK 95m against a loss of DKK 174m in Q1/2013. Treasury activities accounted for 36m of the loss incurred in Q1/2014.

Core income was a loss of DKK 27m compared with a loss of DKK 39m in Q1/2013, while operating costs rose by DKK 8m to DKK 79m.

Core earnings and investment portfolio income from securities produced a profit of DKK 16m against a loss of DKK 3m in Q1/2013. This development should especially be viewed in light of the fact that investment portfolio income in Q1/2014 was no longer affected by

commission to Nykredit Holding for a loss guarantee, which was terminated by the Bank's Management in Q4/2013.

Unallocated costs, which mainly consisted of IT development expenses in Q1/2014, were DKK 74m against DKK 66m in Q1/2013. In Q1/2013 these expenses chiefly resulted from unallocated IT costs of DKK 57m and payment of DKK 9m to the Guarantee Fund for Depositors and Investors.

IMPAIRMENT LOSSES AND LENDING

Earnings impact for the period

Impairment losses on loans and advances dropped from DKK 217m in Q1/2013 to DKK 40m in Q1/2014.

Impairment losses in Retail reduced by DKK 28m to DKK 73m. Of this reduction, personal customers accounted for an increase of DKK 84m and SMEs for a decrease of DKK 112m.

Wholesale impairments were an income of DKK 37m against losses of DKK 64m in Q1/2013, equivalent to a positive earnings impact of DKK 101m. This development was mainly attributable to the business unit Other Activities, which contributed income of DKK 27m compared with losses of DKK 75m in Q1/2013.

Of the total charge of DKK 40m, a net amount of DKK 59m related to individual impairment provisions, while collective impairment provisions were a credit of DKK 28m. Provisions for guarantees were a charge of DKK 9m.

Provisions – the Nykredit Bank Group

DKK million	Retail		Wholesale		Group Items		Total	
	Q1/2014	Q1/2013	Q1/2014	Q1/2013	Q1/2014	Q1/2013	Q1/2014	Q1/2013
Impairment provisions, beginning of year	2,320	2,141	1,591	1,810	83	106	3,994	4,057
Impairment provisions and reversals for the period	(14)	8	(136)	(30)	(1)	51	(151)	29
Impairment provisions, end of period	2,306	2,149	1,455	1,780	82	157	3,843	4,086
Of which individual	2,134	2,053	1,286	1,731	60	138	3,480	3,922
Of which individual, banks	-	-	-	-	22	19	22	19
Of which collective	172	96	169	49	-	0	341	145
Provisions for guarantees								
Provisions, beginning of period	48	74	55	8	-	-	103	82
Provisions, end of period	55	78	57	64	-	-	112	142
Total provisions, end of period	2,361	2,227	1,512	1,844	82	157	3,955	4,228
Earnings impact								
New impairment provisions and losses for the period, net	70	100	(35)	14	4	52	39	166
Received on loans and advances previously written off	4	3	4	6	0	-	8	9
Total	66	97	(39)	8	4	52	31	157
Provisions for guarantees	7	4	2	56	-	-	9	60
Total earnings impact	73	101	(37)	64	4	52	40	217

Loans, advances and guarantees by sector at 31 March 2014 and 31 December 2013

DKK million	Loans, advances and guarantees		Provisions	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Public sector	505	493	5	8
Agriculture, hunting, forestry and fishing	1,865	2,026	148	177
Manufacturing, mining and quarrying	5,600	5,026	257	261
Energy supply	2,152	1,743	9	8
Construction	1,805	1,796	261	262
Trade	2,698	2,557	206	195
Transport, accommodation and food service activities	3,039	3,025	109	126
Information and communication	927	948	68	68
Finance and insurance	42,476	61,568	410	445
Real estate	10,778	10,676	1,367	1,465
Other	6,983	7,811	400	422
Total commercial customers	78,323	97,176	3,235	3,429
Personal customers	17,387	17,789	693	641
Total public sector and commercial and personal customers	96,215	115,458	3,933	4,078
Total impairment provisions, incl banks	-	-	3,955	4,097

The breakdown is based on public sector statistics and is therefore not directly comparable with Nykredit Bank's business areas.

Provisions at 31 March 2014

Total impairment provisions decreased moderately from DKK 3,994m at end-2013 to DKK 3,843m at 31 March 2014. Individual impairment provisions decreased by DKK 123m, and collective impairment provisions dropped by DKK 28m.

Of the DKK 123m decline in individual impairment provisions, DKK 183m was write-offs, while new impairment provisions for the period amounted to DKK 60m net.

Impairment provisions for Retail declined from DKK 2,320m at end-2013 to DKK 2,306m due to a rise of DKK 74m in provisions for personal customers and a decline of DKK 90m in provisions for SMEs.

Wholesale impairment provisions fell by DKK 136m from DKK 1,591m at end-2013 to DKK 1,455m, of which the portfolio of non-continuing exposures accounted for a decline of DKK 128m from DKK 814m to DKK 686m. Other business units were broadly unchanged at DKK 767m compared with end-2013.

Non-continuing exposures totalled DKK 0.9bn at 31 March 2014 against DKK 0.8bn at end-2013 (carrying amounts).

Total provisions for guarantees went up from DKK 103m at end-2013 to DKK 112m at 31 March 2014. This slight rise was chiefly attributable to SMEs in Retail.

Relative to total loans, advances and guarantees, provisions were 3.9% against 3.4% at end-2013. Excluding guarantees, the percentage was 4.4% against 3.7% at end-2013.

Loans, advances and guarantees by sector

Loans, advances and guarantees totalled DKK 96.2bn at 31 March 2014 against DKK 115.5bn at end-2013. The decline of DKK 19.3bn was mainly owing to reverse lending which reduced from DKK 56.8bn at end-2013 to DKK 35.8bn.

Finance and insurance still accounted for the largest single sector exposure at DKK 42.5bn against DKK 61.6bn at end-2013. The exposure widely comprised reverse lending with bonds serving as security.

Finance and insurance accounted for 44.1% (end-2013: 53.3%), the real estate sector 11.2% (end-2013: 9.2%) and personal customers 18.1% (end-2013: 15.4%).

Nykredit Bank recorded lending growth of 2.2%, excluding reverse lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model. The Danish FSA's lending limit value indicates that growth of 20% or more may imply increased risk-taking.

Inclusive of reverse lending, the Bank's lending decreased by 19.5% relative to end-2013.

Lending to the real estate and construction sectors totalled approximately DKK 12.6bn compared with DKK 12.5bn at end-2013. Of total loans, advances and guarantees at 31 March 2014, DKK 8.6bn derived from the category "Renting of real estate" (end-2013: DKK 8.5bn).

At 31 March 2014, loan impairment provisions for the real estate sector totalled DKK 1.6bn, or 11.5%, of total loans and advances to the sector compared with DKK 1.7bn, or 12.2%, at end-2013.

Determined pursuant to the FSA Supervisory Diamond model, the Bank's real estate exposure was 12.5% (end-2013: 10.4%). In Management's opinion, this exposure is at an appropriate level.

The FSA Supervisory Diamond

Nykredit Bank's key ratios were below the maximum limit values of the Danish FSA throughout Q1/2014.

Supervisory Diamond for banks (parent company level)

DKK million	Q1/2014	31.12.2013	Q1/2013
Lending growth (limit value <20%)*	2.2	(7.6)	0.9
Large exposures (limit value <125%)	15.1	0.0	15.2
Real estate exposure (limit value <25%)	12.5	10.4	12.9
Funding ratio (limit value <1.0%)	0.5	0.5	0.6
Excess liquidity coverage (limit value 50%)	270.4	276.0	218.3

* Determined exclusive of reverse lending

LIQUIDITY AND FINANCIAL RISK

Liquidity

Nykredit Bank monitors its balance sheet and liquidity on a daily basis as part of its liquidity risk management. The Bank's liquidity risk management is based on external requirements laid down by law or from rating agencies as well as on internal factors such as the run-off profile and concentration risk of its assets and liabilities.

As a result of new liquidity regulations and rating requirements, the bank strives to maintain a large liquidity buffer. Unencumbered securities in the trading book constitute a short-term liquidity buffer that may be applied in the case of unforeseen drains on the Bank's liquidity. These securities consist mainly of liquid Danish and European government and covered bonds eligible as collateral with the Danish central bank or other European central banks.

Stress testing is performed regularly using bank-specific, sector-specific and combination scenarios as prescribed by the Danish Executive Order on governance and management of banks.

According to the Danish Financial Business Act, a bank's liquidity must be at least 10% of total reduced debt and guarantee obligations. Nykredit Bank operates with an internal excess liquidity coverage of minimum 50% relative to the statutory requirement.

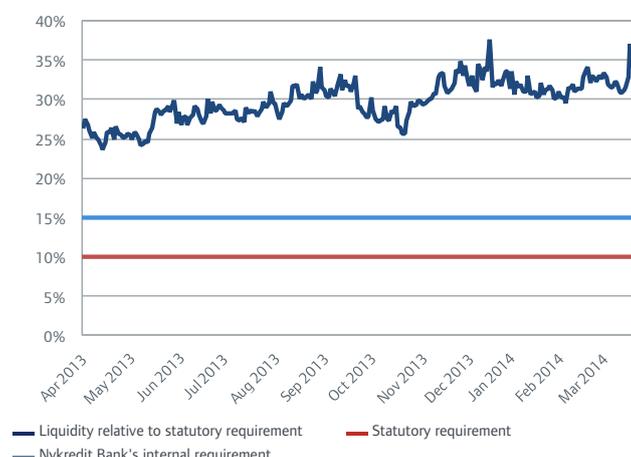
At 31 March 2014, the excess coverage was 270% against 218% at 31 March 2013, corresponding to a liquidity buffer of DKK 62.9bn compared with DKK 53.0bn at 31 March 2013. In Q1/2014 the liquidity buffer averaged DKK 47.2bn compared with an average of DKK 42.3bn for Q1/2013.

As at 31 March 2014, the Bank had issued DKK 16.9bn of medium-term bonds under the EMTN programme and DKK 9.4bn of short-term ECP issues.

The aggregate amount of bonds issued under the ECP and EMTN programmes was DKK 26.3bn at 31 March 2014 against DKK 29.3bn at end-2013.

Nykredit Bank A/S

Liquidity as % of debt and guarantee obligations



Note: The graph shows Nykredit Bank's liquidity as % of total debt and guarantee obligations after deductions, cf s 152 of the Danish Financial Business Act.

Total run-off under Nykredit Bank's EMTN programme in 2014 will be DKK 6.4bn. The refinancing thereof commenced in the autumn of 2013 with a benchmark issue of EUR 500m.

The total EMTN and ECP issuance requirement depends on the development in customer deposits and lending as well as the Bank's other business activities.

Liquidity Coverage Ratio

Nykredit will be subject to the new international regulatory framework regarding the Liquidity Coverage Ratio (LCR) in early 2015. The LCR requirement is to ensure that the stock of liquid assets is sufficient for meeting all payment obligations 30 days ahead without access to market funding.

It is Nykredit's expectation that its covered bonds (SDOs and ROs), except for self-issued bonds, will be eligible for inclusion in the stock of liquid assets.

Under the proposed rules, the LCR of group companies, excluding holdings of self-issued bonds in the stock of liquid assets, was 133% at 31 March 2014.

On the back of its expected SIFI status, Nykredit anticipates that the LCR requirement will be at least 100% as from 1 January 2015.

The Nykredit Bank Group

Risk key figures

DKK million	Q1/2014	Q1/2013	FY 2013
Value-at-Risk			
End of period	20	23	17
Average	17	20	17
Interest rate risk			
End of period	97	109	86
Foreign exchange position			
EUR	589	4	465
Excl EUR and DKK	39	29	25

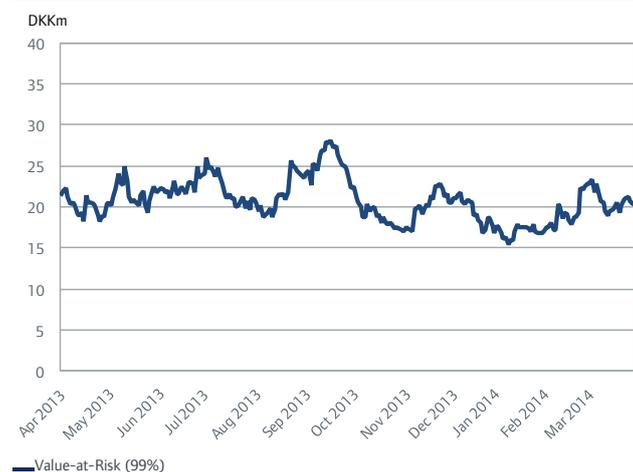
Nykredit Bank A/S

Net interest rate risk exposure



Nykredit Bank A/S

Value-at-Risk (incl equities)



Financial risk

Value-at-Risk (VaR) came to DKK 20m at 31 March 2014 against DKK 23m at 31 March 2013. Value-at-Risk averaged DKK 17m in Q1/2014 against DKK 20m in Q1/2013.

Stressed VaR was DKK 61m at end-March 2014 and averaged DKK 50m in Q1/2014. At end-Q1/2013, stressed VaR was DKK 64m and averaged DKK 47m.

The interest rate exposure was DKK 97m against DKK 109m at 31 March 2013.

The Bank's foreign exchange position in EUR was DKK 589m at 31 March 2014 against DKK 4m at 31 March 2013. Its foreign exchange position in currencies other than EUR and DKK totalled DKK 39m at 31 March 2014 against DKK 29m at 31 March 2013.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

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

The areas in which assumptions and estimates significant to the financial statements have been made include provisions for loan and receivable impairment, unlisted financial instruments and other provisions, see the Annual Report 2013.

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

EVENTS OCCURRED AFTER THE END OF THE FINANCIAL PERIOD

No significant events have occurred in the period up to the presentation of the Q1 Interim Report 2014 which affect the Nykredit Bank Group's financial position.

OTHER**Management change**

At 1 April 2014, Michael Rasmussen, Group Chief Executive, joined the Board of Directors of the Bank as Chairman.

Karsten Knudsen and Per Ladegaard, Group Managing Directors, who both turned 60 in 2013, retired from the Bank's Board of Directors at 1 April 2014. As of the same date, the Board of Directors of the Bank consists of seven members, of which three are staff-elected.

At 19 March 2014, the Bank's Executive Board was expanded to include Jesper Berg, Managing Director, who is head of Regulatory Affairs & Rating of the Nykredit Group. The Bank's Executive Board subsequently consists of four members.

Stronger customer focus after Nykredit reorganisation

As part of the "Nykredit 2015" plan, the Nykredit Realkredit Group changed its management and organisational structure in the spring of 2014, the purpose being to strengthen the business strategic focus and raise profitability.

This is to be achieved by leveraging a strong customer focus with new customer concepts, increased earnings, efficiencies and a less complex organisation, which will bring us closer to our customers and strengthen our dialogue with them. Another important focus area is to strengthen and reinvigorate the business relationship with the some 70 Danish local and regional banks of the Totalkredit partnership.

Nykredit announced new financial targets already in December last year, implying that income must increase by DKK 1bn and costs must reduce by DKK 0.5bn with full effect from 2016.

As part of the cost reductions and to raise the efficiency of decision-making processes, it was necessary to reduce the number of management and staff positions by up to 300, mainly in non-customer facing functions. Therefore, Nykredit had to reduce its number of managers and staff members by 220 in March and April, and 80 vacancies will not be refilled. The new organisation was implemented on 1 May 2014.

MANAGEMENT STATEMENT AND AUDIT REPORTS

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

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

The Consolidated Financial Statements have been presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The Interim Financial Statements of the Parent Company, Nykredit Bank A/S, have been presented in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

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

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

The Interim Report has not been audited or reviewed.

Copenhagen, 15 May 2014

Executive Board

Bjørn Mortensen

Georg Andersen

Jesper Berg

Lars Bo Bertram

Board of Directors

Michael Rasmussen, Chairman

Søren Holm, Deputy Chairman

Henrik K. Asmussen, staff-elected

Olav Brusen Barsøe, staff-elected

Kim Duus

Allan Kristiansen, staff-elected

Bente Overgaard

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

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
Q1/2013	Q1/2014		Notes	Q1/2014	Q1/2013
834	871	Interest income	5	897	855
277	267	Interest expenses	6	267	277
557	604	NET INTEREST INCOME		630	578
1	2	Dividend on equities		2	1
293	273	Fee and commission income		331	348
168	105	Fee and commission expenses		106	168
683	774	NET INTEREST AND FEE INCOME		857	759
47	(297)	Value adjustments	7	(298)	46
0	0	Other operating income		7	7
421	458	Staff and administrative expenses	8	508	469
2	2	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets		2	2
24	15	Other operating expenses		17	25
211	36	Impairment losses on loans, advances and receivables	9	40	217
21	25	Profit from investments in associates and group enterprises	10	-	-
93	(9)	PROFIT (LOSS) BEFORE TAX		(1)	99
19	1	Tax	11	9	25
74	(10)	PROFIT (LOSS) FOR THE PERIOD		(10)	74
STATEMENTS OF COMPREHENSIVE INCOME					
74	(10)	PROFIT (LOSS) FOR THE PERIOD		(10)	74
-	-	Other additions and disposals		-	-
-	-	OTHER COMPREHENSIVE INCOME		-	-
74	(10)	COMPREHENSIVE INCOME FOR THE PERIOD		(10)	74

Balance sheets, end of period

DKK million

Nykredit Bank A/S			The Nykredit Bank Group		
31.12.2013	31.03.2014		Notes	31.03.2014	31.12.2013
ASSETS					
3,049	3,193	Cash balances and demand deposits with central banks		3,193	3,049
20,123	26,195	Receivables from credit institutions and central banks	12	26,196	20,124
56,814	35,831	Loans, advances and other receivables at fair value	13	35,831	56,814
45,906	46,893	Loans, advances and other receivables at amortised cost	14	48,078	47,024
63,648	81,899	Bonds at fair value	15	82,114	63,863
356	356	Equities	16	357	356
545	569	Investments in group enterprises		-	-
23	23	Intangible assets		23	23
21	19	Other property, plant and equipment		20	21
47	38	Current tax assets		51	65
9	19	Deferred tax assets		0	0
79	57	Assets in temporary possession	17	57	212
32,493	32,821	Other assets	18	32,884	32,555
21	60	Prepayments		67	28
223,134	227,973	TOTAL ASSETS		228,871	224,134

Balance sheets, end of period

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
31.12.2013	31.03.2014		Notes	31.03.2014	31.12.2013
LIABILITIES AND EQUITY					
56,987	57,747	Payables to credit institutions and central banks	19	58,492	57,732
65,543	68,832	Deposits and other payables	20	68,694	65,405
26,689	23,849	Issued bonds at amortised cost	21	23,849	26,689
29,248	33,108	Other non-derivative financial liabilities at fair value	22	33,108	29,248
29	29	Liabilities temporarily assumed		29	136
29,868	29,639	Other liabilities	23	29,861	30,075
1	1	Deferred income		4	5
208,365	213,205	TOTAL PAYABLES		214,037	209,290
Provisions					
-	-	Provisions for deferred tax		66	75
103	113	Provisions for losses under guarantees	24	113	103
69	68	Other provisions	24	68	69
172	181	TOTAL PROVISIONS		247	247
250	250	Subordinated debt	25	250	250
Equity					
6,045	6,045	Share capital		6,045	6,045
Other reserves					
260	260	Statutory reserves		-	-
8,042	8,032	Retained earnings		8,292	8,302
14,347	14,337	TOTAL EQUITY		14,337	14,347
223,134	227,973	TOTAL LIABILITIES AND EQUITY		228,871	224,134
OFF-BALANCE SHEET ITEMS					
11,719	12,406	Contingent liabilities	26	12,306	11,620
6,707	6,570	Other commitments	27	6,734	6,906
		Accounting policies	1		
		Capital and capital adequacy	2		
		Core earnings and investment portfolio income	3		
		Business areas	4		
		Related party transactions and balances	28		
		Loans, advances, guarantees and provisions	29		
		Financial assets and liabilities at fair value through profit or loss (the IFRS hierarchy)	30		
		Foreign exchange and interest rate exposures	31		
		Hedging interest rate risk	32		
		Group structure	33		
		The Nykredit Bank Group – five quarters	34		
		The Nykredit Bank Group – financial highlights	35		

Statement of changes in equity for 1 January – 31 March

DKK million

Nykredit Bank A/S

	Share capital	Statutory reserves	Retained earnings	Total
EQUITY, 31 MARCH 2014				
End of previous financial year	6,045	260	8,042	14,347
Total	6,045	260	8,042	14,347
Comprehensive income				
Profit (loss) for the period	-	-	(10)	(10)
Total comprehensive income	-	-	(10)	(10)
Total changes in equity	-	-	(10)	(10)
Equity, 31 March 2014	6,045	260	8,032	14,337
EQUITY, 31 MARCH 2013				
End of previous financial year	6,045	151	8,074	14,270
Total	6,045	151	8,074	14,270
Comprehensive income				
Profit for the period	-	-	74	74
Total comprehensive income	-	-	74	74
Total changes in equity	-	-	74	74
Equity, 31 March 2013	6,045	151	8,148	14,344

Statement of changes in equity for 1 January – 31 March

DKK million

The Nykredit Bank Group

	Share capital*	Retained earnings	Total
EQUITY, 31 MARCH 2014			
End of previous financial year	6,045	8,302	14,347
Total	6,045	8,302	14,347
Comprehensive income			
Profit (loss) for the period	-	(10)	(10)
Total comprehensive income	-	(10)	(10)
Total changes in equity	-	(10)	(10)
Equity, 31 March 2014	6,045	8,292	14,337
EQUITY, 31 MARCH 2013			
End of previous financial year	6,045	8,225	14,270
Total	6,045	8,225	14,270
Comprehensive income			
Profit for the period	-	74	74
Total comprehensive income	-	74	74
Total changes in equity	-	74	74
Equity, 31 March 2013	6,045	8,299	14,344

*The share capital breaks down into 18 shares in multiples of DKK 1m. The share capital is wholly owned by Nykredit Realkredit A/S, Copenhagen, Denmark. Nykredit Bank is included in the consolidated financial statements of this company and the consolidated financial statements of Foreningen Nykredit, Kalvebod Brygge 1-3, Copenhagen, Denmark, which owns 89.80% of Nykredit Realkredit A/S. The financial statements [in Danish] of Foreningen Nykredit may be obtained from the company.

Cash flow statement 1 January – 31 March

DKK million

	The Nykredit Bank Group	
	Q1/2014	Q1/2013
Profit (loss) after tax for the period	(10)	74
Adjustment for non-cash operating items, depreciation, amortisation, impairment losses and provisions		
Depreciation and impairment losses for property, plant and equipment	2	2
Other non-cash changes	(16)	(22)
Impairment losses on loans, advances and receivables	49	226
Tax calculated on profit (loss) for the period	9	26
Total	44	232
Profit (loss) for the period adjusted for non-cash operating items	34	306
Change in working capital		
Loans, advances and other receivables	19,886	(8,195)
Deposits and other payables	3,192	10,268
Payables to credit institutions and central banks	2,805	861
Bonds at fair value	(19,915)	(5,532)
Equities	(1)	(51)
Other working capital	3,329	(11,931)
Total	9,296	(14,580)
Corporation tax paid, net	(9)	0
Cash flows from operating activities	9,321	(14,274)
Cash flows from investing activities		
Property, plant and equipment	(1)	0
Total	(1)	0
Cash flows from financing activities		
Issued bonds	(2,871)	(1,157)
Total	(2,871)	(1,157)
Total cash flows	6,449	(15,431)
Cash and cash equivalents, beginning of period	23,173	44,812
Foreign currency translation adjustment of cash	(233)	(94)
Cash and cash equivalents, end of period	29,389	29,287
Cash and cash equivalents, end of period		
Specification of cash and cash equivalents, end of period:		
Cash balances and demand deposits with central banks	3,193	4,988
Receivables from credit institutions and central banks	26,196	24,299
Cash and cash equivalents, end of period	29,389	29,287

Notes

1. ACCOUNTING POLICIES

GENERAL

The Consolidated Financial Statements for Q1/2014 are prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and further Danish financial reporting and disclosure requirements for interim reports. Compliance with IAS 34 implies observance of the principles of recognition and measurement of the IFRS but also a less detailed presentation relative to the annual report.

The Interim Financial Statements for Q1/2014 of the Parent Company are prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. issued by the Danish Financial Supervisory Authority.

New and amended standards and interpretations

Reporting standards and interpretations in force as at 1 January 2014 have been implemented with no effect on results for the period, comprehensive income, balance sheet or equity.

Compared with the information disclosed in the accounting policies of the Annual Report 2013 (note 1), no new reporting standards or interpretations have been issued or approved which influence the Q1 Interim Report 2014 of Nykredit Bank A/S and the Nykredit Bank Group.

The IASB is still working on a project which, in time, will replace the IAS 39 rules. The revised standard – IFRS 9 – is divided into three main phases comprising classification and measurement of financial assets and liabilities, impairments and hedge accounting. The impact of the implementation of IFRS 9 on the Consolidated Financial Statements has not yet been analysed, as the standard is not currently available in a form that allows for an overall assessment of the effect.

The accounting policies are otherwise unchanged compared with the Annual Report 2013. For a full description of the Group's and the Parent Company's accounting policies, please refer to note 1 of the Annual Report 2013, which is available at nykredit.com.

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

Notes

DKK million

	31.03.2014	31.12.2013	31.03.2013
2. CAPITAL AND CAPITAL ADEQUACY			
Nykredit Bank A/S			
Share capital	6,045	6,045	6,045
Reserves	260	260	151
Retained earnings	8,032	8,042	8,148
Prudent valuation adjustment	(305)	-	-
Intangible assets	(21)	(23)	(23)
Common Equity Tier 1 (CET1) capital	14,011	14,324	14,321
Additional Tier 1 capital	250	250	250
Transitional adjustment of Additional Tier 1 capital	(50)	(17)	(76)
Additional Tier 1 capital	200	233	174
Provisions relative to expected losses in accordance with the IRB approach	359	385	-
Transitional adjustment of Tier 2 capital	-	(27)	-
Tier 2 capital	359	358	-
Own funds	14,570	14,915	14,495
Weighted items involving credit, counterparty and delivery risk	72,565	70,098	50,245
Weighted items involving market risk	14,018	13,291	14,953
Weighted items involving operational risk	4,361	5,483	5,483
Total risk exposure amount	90,944	88,872	70,681
Total capital ratio, %	16.0	16.8	20.5
Tier 1 capital ratio, %	15.6	16.4	20.5

Notes

DKK million

	31.03.2014	31.12.2013	31.03.2013
2. CAPITAL AND CAPITAL ADEQUACY (continued)			
The Nykredit Bank Group			
Share capital	6,045	6,045	6,045
Retained earnings	8,292	8,302	8,299
Prudent valuation adjustment	(305)	-	-
Intangible assets	(21)	(23)	(23)
Common Equity Tier 1 (CET1) capital	14,4011	14,324	14,321
Additional Tier 1 capital	250	250	250
Transitional adjustment of Additional Tier 1 capital	(50)	(17)	(34)
Additional Tier 1 capital	200	233	216
Provisions relative to expected losses in accordance with the IRB approach	359	374	-
Transitional adjustment of Tier 2 capital	-	(17)	-
Tier 2 capital	359	357	-
Own funds	14,570	14,915	14,537
Weighted items involving credit, counterparty and delivery risk	71,739	69,481	49,834
Weighted items involving market risk	14,018	13,291	14,953
Weighted items involving operational risk	4,904	5,937	5,937
Total risk exposure amount	90,661	88,709	70,724
Total capital ratio, %	16.1	16.8	20.6
Tier 1 capital ratio, %	15.7	16.4	20.6

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

The European Banking Authority (EBA) publishes technical standards for the determination of capital and the risk exposure amount. However, several technical standards have not been finally adopted. The final standards may contain provisions that will result in changes to the statements.

The statements as at 31 December 2013 and 31 March 2013 were based on the then applicable rules of the Danish Financial Business Act. The layout has been adjusted to reflect the new presentation format.

Notes

DKK million

The Nykredit Bank Group	Q1/2014			Q1/2013		
3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME						
1 January – 31 March	Core earnings	Investment portfolio income	Total	Core earnings	Investment portfolio income	Total
Net interest income	619	11	630	554	24	578
Dividend on equities	1	1	2	1	0	1
Fee and commission income, net	226	(1)	225	201	(21)	180
Net interest and fee income	846	11	857	756	3	759
Value adjustments	(296)	(2)	(298)	62	(16)	46
Other operating income	7	-	7	7	-	7
Staff and administrative expenses	508	-	508	469	-	469
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	2	-	2	2	-	2
Other operating expenses	17	-	17	25	-	25
Impairment losses on loans and advances	40	-	40	217	-	217
Profit (loss) before tax	(10)	9	(1)	112	(13)	99

Notes

DKK million

The Nykredit Bank Group

4. BUSINESS AREAS

Q1/2014	Retail	Wholesale	Group Items	Total
Core income from				
- customer activities, gross	316	489	(27)	778
- payment for distribution	173	(173)	0	0
Total business operations	489	316	(27)	778
- value adjustment of derivatives and corporate bonds	(307)	79	-	(228)
- core income from securities	-	-	7	7
Total*	182	395	(20)	557
Operating costs	256	176	79	511
Payment to the Guarantee Fund for Depositors and Investors	12	3	1	16
Core earnings before impairment losses	(86)	216	(100)	30
Impairment losses on loans and advances	73	(37)	4	40
Core earnings after impairment losses	(159)	253	(104)	(10)
Investment portfolio income ¹	-	-	9	9
Profit (loss) before tax for the period	(159)	253	(95)	(1)
* Of which transactions between business areas.	153	(259)	106	0
Costs excl impairment losses as % of core income from business operations	54.8	56.6	-	67.7
Average equity requirement ²	6,181	6,630	1,187	13,998
Core earnings after impairment losses as % of allocated capital (pa)	(10.3)	15.3	-	(0.3)
Q1/2013	Retail	Wholesale	Group Items	Total
Core income from				
- customer activities, gross	309	530	(39)	800
- payment for distribution	179	(179)	0	-
Total business operations	488	351	(39)	800
- value adjustment of derivatives and corporate bonds	14	1	-	15
- core income from securities	-	-	10	10
Total*	502	352	(29)	825
Operating costs	222	179	71	472
Payment to the Guarantee Fund for Depositors and Investors	12	3	9	24
Core earnings before impairment losses	268	170	(109)	329
Impairment losses on loans and advances	101	64	52	217
Core earnings after impairment losses	167	106	(161)	112
Investment portfolio income ¹	-	-	(13)	(13)
Profit (loss) before tax for the period	167	106	(174)	99
* Of which transactions between business areas.	138	(244)	106	-
Costs excl impairment losses as % of core income from business operations	48.0	51.9	-	62.0
Average equity requirement ²	5,772	6,096	874	12,742
Core earnings after impairment losses as % of allocated capital (pa)	11.6	7.0	-	3.5

¹ Investment portfolio income equals the return on the Bank's own portfolio exceeding risk-free interest. In Q1/2013, investment portfolio income also included expenses in connection with an intercompany guarantee. The loss guarantee was terminated by the Bank's Management at end-2013.

² The equity requirement has been determined as Nykredit's ICAAP result. Comparative figures have been restated.

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
Q1/2013	Q1/2014	Q1/2014	Q1/2013
5. INTEREST INCOME			
2	10	10	2
620	602	627	640
217	254	255	218
(5)	(1)	(1)	(5)
Of which			
(14)	5	5	(14)
22	(7)	(7)	22
(11)	(13)	(13)	(11)
(2)	14	14	(2)
0	6	6	0
834	871	897	855
Of which interest income from genuine purchase and resale transactions entered as			
0	9	9	0
40	67	67	40
6. INTEREST EXPENSES			
36	67	67	36
117	102	102	117
121	95	95	121
3	2	2	3
0	1	1	0
277	267	267	277
Of which interest expenses for genuine sale and repurchase transactions entered as			
(5)	45	45	(5)
18	17	17	18
7. VALUE ADJUSTMENTS			
0	0	0	0
122	(72)	(73)	121
21	23	23	21
54	(149)	(149)	54
(150)	(99)	(99)	(150)
47	(297)	(298)	46

Value adjustments mainly relate to financial assets, financial liabilities and derivative financial instruments included in the Bank's/Group's trading activities as well as value adjustment of investment properties.

No value adjustments have been made for own credit risk on issued bonds or other financial liabilities.

Notes

DKK million

Nykredit Bank A/S				The Nykredit Bank Group	
Q1/2013	Q1/2014			Q1/2014	Q1/2013
8. STAFF AND ADMINISTRATIVE EXPENSES					
2	2	Remuneration of Board of Directors/Executive Board		2	2
176	182	Staff expenses		207	199
243	274	Administrative expenses		299	268
421	458	Total		508	469
Remuneration of Board of Directors and Executive Board					
Board of Directors					
0	0	Remuneration		0	0
Staff-elected board representatives each receive annual remuneration of DKK 60,000. No additional remuneration is paid to the Board of Directors.					
Executive Board					
2	2	Salaries		2	2
2	2	Total		2	2
The terms and conditions governing the remuneration and pensions of the Executive Board have not changed since the Annual Report 2013, to which reference is made.					
Staff expenses					
137	145	Salaries		165	156
14	14	Pensions (defined contribution plans)		17	16
25	23	Social security expenses		25	27
176	182	Total		207	199
719	714	Average number of staff, full-time equivalents		860	856
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES					
Specification of impairment provisions					
3,877	3,435	Individual impairment provisions for loans, advances and receivables		3,478	3,922
19	23	Individual impairment provisions for receivables from credit institutions		23	19
145	341	Collective impairment provisions		342	145
4,041	3,799	Total, 31 March		3,843	4,086
Individual impairment provisions for loans, advances and receivables					
3,775	3,563	Impairment provisions, beginning of period		3,605	3,821
332	188	Impairment provisions for the period		198	341
118	135	Impairment provisions reversed		142	125
112	181	Impairment provisions written off		183	115
3,877	3,435	Total, 31 March		3,478	3,922
Individual impairment provisions for receivables from credit institutions					
-	19	Impairment provisions, beginning of period		19	-
19	4	Impairment provisions for the period		4	19
19	23	Total, 31 March		23	19
Collective impairment provisions					
235	369	Impairment provisions, beginning of period		370	236
(90)	(28)	Impairment provisions for the period, net		(28)	(91)
145	341	Total, 31 March		342	145

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
Q1/2013	Q1/2014	Q1/2014	Q1/2013
9. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)			
Earnings impact			
142	29	32	145
18	5	7	21
9	8	9	9
151	26	30	157
60	10	10	60
211	36	40	217
301	64	68	308
(90)	(28)	(28)	(91)
19	4	4	19
Receivables from credit institutions with objective evidence of impairment			
25	25	25	25
19	23	23	19
6	2	2	6
Loans and advances subject to objective evidence of impairment			
6,063	5,245	5,372	6,181
3,877	3,435	3,478	3,922
2,186	1,810	1,894	2,259
48,082	45,425	46,491	48,157
145	341	342	145
47,937	45,084	46,149	48,012
10. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES			
21	25	-	-
-	-	-	-
21	25	-	-
11. TAX			
19	1	9	25
19	1	9	25
-	3	3	-
20.4	(11.1)	(900.0)	25.8
Tax is calculated on the basis of a tax rate of 24.5% for 2014. Due to a change in the tax rate from 25% in 2013 to 22% in 2016, the calculation of the Bank's deferred tax is based on an estimate of when the deferred tax will become current tax/the deferred tax assets will be realised.			
Tax for the period was also affected by non-taxable profit on sector equities and adjustment of previous years' tax.			
The full-year tax rate is expected to be around 15-20%.			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
31.12.2013	31.03.2014		31.03.2014	31.12.2013
12. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
2,069	71	Receivables at call from central banks	71	2,069
18,054	26,124	Receivables from credit institutions	26,125	18,055
20,123	26,195	Total	26,196	20,124
10,437	17,419	Of which genuine purchase and resale transactions	17,419	10,437
13. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE				
56,814	35,831	Genuine purchase and resale transactions	35,831	56,814
56,814	35,831	Total	35,831	56,814
14. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST				
45,906	46,893	Loans and advances at amortised cost	48,078	47,024
45,906	46,893	Total	48,078	47,024
15. BONDS AT FAIR VALUE				
56,225	65,845	Covered bonds (realkreditobligationer, ROs)	66,060	56,440
4,505	8,628	Government bonds	8,628	4,505
5,560	9,849	Other bonds	9,849	5,560
66,290	84,322	Total	84,537	66,505
2,642	2,423	Self-issued bonds offset against issued bonds	2,423	2,642
63,648	81,899	Total	82,114	63,863
The effect of fair value adjustment was recognised in the income statement.				
12,065	7,303	Of which redeemed bonds	7,303	12,065
38,659	40,279	Assets sold as part of genuine sale and repurchase transactions	40,279	38,659
14,917	14,309	As collateral for the Danish central bank, Danmarks Nationalbank, and foreign clearing centres, etc, bonds have been deposited of a total market value of	14,309	14,917
The collateral was provided on an arm's length basis.				

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
31.12.2013	31.03.2014		31.03.2014	31.12.2013
16. EQUITIES				
192	186	Listed on NASDAQ OMX Copenhagen A/S	187	192
15	11	Listed on other stock exchanges	11	15
149	159	Unlisted equities carried at fair value	159	149
356	356	Total	357	356
17. ASSETS IN TEMPORARY POSSESSION				
49	79	Assets, beginning of year	212	904
45	-	Additions	-	45
15	22	Disposals	155	737
79	57	Total	57	212
<p>At 31 December 2013 and 31 March 2014, assets in temporary possession comprised repossessed properties and shares in a property company.</p> <p>Nykredit Bank accepts mortgages over real estate as security for loans, and in a number of instances the Bank repossesses the properties in the event of borrowers' non-performance of loan agreements etc.</p> <p>The valuation of assets in temporary possession is based on the expected sales values in case of disposal within a period of 12 months.</p>				
18. OTHER ASSETS				
5,160	4,382	Interest and commission receivable	4,431	5,206
25,896	27,711	Positive market value of derivative financial instruments	27,711	25,896
1,437	728	Other	742	1,453
32,493	32,821	Total	32,884	32,555
19. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
407	310	Payables to central banks	310	407
56,580	57,437	Payables to credit institutions	58,182	57,325
56,987	57,747	Total	58,492	57,732
20,447	16,861	Of which genuine sale and repurchase transactions	16,861	20,447
20. DEPOSITS AND OTHER PAYABLES				
43,012	43,000	On demand	42,912	42,924
6,271	5,973	At notice	5,973	6,271
13,179	16,964	Time deposits	16,914	13,129
3,081	2,895	Special deposits	2,895	3,081
65,543	68,832	Total	68,694	65,405
Deposit surplus				
65,543	68,832	Deposits and other payables at amortised cost	68,694	65,405
45,906	46,893	Loans, advances and other receivables at amortised cost	48,078	47,024
19,637	21,939	Total	20,616	18,381
18,513	23,339	Deposits attributable to genuine sale and repurchase transactions in "Other non-derivative financial liabilities at fair value"	23,339	18,513

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
31.12.2013	31.03.2014		31.03.2014	31.12.2013
21. ISSUED BONDS AT AMORTISED COST				
Issues				
20,592	16,872	EMTN issues*	16,872	20,592
8,718	9,393	ECP issues*	9,393	8,718
21	7	Employee bonds	7	21
29,331	26,272	Total	26,272	29,331
2,642	2,423	Own portfolio	2,423	2,642
26,689	23,849	Total	23,849	26,689
No value adjustments have been made that can be attributed to changes in own credit risk.				
* Listed on NASDAQ OMX Copenhagen A/S or the Luxembourg Stock Exchange.				
22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE				
18,513	23,339	Deposits at fair value	23,339	18,513
10,735	9,769	Negative securities portfolios	9,769	10,735
29,248	33,108	Total	33,108	29,248
18,513	23,339	Deposits at fair value: Of which genuine sale and repurchase transactions	23,339	18,513
23. OTHER LIABILITIES				
5,760	4,726	Interest and commission payable	4,725	5,759
23,444	24,391	Negative market value of derivative financial instruments	24,391	23,444
664	522	Other payables	745	872
29,868	29,639	Total	29,861	30,075

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
31.12.2013	31.03.2014	31.03.2014	31.12.2013
24. PROVISIONS			
Provisions for losses under guarantees			
82	103	103	82
77	22	22	77
56	12	12	56
0	0	0	0
103	113	113	103
Other provisions			
124	69	69	124
54	0	0	54
0	0	0	0
109	1	1	109
69	68	68	69
Total provisions for losses under guarantees and other provisions			
206	172	172	206
131	22	22	131
56	12	12	56
109	1	1	109
172	181	181	172
<p>As a result of its operations, the Bank continuously enters into contracts where it is probable that the settlement of the liability will lead to an outflow of the Bank's financial resources, and where a reliable estimate may be made of the size of the liability.</p> <p>The balance sheet items in the financial statements represent the Bank's best estimates of the expected costs relating to provisions.</p> <p>The provisions typically concern contractual obligations relating to loans and advances and other banking activities.</p> <p>It is estimated that the majority of provisions will be settled within 1-2 years.</p>			
25. SUBORDINATED DEBT			
Subordinated debt consists of financial liabilities in the form of Additional Tier 1 capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met.			
Additional Tier 1 capital			
100	100	100	100
150	150	150	150
250	250	250	250
Included in the determination of capital resources			
250	200	200	250
-	-	-	-
No value adjustments have been made that can be attributed to changes in own credit risk.			

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
31.12.2013	31.03.2014		31.03.2014	31.12.2013
26. CONTINGENT LIABILITIES				
7,972	8,501	Financial guarantees	8,501	7,972
846	864	Registration and refinancing guarantees	864	846
2,901	3,041	Other contingent liabilities	2,941	2,802
11,719	12,406	Total	12,306	11,620

OTHER CONTINGENT LIABILITIES**Legal proceedings**

The Bank's operations involve the Bank in legal proceedings and litigation, including tax disputes. The cases are reviewed regularly, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Bank Group's financial position.

Guarantee Fund for Depositors and Investors

Nykredit Bank participates in the Danish mandatory Guarantee Fund for Depositors and Investors. Participating banks must pay a fixed annual amount of 2.5% of the covered net deposits. Payment to the Fund's bank department is mandatory until the assets of the scheme exceed 1% of the covered net deposits of the sector. The bank department bears any direct losses on the winding-up of Danish banks to the extent the loss is attributable to the covered net deposits.

Any losses arising from the final winding-up are covered by the Guarantee Fund for Depositors and Investors through its winding-up and restructuring department. Nykredit Bank's share of the expense will amount to about 3%.

Joint taxation

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

Notes

DKK million

Nykredit Bank A/S			The Nykredit Bank Group	
31.12.2013	31.03.2014		31.03.2014	31.12.2013
27. OTHER COMMITMENTS				
6,527	6,390	Irrevocable credit commitments	6,390	6,527
180	180	Other	344	379
6,707	6,570	Total	6,734	6,906

28. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Company Nykredit Realkredit, its parent company as well as group enterprises and associates are regarded as related parties. In addition, Nykredit Bank's group enterprises and associates are included as stated in the group structure as well as the Bank's Board of Directors, its Executive Board and related parties thereof.

No unusual related party transactions occurred in 2013 or in Q1/2014.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve financing, provision of guarantees, insurance, sales commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks.

Intercompany trade and services took place on an arm's length or a cost reimbursement basis.

Significant related party transactions prevailing/entered into in 2013 or 2014 include:

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

Framework agreement on the terms for financial transactions relating to loans and deposits in the securities and money market areas.

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

Nykredit Holding A/S has issued letters of comfort to third parties in specific cases.

Notes

DKK million

The Nykredit Bank Group

29. LOANS, ADVANCES, GUARANTEES AND PROVISIONS

Loans, advances, guarantees and provisions by sector

31 March 2014

	Carrying amount			Proportion, %	Individual and other provisions	Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees			Collective impairment provisions		
Public sector	229	276	505	0.5	0	5	5	
Commercial customers								
Agriculture, hunting, forestry and fishing	1,597	268	1,865	1.9	140	8	148	
Manufacturing, mining and quarrying	5,353	247	5,600	5.8	219	38	257	
Energy supply	2,139	13	2,152	2.2	8	1	9	
Construction	1,351	454	1,805	1.9	253	8	261	
Trade	2,471	227	2,698	2.8	200	6	206	
Transport, accommodation and food service activities	2,429	610	3,039	3.2	102	7	109	
Information and communication	811	116	927	1.0	66	2	68	
Finance and insurance	39,721	2,755	42,476	44.1	402	8	410	
Real estate	9,009	1,769	10,778	11.2	1,229	138	1,367	
Other	6,244	739	6,983	7.3	381	19	400	
Total commercial customers	71,125	7,198	78,323	81.4	3,000	235	3,235	
Personal customers	12,555	4,832	17,387	18.1	592	101	693	
Total	83,909	12,306	96,215	100.0	3,592	341	3,933	
Of which reverse lending (loans and advances at fair value)	35,831	-	35,831	37.2	-	-	-	

31 December 2013

	Carrying amount			Proportion, %	Individual and other provisions	Provisions		Total
	Loans and advances	Guarantees	Total loans, advances and guarantees			Collective impairment provisions		
Public sector	259	234	493	0.4	0	8	8	
Commercial customers								
Agriculture, hunting, forestry and fishing	1,640	386	2,026	1.8	168	9	177	
Manufacturing, mining and quarrying	4,763	263	5,026	4.4	219	42	261	
Energy supply	1,733	10	1,743	1.5	6	2	8	
Construction	1,392	404	1,796	1.6	258	4	262	
Trade	2,301	256	2,557	2.2	189	6	195	
Transport, accommodation and food service activities	2,411	614	3,025	2.6	120	6	126	
Information and communication	788	160	948	0.8	65	3	68	
Finance and insurance	59,924	1,644	61,568	53.3	435	10	445	
Real estate	8,872	1,804	10,676	9.2	1,317	148	1,465	
Other	6,969	842	7,811	6.8	393	29	422	
Total commercial customers	90,793	6,383	97,176	84.2	3,170	259	3,429	
Personal customers	12,786	5,003	17,789	15.4	538	103	641	
Total	103,838	11,620	115,458	100.0	3,708	370	4,078	
Of which reverse lending (loans and advances at fair value)	56,814	-	56,814	49.2	-	-	-	

Provisioning rate, %	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012
Group							
Total loans and advances	83,909	103,838	99,345	99,221	93,368	85,208	88,564
Total guarantees	12,306	11,620	10,709	10,706	10,084	12,169	11,552
Impairment provisions for loans and advances at amortised cost	3,820	3,975	4,099	3,999	4,067	4,057	4,328
Provisions for guarantees	113	103	143	114	142	82	88
Total loans, advances, guarantees and provisions	100,148	119,536	114,296	114,040	107,661	101,516	104,532
Provisioning rate, %	3.9	3.4	3.7	3.6	3.9	4.1	4.2
Provisioning rate excluding guarantees, %	4.4	3.7	4.0	3.9	4.2	4.5	4.7

Notes

DKK million

The Nykredit Bank Group

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY)

31 March 2014

	Listed prices	Observable inputs	Un-observable inputs	Total (carrying amounts)
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending measured at fair value)		17,419		17,419
Loans and advances at fair value		35,831		35,831
Bonds at fair value	72,496	9,618		82,114
Equities	229		128	357
Derivatives	563	25,775	1,373	27,711
Fair value, 31 March 2014, assets	73,288	88,643	1,501	163,432
Percentage	44.9	54.2	0.9	100.0

Financial instruments in the form of liabilities:

Trading book:				
Payables to credit institutions and central banks (repo deposits measured at fair value)		16,861		16,861
Other non-derivative financial liabilities at fair value	9,769	23,339		33,108
Derivatives	568	23,550	273	24,391
Fair value, 31 March 2014, liabilities	10,337	63,750	273	74,360
Percentage	13.9	85.7	0.4	100.0

Financial instruments measured on the basis of unobservable inputs

	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets		118	1,294	1,412
Transferred from Observable inputs		0	222	222
Transferred to Observable inputs		0	(35)	(35)
Capital gains and losses recognised in the income statement		10	(108)	(98)
Additions		0	0	0
Disposals		0	0	0
Fair value, 31 March 2014, assets		128	1,373	1,501
Fair value, beginning of period, liabilities			242	242
Capital gains and losses recognised in the income statement			31	31
Additions			0	0
Disposals			0	0
Fair value, 31 March 2014, liabilities			273	273

Value adjustments related to assets or liabilities at fair value have been recognised in "Value adjustments" in the income statement.

In Q1/2014 no significant reclassifications were made between the categories Listed prices and Observable inputs.

For 2014 unrealised negative value adjustments of DKK 124m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 March 2014.

Notes

DKK million

The Nykredit Bank Group

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY) (continued)

31 December 2013	Listed prices	Observable inputs	Un-observable inputs	Total (carrying amounts)
Financial instruments in the form of assets:				
Trading book:				
Balances with credit institutions (reverse lending measured at fair value)		10,437		10,437
Loans and advances at fair value		56,814		56,814
Bonds at fair value	53,384	10,479		63,863
Equities	238		118	356
Derivatives	491	24,111	1,294	25,896
Fair value, 31 December 2013	54,113	101,841	1,412	157,366
Percentage	34.4	64.7	0.9	100.0
Financial instruments in the form of liabilities:				
Trading book:				
Payables to credit institutions and central banks (repo deposits measured at fair value)		20,447		20,447
Other non-derivative financial liabilities at fair value	10,735	18,513		29,248
Derivatives	540	22,662	242	23,444
Fair value, 31 December 2013	11,275	61,622	242	73,139
Percentage	15.4	84.3	0.3	100.0
Financial instruments measured on the basis of unobservable inputs				
	Bonds	Equities	Derivatives	Total
Fair value, beginning of period, assets		162	651	813
Transferred from Observable inputs			1,823	1,823
Transferred to Observable inputs			(113)	(113)
Capital gains and losses recognised in the income statement		(10)	(1,067)	(1,077)
Additions		2		2
Disposals		(36)		(36)
Fair value, 31 December 2013, assets		118	1,294	1,412
Fair value, beginning of period, liabilities			166	166
Capital gains and losses recognised in the income statement			76	76
Additions			0	0
Disposals			0	0
Fair value, 31 December 2013, liabilities			242	242

Value adjustments related to assets or liabilities at fair value have been recognised in "Value adjustments" in the income statement.

For 2013 unrealised negative value adjustments of DKK 1,085m relating to the portfolio of financial instruments measured on the basis of unobservable inputs were recognised in the income statement at 31 December 2013.

Notes

30. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (IFRS HIERARCHY) (continued)

Listed prices

The Bank's assets and liabilities at fair value are to the widest extent possible recognised at listed prices or prices quoted in an active market or authorised market place.

Observable inputs

When an instrument is not traded in an active market, measurement is based on observable inputs and generally accepted calculation methods, valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatility and market prices of similar instruments which are usually obtained through ordinary providers such as Reuters, Bloomberg and market makers. If the fair value is based on transactions in similar instruments, measurement is exclusively based on transactions at arm's length.

Measurement techniques are generally applied to measure derivatives and unlisted assets and liabilities.

Reverse lending, repo deposits and unlisted derivatives generally belong in this category.

In some cases, markets may gradually become inactive and illiquid, such as the bond market in 2008 and 2009. When assessing market transactions, it may therefore be difficult to conclude whether the transactions were executed at arm's length or were forced sales. If measurement is based on recent transactions, the transaction price is compared with a price based on relevant yield curves and discount techniques.

Unobservable inputs

When it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations etc. Where possible and appropriate, measurement is based on actual transactions adjusted for differences in eg the liquidity, credit spreads and maturities of the instruments.

To some extent the Bank's unlisted equities belong in this category.

Reclassifications between the categories Listed prices, Observable inputs and Unobservable inputs are made when an instrument is classified differently on the balance sheet date than at the beginning of the financial year. In 2014 reclassifications between the categories Observable inputs and Unobservable inputs in all material respects resulted from changes to the rating categories of counterparties (credit risk).

Positive market values of a number of interest rate swaps with customers in the Bank's lowest rating categories have been adjusted for increased credit risk using a so-called Credit Value Adjustment model. The model uses for instance the statistical data applied by the Bank to calculate collective impairment provisions for loans and advances at amortised cost.

This category also comprises interest rate swaps which have been value adjusted to DKK 0 (after deduction for collateral) due to the creditworthiness of the counterparty.

Following the above value adjustments, the fair value of these swaps came to DKK 1,161m at 31 March 2014 and they thus represent the majority of the derivatives with positive market values in this category. Value adjustments based on credit assessments came to DKK 2,097m at 31 March 2014.

As the interest rate risk on these derivatives is hedged in all material respects, only rating category changes/credit risk may influence the earnings impact.

However, financial assets measured on the basis of unobservable inputs account for a very limited part of total financial assets at fair value.

At 31 March 2014, the proportion was 0.9%, which is unchanged relative to 31 December 2013. The share of financial liabilities was 0.4% against 0.3% at 31 December 2013.

Measurement, notably of instruments the measurement of which is based on "Unobservable inputs", is inherently subject to some uncertainty. Of total assets and liabilities, DKK 1.5bn (end-2013: DKK 1.4bn) and DKK 0.3bn (end-2013: DKK 0.2bn), respectively, were attributable to this category. Assuming that an actual market price will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 177m in 2014 (1.23% of equity at 31 March 2014). The earnings impact for 2013 has been estimated at DKK 165m (1.15% of equity at 31 December 2013).

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group	
31.03.2013	31.03.2014	31.03.2014	31.03.2013
31. FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES			
Foreign exchange risk			
29	593	Exchange rate indicator 1 (DKKm)	593 29
0.2	4.2	Exchange rate indicator 1 as % of Tier 1 capital	4.2 0.2
0	2	Exchange rate indicator 2 (DKKm)	2 0
0.0	0.0	Exchange rate indicator 2 as % of Tier 1 capital	0.0 0.0
Interest rate risk by the currency involving the highest interest rate exposure			
232	170	DKK	170 234
(123)	(83)	EUR	(83) (123)
14	10	SEK	10 14
0	(3)	CHF	(3) 0
(10)	(11)	USD	(11) (10)
4	12	NOK	12 4
(9)	0	GBP	0 (9)
(1)	2	Other currencies	2 (1)
107	97	Total interest rate exposure of debt instruments	97 109

32. HEDGING INTEREST RATE RISK

The Nykredit Bank Group continuously hedges the interest rate risk of fixed-rate assets and liabilities using derivative financial instruments etc.

This enables the Group to manage the level of its aggregate interest rate sensitivity taking into consideration the expected interest rate development.

According to reporting provisions, loans, advances and deposits must generally be measured at amortised cost, while derivative financial instruments are measured at fair value. To obtain accounting symmetry between hedging and hedged transactions, adjustment of the carrying amounts of the financial assets and liabilities that form part of the effective hedge accounting has been allowed. The fair value adjustment exclusively concerns the hedged part (the interest rate exposure).

Notes

DKK million

Nykredit Bank A/S		The Nykredit Bank Group		
31.03.2013	31.03.2014		31.03.2014	31.03.2013
32. HEDGING INTEREST RATE RISK (continued)				
HEDGED FIXED-RATE ASSETS				
1,097	2,754	Loans, advances and other receivables at amortised cost	2,754	1,097
1,097	2,754	Total nominal value	2,754	1,097
Market value of hedged fixed-rate assets				
1,147	2,784	Loans, advances and other receivables at amortised cost	2,784	1,147
1,147	2,784	Total carrying amount, end of period	2,784	1,147
Fair value adjustment for accounting purposes				
50	30	Loans, advances and other receivables at amortised cost	30	50
50	30	Total fair value adjustment for accounting purposes	30	50
HEDGED FIXED-RATE LIABILITIES				
-	3,529	Deposits and other payables at amortised cost	3,529	-
-	3,529	Total nominal value	3,529	-
Market value of hedged fixed-rate liabilities				
-	3,722	Deposits and other payables at amortised cost	3,722	-
-	3,722	Total carrying amount, end of period	3,722	-
Fair value adjustment for accounting purposes				
-	(193)	Deposits and other payables at amortised cost	(193)	-
-	(193)	Total fair value adjustment for accounting purposes	(193)	-
ISSUED BONDS				
6,612	7,436	Issued bonds at amortised cost	7,436	6,612
6,612	7,436	Total nominal value	7,436	6,612
Market value of hedged fixed-rate financial liabilities				
6,804	7,570	Issued bonds at amortised cost	7,570	6,804
6,804	7,570	Total carrying amount, end of period	7,570	6,804
Fair value adjustment for accounting purposes				
(192)	(134)	Issued bonds at amortised cost	(134)	(192)
(192)	(134)	Total fair value adjustment for accounting purposes	(134)	(192)
HEDGING DERIVATIVE FINANCIAL INSTRUMENTS				
7,541	11,805	Nominal value (synthetic principal)	11,805	7,541
143	289	Market value adjustment (negative market value)	289	143
FAIR VALUE ADJUSTMENT DIFFERENCE				
1	(8)	Total	(8)	0
Hedged and hedging financial instruments have been fair value adjusted for accounting purposes through profit or loss.				
Amounts recognised through profit or loss for the financial period				
24	(47)	Hedged transactions	(47)	24
(23)	54	Hedging transactions	54	(23)

Notes

DKK million

33. GROUP STRUCTURE

Name and registered office	Revenue*	Assets	Liabilities	Share capital, 31 March 2014	Equity, 31 December 2013	Ownership interest as %, 31 March 2014	Profit (loss) for the period	Nykredit Bank's share of profit (loss) for the period	Equity, 31 March 2014	Carrying amount
Nykredit Bank A/S (Parent Company) a)	477	227,973	213,636	6,045	14,347	-	(10)	-	14,337	-
Consolidated subsidiaries										
Nykredit Portefølje Administration A/S, Copenhagen e)	59	378	363	25	323	100	15	15	338	338
Nykredit Pantebrevsinvestering A/S, Copenhagen b)	0	12	0	5	12	100	0	0	12	12
Nykredit Leasing A/S, Gladsaxe c)	32	3,506	3,291	46	206	100	9	9	215	215
FB Ejendomme A/S, Copenhagen d)	0	4	0	1	4	100	0	0	4	4
Associates										
Dansk Pantebrevsbørs A/S, Copenhagen b)	-	-	-	-	-	50	-	-	-	-
The company is subject to insolvency proceedings.										

* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as: Net interest and fee income, value adjustments and other operating income.

- a) Banking
- b) Mortgage trading
- c) Leasing
- d) Property management
- e) Investment management, including asset management and investment advisory services

Nykredit Pantebrevsinvestering A/S and FB Ejendomme A/S only had few activities.

Subsidiaries in temporary possession

The property group Kalvebod III has been included in the balance sheet items "Assets in temporary possession" and "Other liabilities".

At 31 March 2014, the property group comprised a number of subsidiaries without activities.

A subsidiary containing ownership of one property was divested in 2014. The sale did not generate income for accounting purposes.

Government aid

Neither Nykredit Bank A/S nor any of its subsidiaries received government aid in Q1/2014 or 2013.

Notes

DKK million

	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
34. THE NYKREDIT BANK GROUP – FIVE QUARTERS					
SUMMARY INCOME STATEMENT					
Net interest income	630	629	679	595	578
Dividend on equities and fee and commission income, net	227	225	172	206	181
Net interest and fee income	857	854	851	801	759
Value adjustments	(298)	(247)	(724)	110	46
Other operating income	7	6	7	9	7
Staff and administrative expenses	508	522	492	509	469
Other operating expenses, depreciation and amortisation	19	71	19	14	27
Impairment losses on loans, advances and receivables	40	20	163	(51)	217
Profit from investments in associates and group enterprises	-	0	48	30	0
Profit (loss) before tax	(1)	0	(492)	478	99
Tax	9	5	(143)	121	25
Profit (loss) for the period	(10)	(5)	(349)	357	74
Comprehensive income					
Other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	(10)	(5)	(349)	357	74
SUMMARY BALANCE SHEET, END OF PERIOD					
Assets					
Cash balances and receivables from central banks and credit institutions	29,389	23,173	21,471	27,853	29,287
Loans, advances and other receivables at fair value	35,831	56,814	50,149	48,797	43,097
Loans, advances and other receivables at amortised cost	48,078	47,024	49,196	50,424	50,271
Bonds at fair value	82,114	63,863	85,896	79,997	63,823
Equities	357	356	347	316	427
Remaining assets	33,102	32,904	41,347	44,638	52,427
Total assets	228,871	224,134	248,406	252,025	239,332
Liabilities and equity					
Payables to credit institutions and central banks	58,492	57,732	72,378	61,393	56,264
Deposits and other payables	68,694	65,405	59,356	63,407	65,183
Issued bonds	23,849	26,689	26,188	26,754	27,362
Other non-derivative financial liabilities at fair value	33,108	29,248	37,466	43,258	26,702
Remaining payables	29,894	30,216	38,103	41,987	48,910
Total payables	214,037	209,290	233,491	236,799	224,421
Provisions	247	247	313	275	317
Subordinated debt	250	250	250	250	250
Equity	14,337	14,347	14,352	14,701	14,344
Total liabilities and equity	228,871	224,134	248,406	252,025	239,332
OFF-BALANCE SHEET ITEMS					
Contingent liabilities	12,306	11,620	10,709	10,706	10,084
Other commitments	6,734	6,906	6,655	6,990	8,591
FINANCIAL RATIOS					
Total capital ratio, %	16.1	16.8	21.0	21.9	20.6
Tier 1 capital ratio, %	15.7	16.4	21.0	21.9	20.6
Return on equity before tax (pa), %	0.0	0.0	(13.5)	13.2	2.8
Return on equity after tax (pa), %	(0.3)	(0.1)	(9.6)	9.8	2.1

Notes

DKK million

	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
34. THE NYKREDIT BANK GROUP – FIVE QUARTERS (continued)					
Summary core earnings and investment portfolio income					
Core income from business operations	778	809	747	896	800
Value adjustment of derivatives and corporate bonds	(228)	(205)	(617)	41	15
Core income from securities	7	7	8	8	10
Total core income	557	611	138	945	825
Operating costs and depreciation of equipment	511	525	495	510	472
Payment to the Guarantee Fund for Depositors and Investors	16	18	16	13	24
Provisions for costs relating to reorganisation		50			
Profit from investments in associates and group enterprises		0	48	30	0
Core earnings before impairment losses	30	18	(325)	452	329
Impairment losses on loans and advances	40	20	163	(51)	217
Core earnings after impairment losses	(10)	(2)	(488)	503	112
Investment portfolio income	9	2	(4)	(25)	(13)
Profit (loss) before tax	(1)	0	(492)	478	99
Tax	9	5	(143)	121	25
Profit (loss) for the period	(10)	(5)	(349)	357	74
Profit (loss) before tax, year-to-date	(1)	85	85	577	99

Notes

DKK million

	Q1/2014	FY 2013	Q1/2013	Q1/2012	Q1/2011	Q1/2010
35. THE NYKREDIT BANK GROUP – FINANCIAL HIGHLIGHTS						
SUMMARY INCOME STATEMENT AND COMPREHENSIVE INCOME						
Net interest and fee income	857	3,265	759	759	815	891
Value adjustments	(298)	(815)	46	(52)	(74)	193
Other operating income	7	29	7	7	7	11
Staff and administrative expenses	508	1,992	469	457	433	510
Other operating costs, depreciation and amortisation	19	131	27	12	74	130
Impairment losses on loans, advances and receivables	40	349	217	93	26	381
Profit from investments in associates and group enterprises	-	78	-	-	-	0
Profit (loss) before tax	(1)	85	99	152	215	74
Tax	9	8	25	41	54	53
Profit (loss) for the period	(10)	77	74	111	161	21
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(10)	77	74	111	161	21
SUMMARY BALANCE SHEET, END OF PERIOD						
Assets						
Cash balances and receivables from central banks and credit institutions	29,389	23,173	29,287	43,008	28,515	45,103
Loans, advances and other receivables at fair value	35,831	56,814	43,097	32,830	13,451	13,314
Loans, advances and other receivables at amortised cost	48,078	47,024	50,271	56,050	60,517	59,871
Bonds at fair value and equities	82,471	64,219	64,250	72,179	68,298	74,394
Remaining assets	33,102	32,904	52,427	43,161	27,802	36,136
Total assets	228,871	224,134	239,332	247,228	198,583	228,818
Liabilities and equity						
Payables to credit institutions and central banks	58,492	57,732	56,264	67,967	40,888	66,382
Deposits and other payables	68,694	65,405	65,183	56,828	53,648	59,762
Issued bonds at amortised cost	23,849	26,689	27,362	31,576	33,886	40,365
Other non-derivative financial liabilities at fair value	33,108	29,248	26,702	32,179	28,030	14,327
Remaining payables	29,894	30,216	48,910	43,917	27,184	33,490
Total payables	214,037	209,290	224,421	232,467	183,636	214,326
Provisions	247	247	317	198	282	948
Subordinated debt	250	250	250	250	735	1,149
Equity	14,337	14,347	14,344	14,313	13,930	12,395
Total liabilities and equity	228,871	224,134	239,332	247,228	198,583	228,818
OFF-BALANCE SHEET ITEMS						
Contingent liabilities	12,306	11,620	10,084	11,040	12,175	20,131
Other commitments	6,734	6,906	8,591	6,601	7,378	8,476

Notes

DKK million

	Q1/2014	FY 2013	Q1/2013	Q1/2012	Q1/2011	Q1/2010
35. THE NYKREDIT BANK GROUP – FINANCIAL HIGHLIGHTS (continued)						
FINANCIAL RATIOS						
Total capital ratio, %	16.1	16.8	20.6	21.2	16.4	12.4
Tier 1 capital ratio, %	15.7	16.4	20.6	21.2	15.9	12.4
Return on equity before tax, %	0.0	0.6	0.7	1.1	1.6	0.6
Return on equity after tax, %	(0.1)	0.5	0.5	0.8	1.2	0.2
Income:cost ratio	1.00	1.03	1.14	1.27	1.40	1.07
Interest rate exposure, %	0.7	0.6	0.7	0.6	1.0	0.7
Foreign exchange position, %	4.1	2.7	0.2	0.1	0.9	2.5
Foreign exchange exposure, %	0.8	0.0	0.0	0.0	0.0	0.0
Loans and advances:deposits	1.3	1.6	1.5	1.7	1.5	1.4
Loans and advances:equity	5.9	7.2	6.5	6.2	5.3	5.9
Growth in loans and advances excl repos for the period, %	2.2	(5.6)	0.9	0.3	2.4	(1.7)
Excess coverage:statutory liquidity requirements, %	270.1	275.5	218.1	209.5	212.8	243.8
Total large exposures, %	14.8	0.0	15.2	0.0	11.7	70.7
Impairment losses for the period, %	0.0	0.3	0.2	0.1	0.0	0.4
Average number of staff, full-time equivalents	860	859	856	848	791	1,082

Financial ratios, definitions

Total capital ratio, %	Own funds divided by risk exposure amount
Tier 1 capital ratio, %	Common Equity Tier 1 (CET1) capital plus Additional Tier 1 capital divided by risk exposure amount
Core Tier 1 capital ratio, %	Calculated as the financial ratio "Tier 1 capital ratio, %", but less Additional Tier 1 capital
Return on equity before tax, %	Profit (loss) before tax as a percentage of average equity
Return on equity after tax, %	Profit (loss) after tax as a percentage of average equity
Income:cost ratio	Income incl profit (loss) from associates and group enterprises divided by costs excl tax
Interest rate exposure, %	Interest rate exposure divided by Tier 1 capital
Foreign exchange position, %	Exchange rate indicator 1 divided by Tier 1 capital
Foreign exchange exposure, %	Exchange rate indicator 2 divided by Tier 1 capital
Loans and advances:deposits	Loans and advances plus impairment provisions divided by deposits Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Loans and advances:equity	Loans and advances divided by equity (end of period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances excl repos for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Growth in loans and advances incl repos for the period, %	Growth in loans and advances from the beginning to the end of the year/period (loans and advances at the beginning of the year divided by loans and advances at the end of the year/period) Loans and advances include loans and advances at fair value and loans and advances at amortised cost
Excess coverage:statutory liquidity requirements, %	Excess coverage relative to the 10% requirement of s 152 of the Danish Financial Business Act. (Available excess liquidity relative to 10% of reduced payables) (Reduced payables: Balance sheet total plus guarantees less equity less subordinated debt)
Total large exposures, %	Total large exposures divided by adjusted own funds
Impairment losses for the year/period, %	Impairment losses for the year/period divided by loans and advances + guarantees + impairment provisions

The financial ratios, excl the total capital ratio and the Tier 1 capital ratio (cf note 2 of the Interim Report), have been calculated in accordance with the Danish FSA's guidelines for reporting purposes. The financial ratios "Core Tier 1 capital ratio" and "Growth in loans and advances incl repos for the period" are, however, not included in the guidelines.

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.