Nykredit

# Funding Information

**Investor Relations**

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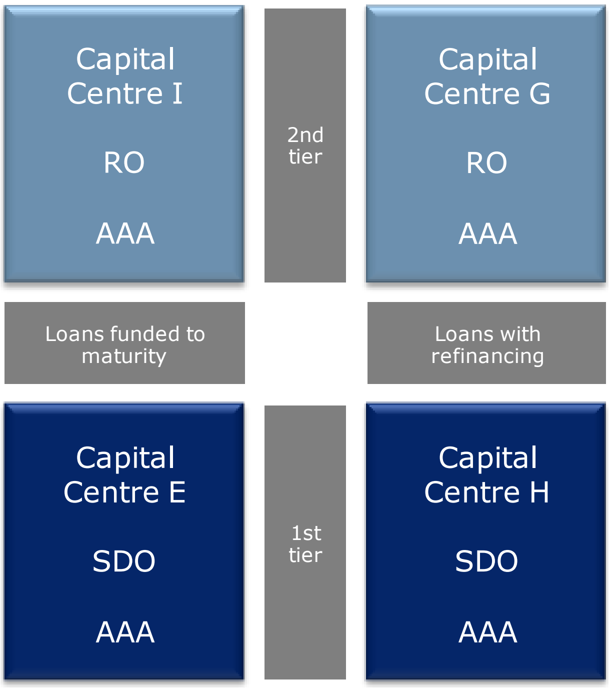
## The joint funding model between Nykredit and Totalkredit

The Nykredit Realkredit Group provides mortgage loans under two different brands and thus from two different mortgage banks: Nykredit Realkredit A/S and Totalkredit A/S (hereinafter Nykredit and Totalkredit). Since 2005, all mortgage loans provided by Nykredit and Totalkredit have been funded through issuance of mortgage covered bonds in Nykredit.

This note describes the joint funding model of Nykredit and Totalkredit as structured under the current two-tier mortgaging model. In this context, joint funding means that Totalkredit's lending is funded through issuance of bonds in Nykredit.

### 1. Capital centre structure and two-tier mortgaging

Under the two-tier mortgaging model, bonds are currently issued through four Nykredit capital centres. These capital centres are characterised by the type of mortgage covered bonds issued – "realkreditobligationer" (RO)[1] or "særligt dækkede obligationer" (SDO)[2]. A capital centre may not issue both types of bonds. Besides ROs or SDOs a capital centre may also issue senior secured debt (junior covered bonds) for the purpose of complying with the CRD requirement for supplementary collateral in case of falling property prices or increasing overcollateralisation (OC) in the capital centre.




The four capital centres used for issuance in Nykredit under the two-tier mortgaging model comprise combinations of either ROs or SDOs and loans subject to or not subject to refinancing. SDOs are applied to fund loans in the 1st tier (base loans), which may constitute three quarters of the maximum loan-to-value (LTV) limit, while ROs are applied to fund loans in the 2nd tier up to the maximum LTV limit (top loans). The structure of the four capital centres is illustrated on the right. All four capital centres are rated AAA by Standard & Poor's.

### 2. Joint funding

The joint funding model of Nykredit and Totalkredit may be divided into two categories – one for RO capital centres and one for SDO capital centres, which vary slightly compared with RO capital centres. The model for RO capital centres is subject to the requirements set out in the approval by

[1] ROs are UCITS compliant covered bonds.
[2] SDOs are CRD and UCITS compliant covered bonds.

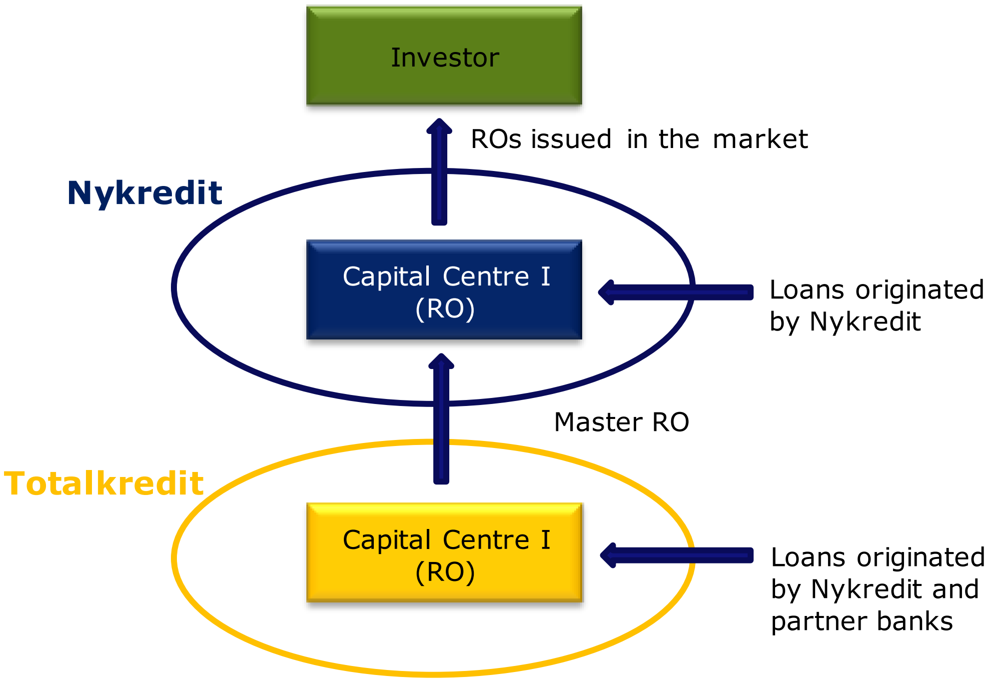
the Danish Financial Supervisory Authority to fund loans issued by Totalkredit through issuance of ROs in Nykredit. The approval was granted on 22 March 2005 in pursuance of section 20(3) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

The model for SDO capital centres is subject to the requirements set out in the approval by the Danish Financial Supervisory Authority to fund loans granted through Totalkredit through issuance of SDOs in Nykredit. The approval was granted on 14 September 2007 in pursuance of section 152c(3) of the Danish Financial Business Act. Both approvals are available at nykredit.com/ir.

**2.1 RO capital centres**

In respect of the RO capital centres, the joint funding model implies that for each RO capital centre in Nykredit there is a corresponding capital centre in Totalkredit. For example, top loans not subject to refinancing are placed in Totalkredit's Capital Centre I and are subsequently funded by a master RO bond issued from Totalkredit's Capital Centre I with Nykredit's Capital Centre I as primary preferential sole creditor. The loans are subsequently funded through issuance of ROs from Nykredit's Capital Centre I. The master bond ensures that Nykredit's claim against Totalkredit is covered in full. The model works in the same way for Nykredit's Capital Centre G and Totalkredit's Capital Centre G. There is a similar model for Nykredit's Capital Centre D and Totalkredit's Capital Centre D, but no new lending is issued from these capital centres.

The joint funding model for RO capital centres is illustrated below.

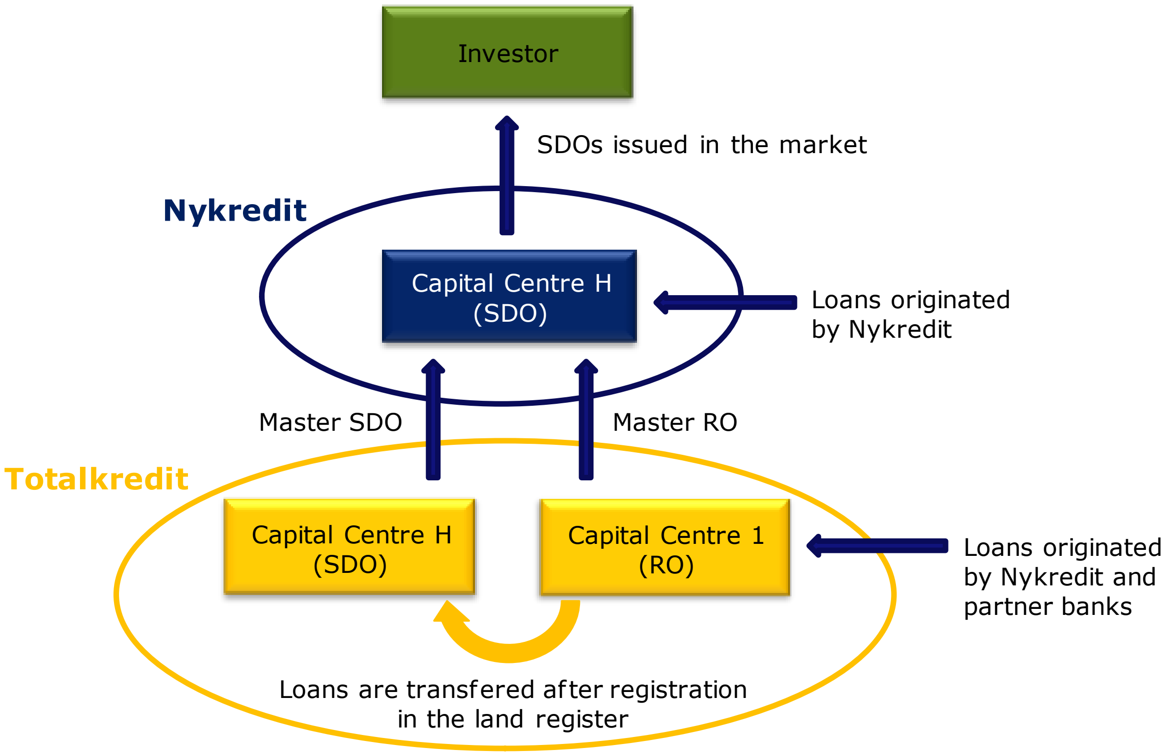



**2.2 SDO capital centres**

In respect of the SDO capital centres, the joint funding model varies compared with the RO model. SDOs are issued from Nykredit's SDO capital centres for the funding of loans issued through *two* capital centres in Totalkredit. For example, Nykredit's Capital Centre H funds loans issued through Totalkredit's Capital Centres H and 1. Totalkredit's Capital Centre H and Totalkredit's Capital Centre

1 have issued a master SDO bond and a master RO bond, respectively, with Nykredit's Capital Centre H as primary preferential sole creditor.
New loans which have not yet been registered in the land registry and which thus have a bank guarantee attached until the final registration will be placed in Totalkredit's Capital Centre 1. The loans are transferred to Totalkredit's Capital Centre H as they are registered, but not later than within six months (within 24 months for interim loans). The transfer implies a writedown of the value of the master RO bond and a corresponding increase in the value of the master SDO bond. Both master bonds ensure that Nykredit is covered in full. The model works in the same way for Nykredit's Capital Centre E and Totalkredit's Capital Centres E and F.

The joint funding model for SDO capital centres is illustrated below.




**3. Segregated funds in reserve fund**
In case of bankruptcy, the funds in the reserve funds of Totalkredit's capital centres will be applied exclusively to pay claims under their respective master bonds. Any excess funds will be transferred to Totalkredit In General.

**4. Payment of interest and redemption amounts**
According to the terms for the master bonds, Totalkredit's capital centres must pay interest and redemption amounts to the respective Nykredit capital centres on or before the due date of payment to bondholders. Any arrears on the part of borrowers is covered by Totalkredit. As a consequence, there will be no differences between payments from Totalkredit's capital centres to Nykredit's capital centres and from Nykredit's capital centres to bondholders.

**5. Issuance**

When Totalkredit issues a loan, the value of the relevant master bond will increase, and Nykredit will issue the relevant ROs or SDOs.

**6. Redemptions**

Loans issued by Totalkredit may generally be redeemed by way of delivery of the underlying bonds. In that case, the bonds are transferred from their respective capital centre in Totalkredit to the corresponding capital centre in Nykredit, and the bonds are then cancelled. Concurrently, the value of the relevant master bond as well as Totalkredit's loan portfolio are written down by a corresponding amount.

In connection with prepayment at par, Totalkredit notifies Nykredit of the coming prepayment – Nykredit is subsequently responsible for redeeming the bond and writing down the relevant master bond by a corresponding amount. The redemption amount will be transferred to Nykredit on the due date

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