

To NASDAQ OMX Copenhagen A/S  
and the press

6 November 2014

## TOTALKREDIT A/S – A SUBSIDIARY OF NYKREDIT REALKREDIT A/S CONSOLIDATED IN THE NYKREDIT GROUP FINANCIAL STATEMENTS

### INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2014

#### Q1-Q3 – in brief

- Profit before tax came to DKK 1,425m against DKK 545m in Q1-Q3/2013.
- Core income from business operations increased by 53% from DKK 1,340m to DKK 2,054m due to higher administration margin income and reduced commission expenses.
- Operating costs amounted to DKK 278m against DKK 293m in Q1-Q3/2013. Costs as a percentage of core income were 14.8% compared with 26.5% in Q1-Q3/2013.
- Impairment losses on loans and advances were DKK 270m against DKK 335m in Q1-Q3/2013, equal to 0.05% of lending for the period compared with 0.06% in Q1-Q3/2013.
- At nominal value, the loan portfolio totalled DKK 536bn compared with DKK 532bn at the beginning of the year. Totalkredit's share of Danish mortgage lending was 37.6% against 37.3% at the beginning of the year. In Q1-Q3/2014, loans offered through partner banks other than Jyske Bank increased by DKK 20.1bn to DKK 466bn.

#### Own funds

- Equity stood at DKK 16.7bn at 30 September 2014
- The total capital ratio and the Common Equity Tier 1 capital ratio stood at 20.4% and 17.7%, respectively
- The internal capital adequacy requirement (ICAAP) was 10.7%.

#### About Totalkredit A/S

Totalkredit's interim reports and further information about Totalkredit are available at [totalkredit.dk](http://totalkredit.dk).

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# Financial highlights

DKK million

	Q1-Q3/2014	Q1-Q3/2013	FY 2013
<b>Core earnings and results for the period</b>			
Core income from			
- business operations	2,054	1,340	1,957
- junior covered bonds	(173)	(235)	(313)
- securities	(7)	0	(2)
<b>Total</b>	<b>1,874</b>	<b>1,105</b>	<b>1,642</b>
Operating costs, depreciation and amortisation	278	293	397
<b>Core earnings before impairment losses</b>	<b>1,596</b>	<b>812</b>	<b>1,245</b>
Impairment losses on loans and advances	270	335	567
<b>Core earnings after impairment losses</b>	<b>1,326</b>	<b>477</b>	<b>678</b>
Investment portfolio income	99	68	76
<b>Profit before tax</b>	<b>1,425</b>	<b>545</b>	<b>754</b>
Tax	349	136	189
<b>Profit for the period</b>	<b>1,076</b>	<b>409</b>	<b>565</b>
<b>Summary balance sheet, end of period</b>			
	30.09.2014	30.09.2013	31.12.2013
<b>Assets</b>			
Receivables from credit institutions	20,255	17,913	16,263
Mortgage loans at fair value	552,349	535,768	540,670
Bonds at fair value	108,592	109,151	79,357
Remaining assets	3,993	4,246	3,534
<b>Total assets</b>	<b>685,189</b>	<b>667,078</b>	<b>639,824</b>
<b>Liabilities and equity</b>			
Payables to credit institutions	613,738	590,041	565,734
Issued bonds at fair value	42,036	48,603	46,568
Subordinated debt – Tier 2 capital	3,100	3,100	3,100
Remaining liabilities	9,585	9,836	8,767
Equity	16,730	15,498	15,655
<b>Total liabilities and equity</b>	<b>685,189</b>	<b>667,078</b>	<b>639,824</b>
<b>Financial ratios</b>			
Profit for the period as % of average equity pa	8.9	3.6	3.7
Core earnings before impairment losses as % of average equity pa	13.1	7.1	8.1
Costs as % of core income	14.8	26.5	24.2
Impairment losses for the period, %	0.05	0.06	0.11
Total capital ratio, %	20.4	21.9	21.3
Common Equity Tier 1 (CET1) capital ratio, %	17.7	18.3	17.8
Internal capital adequacy requirement (ICAAP), %	10.7	10.2	10.2



## Q1-Q3 INTERIM REPORT 2014

Totalkredit posted a profit before tax of DKK 1,425m against DKK 545m in the same period last year. Profit after tax came to DKK 1,076m.

Results for Q1-Q3/2014 included growth in income from business operations as well as reduced net interest expenses for junior covered bonds and impairment losses on loans and advances.

### Core earnings before impairment losses

Core income from business operations amounted to DKK 2,054m against DKK 1,340m in Q1-Q3/2013. This was attributable to higher administration margin income as well as reduced commission expenses resulting from Jyske Bank's exit from the Totalkredit partnership.

Administration margin income and activity income were up by DKK 788m and DKK 40m, respectively, compared with the same period last year. Commission expenses grew by DKK 90m.

Net interest expenses for junior covered bonds came to DKK 173m against DKK 235m in Q1-Q3/2013.

Core income from securities was a loss of DKK 7m against income of DKK 0m in the same period last year. Core income from securities further included interest expenses of DKK 39m for Tier 2 capital.

Operating costs came to DKK 278m, down 5% on the same period last year.

Core earnings before impairment losses came to DKK 1,596m against DKK 812m in Q1-Q3/2013.

Due to Jyske Bank's exit from the Totalkredit partnership, net commission expenses were down DKK 147m in Q1-Q3/2014.

### Impairment losses on loans and advances

Impairment losses on loans and advances totalled DKK 270m against DKK 335m in the same period last year. In Q1-Q3/2014, impairment losses equalled 0.05% of lending compared with 0.06% in the same period last year.

Write-offs for the period totalled DKK 452m, of which DKK 195m was covered by the partner banks by set-off against commission payable or by guarantee.

Impairment provisions totalled DKK 1,190m against DKK 1,174m at the beginning of the year. Total impairment provisions equalled 0.22% of lending.

Individual impairment provisions stood at DKK 506m and collective impairment provisions at DKK 684m.

The arrears ratio measured as at the June due date, 75 days past due, was 0.24%, which was also the level of the previous due date.

In Q1-Q3/2014, 96 properties were acquired at forced sales by public auction and 88 properties were sold. At end-Q3/2014, the portfolio of acquired properties stood at 55 against 47 at the beginning of the year.

### Investment portfolio income

Investment portfolio income was DKK 99m against DKK 68m in the same period last year.

### Loans and advances

Gross new lending came to DKK 65bn against DKK 55bn in Q1-Q3/2013.

At nominal value, the loan portfolio totalled DKK 536bn, which was a DKK 3bn increase from the beginning of the year.

Measured by the loan portfolio, Totalkredit's market share was 37.6% at end-Q3/2014 against 37.3% at the beginning of the year.

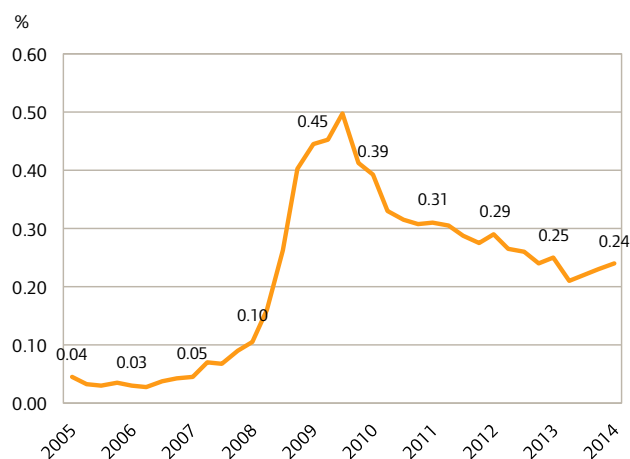
### Loan-to-value ratios (LTVs)

The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, was 76% at end-Q3/2014.

For the part of the loan portfolio funded by SDOs (Danish covered bonds) and for which LTV ratios exceed the statutory LTV limits of 80% for private residential property and 60% for holiday homes, supplementary collateral must be provided to bondholders. The supplementary collateral requirement averaged DKK 26.3bn in Q1-Q3/2014.

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

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





## Balance sheet

At end-Q3/2014, the balance sheet stood at DKK 685bn against DKK 640bn at the beginning of the year.

Assets essentially consisted of three items: receivables from credit institutions of DKK 20bn, mortgage lending of DKK 552bn and a bond portfolio of DKK 109bn.

Liabilities essentially consisted of payables to the Parent Company, Nykredit Realkredit A/S, totalling DKK 614bn, of which DKK 593bn related to the funding of mortgage loans and DKK 20bn related to supplementary collateral for SDO-funded lending.

At end-Q3/2014, Totalkredit had issued own bonds of DKK 42bn.

Equity including profit for the period totalled DKK 16.7bn at end-Q3/2014.

## Capital and capital adequacy

Own funds (previously the capital base) stood at DKK 19.1bn, and the risk exposure amount (REA) (previously risk-weighted assets) totalled DKK 93.6bn, corresponding to a total capital ratio of 20.4%.

The Common Equity Tier 1 (CET1) capital came to DKK 16.6bn, corresponding to a CET1 capital ratio of 17.7% at end-Q3/2014.

Under the Basel I transitional rules, REA came to DKK 218.5bn, equal to a total capital ratio requirement of at least 18.7%. The Basel I transitional rules have been extended to 2015 inclusive, but are expected to be further extended to 2019, at which time the new capital requirements will be fully implemented.

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

The internal capital adequacy requirement (ICAAP) is calculated on the basis of the required own funds, which is the minimum capital required, in Management's judgement, to cover all significant risks. At end-Q3/2014, required own funds totalled DKK 10.0bn, equal to an internal capital adequacy requirement of 10.7%.

## Credit ratings

The lending activities of Totalkredit and Nykredit Realkredit, Totalkredit's Parent Company, are jointly funded. Due to the joint funding, Totalkredit and Nykredit Realkredit use the same bond series to fund identical loans. Nykredit Realkredit issues the requisite bonds through capital centres which are rated AAA by Standard & Poor's.

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

<b>Totalkredit</b>			
<b>Capital and capital adequacy</b>			
DKK million	30.09.2014	2013	2012
Credit risk	88,211	82,155	73,050
Market risk	2,303	2,476	5,248
Operational risk	3,049	3,077	3,316
<b>Total risk exposure amount (REA)<sup>1</sup></b>	<b>93,563</b>	<b>87,708</b>	<b>81,614</b>
Equity	16,730	15,655	15,090
Common Equity Tier 1 (CET1) capital deductions	(87)	(34)	(37)
<b>CET1 capital</b>	<b>16,644</b>	<b>15,621</b>	<b>15,052</b>
Tier 2 capital	2,480	3,100	3,100
Tier 2 deductions	(11)	(32)	(35)
<b>Own funds</b>	<b>19,112</b>	<b>18,689</b>	<b>18,117</b>
Common Equity Tier 1 (CET) capital ratio, %	17.7	17.8	18.4
Total capital ratio, %	20.4	21.3	22.2
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.7	10.2	10.6

<sup>1</sup> Capital adequacy is determined subject to a transitional rule in accordance with the transitional provisions of the CRR. REA must constitute at least 80% of the risk-weighted assets determined under Basel I. At end Q3/2014, REA subject to the transitional rules amounted to DKK 218.5bn, equal to a total capital ratio of 18.7%.



## Other

### **Totalkredit launched a new product, and a new price structure at end-August**

The Danish mortgage system is founded on investors having confidence in the system in any situation. This makes for the lowest possible loan rates for Danish homeowners in the long term. In recent years, credit rating agencies and regulators in Denmark and the EU have pointed out that the large annual bond sales should be reduced so as best to secure the sale of bonds. Remortgaging from ARMs with 1-year or 2-year interest rate reset (F1-F2 loans) to other loan types will contribute to meeting the requirements of credit rating agencies and regulators, including the coming supervisory diamond.

At the end of August, Totalkredit launched a new, variable-rate loan, "F-kort", with interest rate reset every six months. F-kort is linked to the Cita rate, but is funded by bonds with longer maturities. The new product is expected to be more attractive to our customers than the F1-F2 loans, which are also based on a short-term variable interest rate.

As at 1 January 2015, Totalkredit will introduce a new price structure, which implies higher administration margin rates on interest-only loans as well as on F1-F2 loans.

There are no changes to the administration margins on fixed-rate loans, ARMs with 3- to 10-year interest rate reset (F3-F10 loans) or capped floating-rate repayment loans (RenteMax). The administration margin on the new, variable-rate loan will be fixed in line with those of F3-F10 loans.

Furthermore, Totalkredit will increase the price spreads on F1-F2 loans to 0.30 point. The price spread on F3-F10 loans and other variable-rate loans will be raised to 0.20 point. The new price spreads will apply to loans subject to refinancing and interest rate reset as at 1 January 2015 or later.

Following these adjustments, Totalkredit will remain highly competitive in the market. Currently, Totalkredit's administration margins on new loans are the least expensive in the market where most loan types are concerned.

Totalkredit offers personal customers who are affected by these price rises a discount of up to DKK 5,000 if they want to switch loan types, thereby avoiding the price rise partially or completely. The discount is offered until 31 December 2015 inclusive.

### **Jyske Bank's exit from Totalkredit partnership**

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

In June Jyske Bank instituted arbitration proceedings to determine the final terms for its exit from the Totalkredit partnership. In March Jyske Bank had referred customers to Totalkredit corresponding to lending of DKK 82bn. As at 30 September 2014, the amount was DKK 70bn.

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

Totalkredit still expects that Jyske Bank will encourage the refinancing of the majority of the loans into loans granted directly by Jyske Bank or one of the group's companies, and it is expected that about 10% of the loans will be prepaid per quarter to this end.

For the full year 2014, the net impact of revised contractual terms, including an estimated additional decline in the loan portfolio and loan prepayments, is estimated to increase the results of Totalkredit by a total of some DKK 200m, which is more than initially expected.

### **Nykredit Realkredit A/S designated as a systemically important financial institution**

In line with expectations, the Danish Financial Supervisory Authority (FSA) designated the Parent Company, Nykredit Realkredit A/S, and consequently Totalkredit A/S, as a systemically important financial institution (SIFI) in June.

### **Changes to the Board of Directors**

At the extraordinary general meeting held on 30 September 2014, Anders Jensen, Group Managing Director, was elected to the Board of Directors with effect from 1 October 2014.

Jette Alsig Bargholz has decided to terminate her employment with Totalkredit as at 1 November 2014 and has consequently resigned her position as staff-elected member of the Board of Directors of Totalkredit A/S. Alternate Anne Christiansen has joined the Board of Directors as new staff-elected member.

### **Uncertainty as to recognition and measurement**

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

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

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

### **Outlook for 2014**

Core earnings after impairment losses for the full year are expected to be around DKK 1,600m-1,800m.

Final results will depend on trends in the housing and financial markets.



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

No material events have occurred in the period from the balance sheet date up to the presentation of the Q1-Q3 Interim Report that may affect the assessment of the Interim Report.

**Accounting policies**

The Q1-Q3 Interim Report 2014 has been prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

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

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



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

The Board of Directors and the Executive Board have today reviewed and approved the Interim Report for the period 1 January – 30 September 2014 of Totalkredit A/S.

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

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

We are of the opinion that the Interim Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 30 September 2014 and of the results of the Company's operations and cash flows for the financial period 1 January – 30 September 2014.

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

The Interim Report has not been audited or reviewed.

Copenhagen, 6 November 2014

## Executive Board

Troels Bülow-Olsen

Allan Rømer

## Board of Directors

Michael Rasmussen,  
Chairman

Claus E. Petersen,  
Deputy Chairman

Petter Blondeau

Anne Christiansen

Kim Duus

Karen Frøsig

Søren Holm

Anders Jensen

Michael Holm Jensen

Jari Loch Jensen

Gert Jonassen

Merete Nilausen

Bente Overgaard



## Statements of income and comprehensive income for 1 January – 30 September

DKK million

	Note	Q1-Q3/2014	Q1-Q3/2013
<b>INCOME STATEMENT</b>			
Interest income	1	13,149	12,434
Interest expenses	2	9,869	10,034
<b>Net interest income</b>		<b>3,281</b>	<b>2,400</b>
Fee and commission income	3	305	265
Fee and commission expenses	4	1,543	1,437
<b>Net interest and fee income</b>		<b>2,044</b>	<b>1,228</b>
Value adjustments	5	(71)	(55)
Other operating income		0	0
Staff and administrative expenses	6	278	293
Depreciation and impairment losses for property, plant and equipment		0	0
Impairment losses on loans, advances and receivables	7	270	335
<b>Profit before tax</b>		<b>1,425</b>	<b>545</b>
Tax		349	136
<b>Profit for the period</b>		<b>1,076</b>	<b>409</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Comprehensive income</b>			
<b>Profit for the period</b>		<b>1,076</b>	<b>409</b>
Other comprehensive income		-	-
<b>Comprehensive income for the period</b>		<b>1,076</b>	<b>409</b>





# Balance sheets, end of period

DKK million

	Note	30.09.2014	31.12.2013
<b>ASSETS</b>			
Cash balances and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	8	20,255	16,263
Loans, advances and other receivables at fair value	9	552,497	540,751
Loans, advances and other receivables at amortised cost	9	36	36
Bonds at fair value	10	108,592	79,357
Other property, plant and equipment		0	0
Current tax assets		0	38
Deferred tax assets		2	2
Assets in temporary possession	11	31	28
Other assets	12	3,771	3,342
Prepayments		6	7
<b>Total assets</b>		<b>685,189</b>	<b>639,824</b>
<b>LIABILITIES AND EQUITY</b>			
Payables to credit institutions	13	613,738	565,734
Issued bonds at fair value	14	42,036	46,568
Current tax liabilities		261	-
Other liabilities	15	9,318	8,762
<b>Total payables</b>		<b>665,353</b>	<b>621,064</b>
Provisions		6	6
Subordinated debt – Tier 2 capital	16	3,100	3,100
<b>Equity</b>			
Share capital		848	848
<b>Reserves</b>			
Series reserves		1,646	1,646
Other reserves		13,161	13,161
Retained earnings for the period		1,076	-
<b>Total equity</b>		<b>16,730</b>	<b>15,655</b>
<b>Total liabilities and equity</b>		<b>685,189</b>	<b>639,824</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Guarantees	17	0	0
Other commitments		10	10
<b>Total</b>		<b>10</b>	<b>10</b>



# Statement of changes in equity

DKK million

	Share capital	Series reserves	Other reserves	Total
<b>Equity, 1 January 2014</b>	<b>848</b>	<b>1,646</b>	<b>13,161</b>	<b>15,655</b>
Profit for the period	-	-	1,076	1,076
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,076</b>	<b>1,076</b>
<b>Equity, 30 September 2014</b>	<b>848</b>	<b>1,646</b>	<b>14,236</b>	<b>16,730</b>
<b>Equity, 1 January 2013</b>	<b>848</b>	<b>1,646</b>	<b>12,596</b>	<b>15,090</b>
Profit for the period	-	-	409	409
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>409</b>	<b>409</b>
<b>Equity, 30 September 2013</b>	<b>848</b>	<b>1,646</b>	<b>13,004</b>	<b>15,498</b>

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

Series reserves consist of an undistributable reserve fund established pursuant to section 220 of the Danish Financial Business Act in connection with Totalkredit's conversion into a public limited company in 2000. Capital is used to cover regulatory capital requirements and is otherwise only used to cover losses not covered by amounts distributable as dividend in the public limited company.



# Cash flow statement

DKK million

	30.09.2014	30.09.2013
<b>Profit after tax for the period</b>	<b>1,076</b>	<b>409</b>
<b>Adjustment for non-cash operating items, depreciation and impairment losses</b>		
Depreciation and impairment losses for property, plant and equipment	0	0
Impairment losses on loans and advances	270	335
Prepayments/deferred income, net	0	(4)
Tax calculated on profit for the period	349	136
Other adjustments	(3)	20
<b>Total</b>	<b>616</b>	<b>487</b>
<b>Profit for the period adjusted for non-cash operating items</b>	<b>1,692</b>	<b>896</b>
<b>Change in working capital</b>		
Loans and advances	(12,015)	(13,133)
Deposits and payables to credit institutions	48,004	43,029
Issued covered bonds	(4,532)	(9,913)
Other working capital	128	34
<b>Total</b>	<b>31,585</b>	<b>20,017</b>
<b>Corporation tax paid, net</b>	<b>(51)</b>	<b>(26)</b>
<b>Cash flows from operating activities</b>	<b>33,226</b>	<b>20,887</b>
<b>Cash flows from investing and financing activities</b>		
Investments	(29,234)	(23,916)
<b>Total</b>	<b>(29,234)</b>	<b>(23,916)</b>
<b>Total cash flows</b>	<b>3,992</b>	<b>(3,029)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,263</b>	<b>20,942</b>
<b>Cash and cash equivalents, end of period</b>	<b>20,255</b>	<b>17,913</b>



## Notes

DKK million

	Q1-Q3/2014	Q1-Q3/2013
<b>1. INTEREST INCOME</b>		
Receivables from credit institutions	15	25
Loans, advances and other receivables	9,501	9,528
Administration margin (income)	3,097	2,309
Bonds:		
- Self-issued covered bonds	12	7
- Other covered bonds	470	532
Derivative financial instruments		
- Interest rate contracts	67	40
<b>Total</b>	<b>13,162</b>	<b>12,441</b>
Interest from self-issued covered bonds has been offset against interest expenses – note 2	(12)	(7)
<b>Total</b>	<b>13,149</b>	<b>12,434</b>
<b>2. INTEREST EXPENSES</b>		
Nykredit Realkredit A/S mortgage loan funding	8,733	8,577
Issued bonds	741	929
Other payables to Nykredit Realkredit A/S	368	497
Subordinated debt	39	38
Other interest expenses	0	0
<b>Total</b>	<b>9,881</b>	<b>10,041</b>
Set-off of interest from self-issued covered bonds – note 1	(12)	(7)
<b>Total</b>	<b>9,869</b>	<b>10,034</b>
<b>3. FEE AND COMMISSION INCOME</b>		
Loan fees, new lending	189	170
Trading commission and other fees	116	95
<b>Total</b>	<b>305</b>	<b>265</b>
<b>4. FEE AND COMMISSION EXPENSES</b>		
Loan arrangement fees	153	137
Commission to loan arrangers	1,275	1,185
Trading commission and other fees	115	115
<b>Total</b>	<b>1,543</b>	<b>1,437</b>
<b>5. VALUE ADJUSTMENTS</b>		
Mortgage loans	(7,686)	(4,918)
Bonds	34	(182)
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	71	230
Other liabilities	(176)	(102)
Issued bonds, including bonds issued by Nykredit Realkredit A/S in connection with the funding of mortgage loans granted by Totalkredit A/S	7,686	4,917
<b>Total</b>	<b>(71)</b>	<b>(55)</b>



# Notes

DKK million

	Q1-Q3/2014	Q1-Q3/2013
<b>6. STAFF AND ADMINISTRATIVE EXPENSES</b>		
Remuneration of Board of Directors and Executive Board	4	4
Staff expenses	61	60
Administrative expenses	213	229
<b>Total</b>	<b>278</b>	<b>293</b>
<b>Remuneration of Board of Directors and Executive Board</b>		
<b>Board of Directors:</b>		
Remuneration	1	1
<b>Executive Board:</b>		
Salaries	3	3
Pensions	0	0
Other social security expenses and charges	0	0
<b>Total</b>	<b>4</b>	<b>4</b>
<b>Staff expenses:</b>		
Salaries	50	48
Pensions	5	5
Other social security expenses and charges	6	7
<b>Total</b>	<b>61</b>	<b>60</b>
<b>Number of staff</b>		
Average number of staff, full-time equivalents	124	129
<b>7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>		
Change in individual impairment provisions for loans and advances	312	237
Change in collective impairment provisions for loans and advances	(18)	140
Write-offs for the period, net	142	182
Recoveries on claims previously written off	(5)	(3)
<b>Total impairment losses on loans, advances and receivables</b>	<b>431</b>	<b>556</b>
Value adjustment of assets in temporary possession	34	34
Losses covered by security from partner banks	(195)	(255)
<b>Total</b>	<b>270</b>	<b>335</b>
<b>Specification of provisions for loan impairment</b>		
Individual impairment provisions	506	420
Collective impairment provisions	684	586
<b>Total impairment provisions</b>	<b>1,190</b>	<b>1,006</b>
<b>Individual impairment provisions</b>		
Impairment provisions, beginning of period	472	458
Impairment provisions for the period	416	335
Impairment provisions reversed	(104)	(98)
Value adjustment of acquired properties	(40)	(36)
Impairment provisions written off	(238)	(239)
<b>Impairment provisions, end of period</b>	<b>506</b>	<b>420</b>
<b>Collective impairment provisions</b>		
Impairment provisions, beginning of period	702	446
Impairment provisions for the period, net	(18)	140
<b>Impairment provisions, end of period</b>	<b>684</b>	<b>586</b>



# Notes

DKK million

	Q1-Q3/2014	Q1-Q3/2013
<b>7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)</b>		
<b>Individual impairment provisions for acquired properties</b>		
Impairment provisions, beginning of period	104	128
Transfer from non-acquired properties	40	36
Impairment provisions for the period	38	52
Impairment provisions reversed	(3)	(17)
Impairment provisions written off	(72)	(75)
<b>Impairment provisions, end of period</b>	<b>107</b>	<b>124</b>
<b>Specification of loans and advances</b>		
Loans and advances subject to individual provisioning	2,164	2,059
Impairment provisions	(506)	(420)
<b>Loans and advances after impairment provisions</b>	<b>1,658</b>	<b>1,639</b>
Loans and advances subject to collective provisioning	31,038	27,402
Impairment provisions	(684)	(586)
<b>Loans and advances after impairment provisions</b>	<b>30,354</b>	<b>26,816</b>



# Notes

DKK million

	30.09.2014	31.12.2013
<b>8. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>		
Receivables from credit institutions	20,255	16,263
<b>Total</b>	<b>20,255</b>	<b>16,263</b>
<b>9. LOANS AND ADVANCES</b>		
Loans, advances and other receivables at fair value	552,497	540,751
Loans, advances and other receivables at amortised cost	36	36
<b>Total</b>	<b>552,533</b>	<b>540,787</b>
<b>Loans, advances and other receivables at fair value</b>		
Mortgage loans	552,313	540,643
Receivables from lending secured on non-acquired properties	184	108
<b>Total</b>	<b>552,497</b>	<b>540,751</b>
<b>Mortgage loans</b>		
Balance, beginning of period, nominal value	532,487	509,915
New loans	64,589	71,694
Ordinary principal payments	(4,720)	(6,113)
Prepayments and extraordinary principal payments	(56,006)	(43,009)
<b>Balance, end of period, nominal value</b>	<b>536,350</b>	<b>532,487</b>
Loans transferred relating to properties in temporary possession	(36)	(49)
Fair value adjustment	17,064	9,285
<b>Adjustment for credit risk</b>		
Individual impairment provisions	(381)	(378)
Collective impairment provisions	(684)	(702)
<b>Balance, end of period, fair value</b>	<b>552,313</b>	<b>540,643</b>
<b>Receivables from lending secured on non-acquired properties</b>		
Arrears before impairment provisions	130	111
Outlays before impairment provisions	179	91
Provisions for arrears and outlays	(125)	(94)
<b>Total</b>	<b>184</b>	<b>108</b>
<b>Loans, advances and other receivables at amortised cost</b>		
Mortgage loans	27	27
Other loans and advances	9	9
<b>Total</b>	<b>36</b>	<b>36</b>
Measured at fair value, the item amounted to DKK 36m at end-Q1-Q3/2014 and DKK 36m at end-2013.		
<b>Mortgage loan guarantees provided by banks:</b>		
Supplementary guarantees in addition to mortgages over real estate	8,143	8,126
Statutory guarantees for interim loans	10,370	10,240
Guarantees for loans disbursed before obtaining a registered mortgage	20,104	9,992
<b>Total</b>	<b>38,617</b>	<b>28,358</b>



## Notes

DKK million

	30.09.2014	31.12.2013
<b>10. BONDS AT FAIR VALUE</b>		
- Self-issued covered bonds	756	2,293
- Other covered bonds	108,592	79,357
<b>Total</b>	<b>109,348</b>	<b>81,650</b>
Set-off against "Issued bonds at fair value" – note 14	(756)	(2,293)
<b>Total bonds</b>	<b>108,592</b>	<b>79,357</b>
<b>Of which:</b>		
Redeemed bonds	133	130
<b>11. ASSETS IN TEMPORARY POSSESSION</b>		
Debt outstanding, end of period	18	22
Outlays	66	49
Impairment provisions, end of period	(53)	(43)
<b>Total</b>	<b>31</b>	<b>28</b>
<b>12. OTHER ASSETS</b>		
Positive market value of derivative financial instruments	133	166
Interest and commission receivable on loans and advances	2,088	2,051
Interest receivable from bonds and credit institutions	1,512	1,082
Remaining assets	37	43
<b>Total</b>	<b>3,771</b>	<b>3,342</b>
<b>13. PAYABLES TO CREDIT INSTITUTIONS</b>		
Payables to credit institutions, other payables	53	39
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	20,271	27,129
Mortgage loan funding through Nykredit Realkredit A/S	593,414	538,567
<b>Total</b>	<b>613,738</b>	<b>565,735</b>
<b>Of which mortgage loan funding through Nykredit Realkredit A/S</b>		
Balance, beginning of period, nominal value	531,233	509,138
Additions	164,116	211,655
Redemptions and prepayments	(112,614)	(183,762)
Prepayments and extraordinary principal payments	(4,615)	(5,798)
<b>Balance, end of period, nominal value</b>	<b>578,120</b>	<b>531,233</b>
Fair value adjustment	15,294	7,334
<b>Total</b>	<b>593,414</b>	<b>538,567</b>
<b>14. ISSUED BONDS AT FAIR VALUE</b>		
Covered bonds issued against mortgages over real estate		
Balance, beginning of period, nominal value	46,909	56,366
Additions	-	-
Redemptions and prepayments	(4,299)	(7,472)
Prepayments and extraordinary principal payments	(1,587)	(1,985)
<b>Balance, end of period</b>	<b>41,023</b>	<b>46,909</b>
Set-off of self-issued bonds	(756)	(2,293)
Fair value adjustment	1,769	1,952
<b>Total</b>	<b>42,036</b>	<b>46,568</b>
Bonds redeemed at next creditor payment date	2,663	1,254





# Notes

DKK million

	30.09.2014	31.12.2013
<b>15. OTHER LIABILITIES</b>		
Interest payable on issued covered bonds, including bonds issued by Nykredit Realkredit A/S for the funding of mortgage lending by Totalkredit A/S	7,503	7,104
Negative market value of derivative financial instruments	136	168
Remaining liabilities	1,679	1,490
<b>Total</b>	<b>9,318</b>	<b>8,762</b>
<b>16. SUBORDINATED DEBT</b>		
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met. Nykredit Realkredit A/S is creditor on the loans. Subordinated debt is included in Totalkredit's own funds in accordance with the EU's Capital Requirements Regulation (CRR).		
Nom DKK 2,600m. The loan falls due at par (100) on 24 June 2018 and carries an interest rate of 0.45% pa above 3M Cibur.		
Nom DKK 500m. The loan falls due at par (100) on 1 December 2018 and carries an interest rate of 6.00% pa above 3M Cibur.		
Measured at fair value, the two loans total DKK 3,100m.		
<b>17. OFF-BALANCE SHEET ITEMS</b>		
<b>Guarantees</b>		
Financial guarantees	0	0
Total guarantees	0	0
<b>Other commitments</b>		
Other liabilities	10	10
Total other commitments	10	10
<b>Total off-balance sheet items</b>	<b>10</b>	<b>10</b>
<b>Other contingent liabilities</b>		
As mentioned in the Management's Review, Jyske Bank has instituted arbitration proceedings against Totalkredit. The background is that Jyske Bank disagrees with Totalkredit's opinion that Jyske Bank exited the Totalkredit partnership when it purchased BRFkredit.		
At 30 September 2014, Jyske Bank had referred customers to Totalkredit corresponding to lending of DKK 70bn. In compliance with the partnership agreement, Totalkredit has paid commission to Jyske Bank and offset losses incurred on the customer portfolio on a current basis.		
As from mid-March, Totalkredit considered Jyske Bank to have exited the partnership and consequently ceased its current payments to the bank. Net payments would have come to DKK 147m if Jyske Bank had not exited the partnership.		
Totalkredit still expects that the arbitration tribunal will find in its favour.		



## Notes

### 18. RELATED PARTY TRANSACTIONS AND BALANCES

The Parent Company Nykredit Realkredit A/S, Copenhagen, group enterprises and associates of Nykredit Realkredit A/S as well as Totalkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

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

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

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

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

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

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

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

Agreement on joint funding of mortgage lending.

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

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

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

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



# Capital and capital adequacy

DKK million

	30.09.2014	31.12.2013
<b>Own funds</b>		
Equity, end of period	16,730	15,655
Difference between expected losses and impairment losses	(137)	(32)
Other deductions	(59)	(2)
Transitional adjustment of deductions	110	-
<b>Common Equity Tier 1 (CET1) capital</b>	<b>16,644</b>	<b>15,621</b>
Transitional adjustment of deductions	-	-
Set-off of excess deduction	-	-
Tier 2 capital (incl transitional adjustments)	2,480	3,100
Tier 2 deductions	(11)	(32)
<b>Own funds</b>	<b>19,112</b>	<b>18,689</b>
<b>Capital requirement</b>		
Credit risk	7,057	6,573
Market risk	184	198
Operational risk	244	246
<b>Total capital requirement<sup>1</sup></b>	<b>7,485</b>	<b>7,017</b>
<b>Total risk exposure amount (REA)</b>	<b>93,563</b>	<b>87,708</b>
<b>Total REA subject to transitional rule</b>	<b>218,541</b>	<b>215,043</b>
<b>Financial ratios</b>		
CET1 capital ratio, %	17.7	17.8
Total capital ratio, %	20.4	21.3
<sup>1</sup> The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the EU's Capital Requirements Regulation (CRR). The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. At end-Q3/2014, the capital requirement under the transitional rules was DKK 17.5bn.		
<b>Required own funds and internal capital adequacy requirement</b>		
<b>Pillar I – primary risks</b>		
Credit risk	7,057	6,806
Market risk	184	239
Operational risk	244	183
<b>Total Pillar I</b>	<b>7,485</b>	<b>7,227</b>
<b>Pillar II – other risks</b>		
Weaker economic climate	1,456	904
Other factors	1,087	813
<b>Total Pillar II</b>	<b>2,542</b>	<b>1,717</b>
<b>Total required own funds</b>	<b>10,027</b>	<b>8,945</b>
<b>Total REA</b>	<b>93,563</b>	<b>87,708</b>
<b>Internal capital adequacy requirement (ICAAP), %</b>	<b>10.7</b>	<b>10.2</b>

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

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



## Five-year financial highlights

DKK million

	Q1-Q3/2014	Q1-Q3/2013	Q1-Q3/2012	Q1-Q3/2011	Q1-Q3/2010
<b>INCOME STATEMENT</b>					
Net interest income	3,281	2,400	2,394	2,066	2,177
Net fee income	(1,238)	(1,172)	(922)	(858)	(714)
<b>Net interest and fee income</b>	<b>2,043</b>	<b>1,228</b>	<b>1,472</b>	<b>1,208</b>	<b>1,463</b>
Value adjustments	(71)	(55)	(190)	(67)	(128)
Other operating income	0	0	1	0	2
Staff and administrative expenses	278	293	287	278	327
Depreciation and impairment losses for property, plant and equipment	0	0	0	0	1
Impairment losses on loans, advances and receivables	270	335	444	267	78
<b>Profit before tax</b>	<b>1,425</b>	<b>545</b>	<b>552</b>	<b>596</b>	<b>931</b>
Tax	349	136	138	149	233
<b>Profit for the period</b>	<b>1,076</b>	<b>409</b>	<b>414</b>	<b>447</b>	<b>698</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>					
	30.09.2014	30.09.2013	30.09.2012	30.09.2011	30.09.2010
<b>ASSETS</b>					
Receivables from credit institutions	20,255	17,913	22,460	18,979	16,003
Mortgage loans	552,349	535,768	512,613	473,184	458,179
Bonds at fair value	108,592	109,151	119,687	72,727	73,079
Remaining assets	3,993	4,246	4,931	5,346	5,571
<b>Total assets</b>	<b>685,189</b>	<b>667,078</b>	<b>659,691</b>	<b>570,236</b>	<b>552,832</b>
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions	613,738	590,041	566,757	460,636	428,458
Issued bonds	42,036	48,603	62,989	80,699	96,122
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	2,600	2,600
Remaining liabilities	9,585	9,836	11,863	12,598	12,585
Equity	16,730	15,498	14,982	13,703	13,067
<b>Total liabilities and equity</b>	<b>685,189</b>	<b>667,078</b>	<b>659,691</b>	<b>570,236</b>	<b>552,832</b>
<b>FINANCIAL RATIOS</b>					
Profit for the period as % of average equity	6.6	2.7	2.9	3.3	5.5
Profit before tax for the period as % of average equity	8.8	3.6	3.8	4.4	7.3
Loans and advances:equity	33.0	34.6	34.2	34.5	35.1
Growth in loans and advances for the period, %	0.7	3.6	6.1	2.7	6.4
Impairment losses for the period, %	0.05	0.06	0.09	0.06	0.00
Total capital ratio, %	20.4	21.9	20.7	21.4	23.5
CET1 capital ratio, %	17.7	18.3	17.3	18.2	19.7
Average number of full-time staff	124	129	121	120	124



## Six-quarter financial highlights

DKK million

	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013
<b>CORE EARNINGS AND RESULTS FOR THE PERIOD</b>						
<b>Core income from</b>						
- business operations	746	669	639	618	470	406
- junior covered bonds	(55)	(59)	(59)	(79)	(83)	(78)
- securities	(2)	(3)	(2)	(2)	(3)	0
<b>Total</b>	<b>689</b>	<b>607</b>	<b>578</b>	<b>537</b>	<b>384</b>	<b>328</b>
Operating costs, depreciation and amortisation	79	104	95	104	92	106
<b>Core earnings before impairment losses</b>	<b>610</b>	<b>503</b>	<b>483</b>	<b>433</b>	<b>292</b>	<b>222</b>
Impairment losses on loans and advances	132	120	18	232	90	122
<b>Core earnings after impairment losses</b>	<b>478</b>	<b>383</b>	<b>465</b>	<b>201</b>	<b>202</b>	<b>100</b>
Investment portfolio income	58	18	23	7	48	18
<b>Profit before tax</b>	<b>536</b>	<b>402</b>	<b>487</b>	<b>208</b>	<b>250</b>	<b>118</b>
Tax	131	99	119	52	63	29
<b>Profit for the period</b>	<b>405</b>	<b>303</b>	<b>368</b>	<b>156</b>	<b>187</b>	<b>89</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>						
	30.09.2014	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013
<b>ASSETS</b>						
Receivables from credit institutions	20,255	15,677	17,672	16,263	17,913	14,559
Mortgage loans	552,349	548,474	544,361	540,670	535,768	531,185
Bonds at fair value	108,592	53,325	92,539	79,357	109,151	50,393
Remaining assets	3,993	3,506	2,971	3,534	4,246	3,577
<b>Total assets</b>	<b>685,189</b>	<b>620,982</b>	<b>657,543</b>	<b>639,824</b>	<b>667,078</b>	<b>599,714</b>
<b>LIABILITIES AND EQUITY</b>						
Payables to credit institutions	613,738	551,044	585,452	565,734	590,041	521,723
Issued bonds	42,036	43,079	44,993	46,568	48,603	52,371
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	3,100	3,100	3,100
Remaining liabilities	9,585	7,434	7,976	8,767	9,836	7,209
Equity	16,730	16,325	16,022	15,655	15,498	15,311
<b>Total liabilities and equity</b>	<b>685,189</b>	<b>620,982</b>	<b>657,543</b>	<b>639,824</b>	<b>667,078</b>	<b>599,714</b>
<b>FINANCIAL RATIOS</b>						
Profit for the period as % of average equity pa	9.8	7.5	9.3	4.0	4.8	2.3
Core earnings after impairment losses as % of average equity pa	11.6	9.5	11.7	5.2	5.3	2.6
Costs as % of core income	11.5	17.1	16.5	19.4	24.0	32.4
Impairment losses for the period, %	0.02	0.02	0.00	0.05	0.02	0.02
Total capital ratio, %	20.4	20.4	19.3	21.3	21.9	21.9
CET1 capital ratio, %	17.7	17.8	16.8	17.8	18.3	18.3

*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.*