

## INTERIM REPORT – NYKREDIT REALKREDIT GROUP 1 JANUARY – 30 JUNE 2014

### Michael Rasmussen, Group Chief Executive, comments on Nykredit's interim report:

*We have just reported satisfactory financial results matching our expectations. The parameters within our control are headed in the right direction relative to the course we have set: Core income from business operations has improved by 8%, and costs have declined markedly. We maintain our upward revision of the full-year results.*

*We are headed in the right direction, but can do even better. The core of our new strategy is improved earnings through a stronger focus on Danish homeowners and a closer business relationship with Totalcredit's partner banks. We have expanded our range of joint products to include new home finance options for our customers. Coupled with robust ratings and capitalisation, these are the most important elements in continuing our strong competitive leverage.*

*We were the first to introduce 2.5% loans in Denmark, and within the next month we will launch a new variable-rate loan. In addition, our customers have historically good opportunities for locking in loan rates for a short or long period.*

*The favourable refinancing opportunities coincide with a need for longer-dated funding requirements in line with the requirements of credit rating agencies and regulatory authorities. We will support this process, adjusting our price structure and providing attractive refinancing options. Our prices will continue to be highly competitive.*

### The Nykredit Realkredit Group recorded a pre-tax profit of DKK 1,719m

- The Nykredit Realkredit Group recorded a pre-tax profit of DKK 1,719m against DKK 1,309m, excluding reclassification of profit from the sale of strategic equities of DKK 697m in H1/2013
- Core income from business operations rose by 8% to DKK 5,569m relative to H1/2013
- Operating costs were down by 12% to DKK 2,542m on H1/2013
- The cost:income ratio was 45.6% compared with 55.8% in H1/2013
- Value adjustment of interest rate swaps totalled a charge of DKK 435m, of which DKK 362m was an effect of interest rate falls. Value adjustment came to a credit of DKK 50m in H1/2013
- Impairment losses on loans and advances were DKK 1,049m, or 0.08%.

### Nykredit Realkredit Group Financial highlights

DKK million	H1/2014	H1/2013	Change, %	FY 2013
Core income from business operations	5,569	5,157	8	10,439
Total core income	4,981	5,037	-1	9,298
Operating costs, depreciation and amortisation, excluding special value adjustments	2,542	2,876	-12	5,829
Core earnings before impairment losses	2,403	2,162	11	3,251
Impairment losses on mortgage lending	1,010	763	32	2,415
Impairment losses on bank lending	39	166	-77	349
Investment portfolio income, excl reclassification of profit from the sale of strategic equities	602	302	99	1,190
Profit before tax, excl reclassification of profit from the sale of strategic equities	1,719	1,309	31	1,217
Profit before tax	1,719	2,006	-14	1,914
Common Equity Tier 1 (CET1) capital ratio (previously core Tier 1 capital ratio)	15.7	16.6		15.8

### Contacts:

*Michael Rasmussen, Group Chief Executive, Søren Holm, Group Managing Director, or Corporate Communications, tel +45 44 55 14 72 / +45 20 46 16 65*

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Tel +45 44 55 10 00  
www.nykredit.dk  
CVR no 12 71 92 80

# FINANCIAL HIGHLIGHTS

Nykredit Realkredit Group

DKK million	H1/2014	H1/2013	FY 2013
<b>CORE EARNINGS AND RESULTS FOR THE PERIOD</b>			
<b>Core income from</b>			
- business operations	5,569	5,157	10,439
- value adjustment of derivatives due to interest rate changes	(362)	281	467
- other value adjustment of derivatives	(73)	(231)	(1,242)
- junior covered bonds	(212)	(233)	(484)
- securities	60	63	118
<b>Total</b>	<b>4,981</b>	<b>5,037</b>	<b>9,298</b>
Operating costs, depreciation and amortisation, excl special value adjustments	2,542	2,876	5,829
Operating costs, depreciation and amortisation – special value adjustments <sup>1</sup>	36	(1)	218
<b>Core earnings before impairment losses</b>	<b>2,403</b>	<b>2,162</b>	<b>3,251</b>
Impairment losses on loans and advances – mortgage lending	1,010	763	2,415
Impairment losses on loans and advances – banking	39	166	349
<b>Core earnings after impairment losses</b>	<b>1,354</b>	<b>1,233</b>	<b>487</b>
Investment portfolio income	602	999	1,887
- of which reclassification of value adjustment following the sale of strategic equities	-	697	697
<b>Profit before cost of capital</b>	<b>1,956</b>	<b>2,232</b>	<b>2,374</b>
Net interest on subordinated debt	(237)	(226)	(460)
<b>Profit before tax</b>	<b>1,719</b>	<b>2,006</b>	<b>1,914</b>
Tax	381	316	240
<b>Profit for the period</b>	<b>1,337</b>	<b>1,690</b>	<b>1,674</b>
<b>Total value adjustment and reclassification of strategic equities against equity</b>	<b>173</b>	<b>(474)</b>	<b>(343)</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>			
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
<b>Assets</b>			
Receivables from credit institutions and central banks	36,133	38,859	35,758
Mortgage loans at fair value	1,143,883	1,133,557	1,136,644
Bank loans – excluding reverse transactions	46,908	50,354	46,963
Bonds and equities	118,624	70,579	92,961
Remaining assets	98,798	111,029	105,088
<b>Total assets</b>	<b>1,444,348</b>	<b>1,404,378</b>	<b>1,417,414</b>
<b>Liabilities and equity</b>			
Payables to credit institutions and central banks	49,656	49,319	44,393
Deposits	61,764	63,245	65,172
Issued bonds at fair value	1,138,266	1,086,408	1,130,020
Subordinated debt	15,243	11,085	10,964
Remaining liabilities	119,188	135,694	108,149
Equity	60,231	58,627	58,716
<b>Total liabilities and equity</b>	<b>1,444,348</b>	<b>1,404,378</b>	<b>1,417,414</b>
<b>FINANCIAL RATIOS</b>			
Profit for the period as % of average equity, pa	4.5	5.8	2.9
Core earnings before impairment losses as % of average equity pa	8.1	7.4	5.6
Core earnings after impairment losses as % of average equity, pa	4.6	4.2	0.8
Costs as % of core income from business operations (cost:income ratio)	45.6	55.8	55.8
Total provisions for loan impairment – mortgage lending	4,918	3,212	4,378
Total provisions for loan impairment and guarantees – banking	3,853	4,113	4,078
Impairment losses for the period, % – mortgage lending	0.09	0.07	0.21
Impairment losses for the period, % – banking	0.04	0.15	0.31
Total capital ratio, %	19.3	20.0	18.9
CET1 capital ratio, %	15.7	16.6	15.8
	10.7	9.7	10.4
Average number of full-time staff	4,001	4,049	4,052

<sup>1</sup> Special value adjustments include value adjustment of certain staff benefits and owner-occupied properties, adjustment of a provision relating to Dansk Pantebrevsbørs A/S under konkurs (in bankruptcy) and the impact of "Nykredit 2015".

# H1 INTERIM REPORT 2014

## NYKREDIT REALKREDIT GROUP RESULTS RELATIVE TO H1/2013

Nykredit recorded a profit before tax of DKK 1,719m against DKK 2,006m.

Nykredit's results reflect a positive development in core income from business operations of 8.0%, whereas value adjustment of interest rate swaps due to declining interest rate levels affected results adversely by DKK 362m against a credit of DKK 281m the year before.

Investment portfolio income rose from DKK 302m to DKK 602m excluding reclassification of profit from the sale of strategic equities.

Costs declined by 12%, which together with higher core income from business operations helped reduce the cost:income ratio from 55.8% to 45.6%, of which lower amortisation of rights represented a decline of 5.0 percentage points.

Loan impairment losses came to DKK 1,049m compared with DKK 929m the year before. The development reflected lower impairment losses on bank lending and higher impairment losses on mortgage lending.

Nykredit recorded a profit after tax of DKK 1,337m. Equity was DKK 60,231m after value adjustment of strategic equities at end-H1/2014.

### Core earnings

#### *Core income from business operations*

Core income from business operations increased by DKK 412m to DKK 5,569m.

Core income from mortgage lending rose DKK 455m, or 13.5%, to DKK 3,820m in H1/2014. One of the factors behind the development in core income was the administration margin increases made in 2013.

Nominal mortgage lending declined by DKK 3.2bn to DKK 1,117bn compared with the beginning of the year. The decline was attributable to personal customers, which segment saw a fall of DKK 6.9bn, whereas lending to commercial customers rose by DKK 3.7bn.

Core income from banking operations dropped by DKK 36m, or 2%, to DKK 1,661m. The decline mainly resulted from lower trading activity in Nykredit Markets.

Bank lending was DKK 46.9bn, which was unchanged on the beginning of the year. Deposits fell by DKK 3.4bn to DKK 61.8bn compared with the beginning of the year. The decline was attributable to lower deposits with Nykredit Asset Management. Nykredit Bank recorded a deposit surplus of DKK 14.9bn at end-H1/2014 compared with DKK 18.2bn at the beginning of the year.

#### *Value adjustment of derivatives*

Due to falling interest rate levels, value adjustment of derivatives was a charge of DKK 362m against a credit of DKK 281m. The greater part of the value adjustment derived from interest rate swaps for which higher interest rates will result in a value adjustment credit. Accord-

ingly, a 0.1 percentage point rise in interest rate levels would cause a market value gain of around DKK 100m.

Other value adjustment of derivatives attributable to a net increase in swap transactions was a charge of DKK 73m against a charge of DKK 231m.

#### *Junior covered bonds*

Nykredit's junior covered bond issues totalled DKK 34.4bn at end-H1/2014 against DKK 44.3bn at the beginning of the year, leading to net interest expenses of DKK 212m against DKK 233m in the same period in 2013. Junior covered bonds are used to fund supplementary collateral for covered bonds (SDOs).

#### *Core income from securities*

The risk-free interest rate, which corresponds to the Danish central bank's average lending rate, fell from 0.25% to 0.20%. Consequently, core income from securities dropped to DKK 60m from DKK 63m.

#### *Operating costs, depreciation and amortisation, excluding special value adjustments*

Nykredit's costs, excluding special value adjustments, were trimmed by 12% to DKK 2,542m, of which DKK 258m resulted from lower amortisation because the distribution right obtained in connection with Nykredit's acquisition of Totalkredit was fully amortised at end-2013. Costs as a percentage of core income from business operations were down from 55.8% at the beginning of the year to 45.6%.

#### *Impairment losses on loans and advances*

Impairment losses on loans and advances rose by DKK 120m to DKK 1,049m, equal to 0.08% of total mortgage and bank lending.

Nykredit's impairment losses on mortgage lending increased by DKK 247m to DKK 1,010m, equal to 0.09% of lending. The increase chiefly derived from impairment provisions for housing cooperatives, notably due to a more conservative impairment estimate.

Impairment losses on mortgage lending to personal customers decreased by DKK 51m to DKK 413m, equal to 0.06% of lending.

Group impairment losses on bank lending decreased to DKK 39m, down DKK 127m. Of impairment losses for the period, DKK 150m, or 0.93% of lending, stemmed from personal customers against DKK 5m in the same period the year before.

Impairment losses on bank lending to commercial customers were a net income of DKK 111m against losses of DKK 160m in the same period the year before.

Nykredit's impairment provisions for potential losses on mortgage and bank lending totalled DKK 8,771m against DKK 8,456m at the beginning of the year. Total provisions for value adjustment of interest rate swaps amounted to DKK 2,614m against 2,229m at the beginning of year.

Losses incurred on mortgage and bank lending for the period totalled DKK 711m compared with DKK 671m in the same period the year

before. Losses incurred on interest rate swaps came to DKK 51m compared with DKK 97m in the same period the year before.

#### **Investment portfolio income**

Nykredit's investment portfolio income came to DKK 602m against DKK 302m excluding reclassification of profit from the sale of strategic equities in H1/2013.

Investment portfolio income from bonds, liquidity and interest rate instruments amounted to DKK 390m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss came to DKK 212m.

Value adjustment of strategic equities against equity was a credit of DKK 173m.

Nykredit's securities portfolio mainly consists of short-term, high-rated Danish and other European covered bonds and credit bonds.

The interest rate risk associated with the bond portfolio was largely eliminated through offsetting government bond sales or the use of interest rate derivatives.

#### **Net interest on subordinated debt**

Nykredit raised subordinated debt totalling DKK 15.2bn, which was a DKK 4.3bn increase from the beginning of the year. Net interest expenses came to DKK 237m.

#### **Tax**

Tax calculated on profit for the period was DKK 381m, equal to a tax rate of 22.2%.

### **RESULTS FOR Q2/2014**

The Group recorded a profit before tax of DKK 841m against DKK 878m in Q1/2014.

Compared with Q1/2014, results before tax were down by DKK 37m, which can be ascribed to a DKK 87m rise in core income from business operations to DKK 2,828m as well as a DKK 96m drop in investment portfolio income to DKK 253m in Q2/2014.

In all material respects, operating costs remained unchanged relative to Q1/2014 and in line with expectations. Impairment losses on loans and advances rose by DKK 19m to DKK 534m in Q2/2014. The rise resulted from increasing impairment losses on mortgage lending, whereas impairment losses on bank lending dropped by DKK 42m.

Net interest on subordinated debt increased by DKK 8m to DKK 123m in Q2/2014.

### **OUTLOOK FOR 2014**

Core income from business operations, excluding value adjustment of interest rate swaps, grew in line with expectations.

Total core income was below the expected level, mainly due to negative value adjustments relating to interest rate swaps. But as recent years have seen considerable volatility in quarterly value adjustments, the charge for the full year is expected to remain below the 2013 level.

Costs, depreciation and amortisation were in line with expectations and loan impairment for the full year is expected to be lower than in 2013.

Overall, we still expect core earnings after impairment losses for the full year to grow by DKK 250m to DKK 2,750m-3,250m in part due to the impact of our "Nykredit 2015" plan and lower net distribution commission to Jyske Bank. Core earnings after impairment losses were DKK 487m for the full year 2013.

## BUSINESS AREAS

As at 1 May 2014, Nykredit established a new management and organisational structure under which Nykredit was organised into the following two business areas with effect from end-H1/2014:

- Retail, which serves Nykredit's personal customers and SMEs. The business area includes mortgage lending to Nykredit's personal customers arranged via Totalkredit.
- Wholesale, which comprises Totalkredit Partners and Wholesale Clients. Totalkredit Partners arranges the Group's mortgage loans to personal customers via local and regional banks. Wholesale Clients comprises Corporate & Institutional Banking and the business units Nykredit Markets and Nykredit Asset Management.

Further, Group Items comprises income and costs not allocated to the business areas, including core income from securities and investment portfolio income.

Gross income from customer business is allocated to the business areas which have supplied the underlying products (Nykredit Markets and Nykredit Asset Management). Gross income attributable 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 operating costs of Nykredit Markets and Nykredit Asset Management that may be attributed to the sales activities.

Nykredit's core earnings after impairment losses totalled DKK 1,354m against DKK 1,233m in H1/2013. The development reflected growth in core earnings from Totalkredit Partners on the back of higher income from business operations and lower impairment losses, whereas core earnings from Wholesale Clients rose due to positive value adjustment of interest rate swaps and a net reversal of impairment losses on loans and advances. Higher negative value adjustment of interest rate swaps and higher impairment losses on loans and advances resulted in a downturn in Retail.

Results before tax in Group Items were reduced by declining investment portfolio income.

Nykredit's share of total Danish mortgage lending was 42.7% against 43.0% at the beginning of the year. Nykredit's market share in the private residential segment was 46.9% and in the commercial segment 37.1% against 47.2% and 37.2%, respectively, at the beginning of the year. Totalkredit's market share of private residential lending, exclusive of lending by Jyske Bank, was up from 41.2% at the beginning of the year to 41.3%.

### Results by business area<sup>1</sup>

DKK million	Wholesale			Group Items	Total
	Retail	Totalkredit Partners	Wholesale Clients		
<b>H1/2014</b>					
<b>Core income from</b>					
- customer activities, gross	2,753	1,233	1,561	21	5,569
- payment for distribution	285	-	(285)	-	-
<b>Total business operations</b>	<b>3,038</b>	<b>1,233</b>	<b>1,276</b>	<b>21</b>	<b>5,569</b>
- value adjustment of derivatives	(538)	-	103	-	(435)
- junior covered bonds	(67)	(111)	(9)	(26)	(212)
- securities	-	-	-	60	60
<b>Total</b>	<b>2,433</b>	<b>1,122</b>	<b>1,370</b>	<b>56</b>	<b>4,981</b>
Operating costs	1,470	199	451	459	2,578
<b>Core earnings before impairment losses</b>	<b>963</b>	<b>923</b>	<b>919</b>	<b>(403)</b>	<b>2,403</b>
Impairment losses on loans and advances	934	129	(29)	15	1,049
<b>Core earnings after impairment losses</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>(418)</b>	<b>1,354</b>
Investment portfolio income <sup>2</sup>	-	-	-	602	602
<b>Profit before cost of capital</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>184</b>	<b>1,956</b>
Net interest on subordinated debt	-	-	-	(237)	(237)
<b>Profit (loss) before tax</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>(53)</b>	<b>1,719</b>
<b>Return</b>					
Average equity requirement, DKKm <sup>3</sup>	23,054	13,514	14,425	7,810	58,803
Core earnings after impairment losses as % of average equity requirement <sup>3</sup>	0.3	11.9	13.3	-	4.6

<sup>1</sup> Please refer to note 4 of this report for complete segment financial statements with comparative figures.

<sup>2</sup> Investment portfolio income includes profit for the period from investments in associates and profit from their sale of DKK 4m (2013: DKK 27m).

<sup>3</sup> The equity requirement is based on Nykredit's internal determination and allocation of capital.

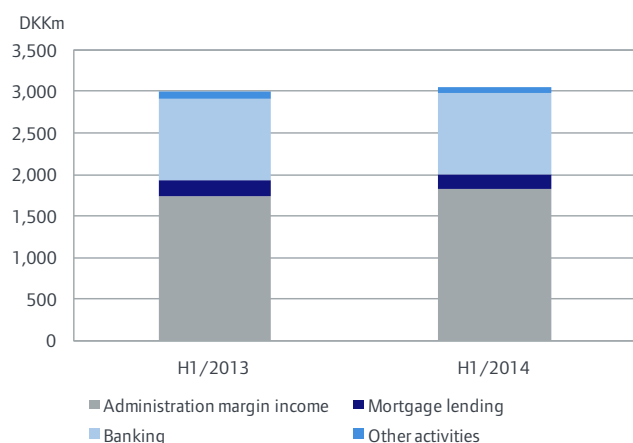
**Results – Retail**

DKK million	H1/2014	H1/2013
Core income from		
- business operations	3,038	2,987
- value adjustment of derivatives	(538)	85
- junior covered bonds	(67)	(56)
<b>Total</b>	<b>2,433</b>	<b>3,015</b>
Operating costs	1,466	1,519
Depreciation of property, plant and equipment and amortisation of intangible assets	5	4
<b>Core earnings before impairment losses</b>	<b>963</b>	<b>1,492</b>
Impairment losses on mortgage loans and advances	795	506
Impairment losses on bank loans and advances	139	112
<b>Core earnings after impairment losses</b>	<b>29</b>	<b>873</b>

**Activities**

DKK million	30.06.2014	2013
<b>Mortgage lending</b>		
Gross new lending, H1*	17,810	20,543
Portfolio at nominal value, end of period	442,371	445,490
Impairment losses for the period as % of loans and advances*	0.18	0.11
<b>Total impairment provisions, end of period</b>		
Impairment provisions	3,335	2,831
Total impairment provisions as % of loans and advances	0.75	0.64
<b>Banking</b>		
Loans and advances, end of period	23,645	23,304
Deposits, end of period	39,225	36,798
Impairment losses for the period as % of loans and advances*	0.52	0.58
<b>Total impairment provisions, end of period</b>		
Impairment provisions	2,258	2,279
Total impairment provisions as % of loans and advances	8.72	8.91
Guarantees, end of period	3,236	3,244
Provisions for guarantees, end of period	51	48

\* For H1/2014 and H1/2013.  
Other data from end-H1/2014 and end-2013.

**Core income from business operations****RETAIL**

The business area Retail serves personal customers and SMEs, including agricultural customers, small housing cooperatives and private residential rental customers. Retail also includes mortgage lending to Nykredit's personal customers arranged via Totalkredit as well as the activities of Nykredit Mægler A/S.

Nykredit serves its customers through 55 local customer centres and the sales and advisory centre Nykredit Direkte. The estate agencies of the Nybolig and Estate chains constitute other distribution channels. Nykredit offers insurance in partnership with Gjensidige Forsikring.

The customers of Retail are offered products within banking, mortgage lending, insurance, pension, investment and debt management.

**Activities**

In nominal terms, total mortgage lending went down by DKK 3.1bn to DKK 442bn at end-H1/2014, of which decline DKK 2.5bn stemmed from personal customers. Lending to personal customers and commercial customers was DKK 198bn and DKK 244bn, respectively.

Gross new mortgage lending fell by DKK 2.7bn to DKK 17.8bn compared with the same period last year, of which DKK 7.6bn to personal customers and DKK 10.2bn to commercial customers.

Bank lending was DKK 23.6bn, which was unchanged on the beginning of the year. Deposits increased by DKK 2.4bn to DKK 39.2bn in H1/2014 due to higher deposits from personal and commercial customers.

**Results**

Core earnings after impairment losses came to DKK 29m against DKK 873m in H1/2013.

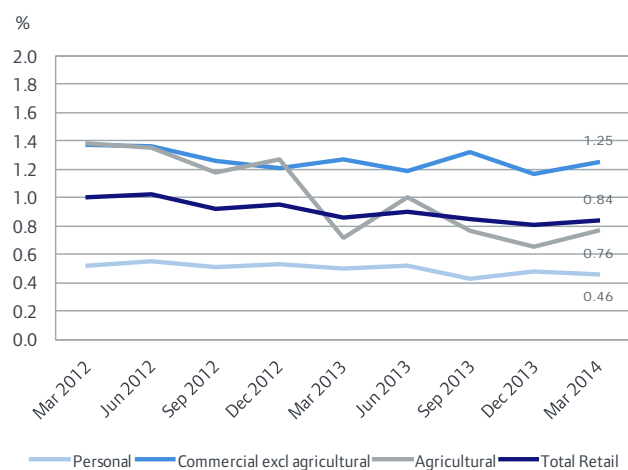
The most important factor underlying the adverse development was a larger charge from the value adjustment of interest rate swaps and higher impairment losses on mortgage lending to commercial customers as well as on bank lending to personal customers.

Core income from business operations rose 1.7% on the same period last year to DKK 3,038m in H1/2014. Core income from mortgage business improved by DKK 66m due to increased administration margin income, whereas banking activities remained unchanged and other activities saw a downturn.

Value adjustment of interest rate swaps was a charge of DKK 538m against a credit of DKK 85m in H1/2013. The negative value adjustment was primarily attributable to declining interest rate levels.

Operating costs declined by DKK 53m, or 3.5%, to DKK 1,466m in H1/2014.

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



Mortgage impairment losses rose by DKK 289m to DKK 795m, whereas impairment losses on bank lending only saw a slight increase of DKK 27m. Impairment losses totalled 0.18% of mortgage lending and 0.52% of bank lending.

Impairment losses on mortgage lending to commercial customers increased by a total of DKK 230m relative to the same period last year, whereas impairment losses on bank lending to commercial customers reduced by DKK 119m. In Q2/2014 Nykredit revised its estimate of impairment provisioning for mortgage lending to housing cooperatives. The more conservative method resulted in an increase in impairment provisions of just over DKK 280m.

Total impairment losses on lending to personal customers were up DKK 203m, primarily as a result of higher impairment losses on bank lending.

At end-H1/2014, impairment provisions totalled DKK 5,593m against DKK 5,110m at the beginning of the year. The upturn was prompted by a rise in individual impairment provisions for mortgage lending to commercial customers.

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due came to 0.84% for Retail against 0.86% at the same time in 2013.



**Results – Wholesale**

DKK million	H1/2014	H1/2013
Core income from		
- business operations	2,509	2,173
- value adjustment of derivatives	103	(35)
- junior covered bonds	(120)	156
<b>Total</b>	<b>2,492</b>	<b>1,982</b>
Operating costs	646	669
Depreciation of property, plant and equipment and amortisation of intangible assets	3	262
<b>Core earnings before impairment losses</b>	<b>1,843</b>	<b>1,051</b>
Impairment losses on mortgage loans and advances	203	247
Impairment losses on bank loans and advances	(103)	64
<b>Core earnings after impairment losses</b>	<b>1,743</b>	<b>740</b>

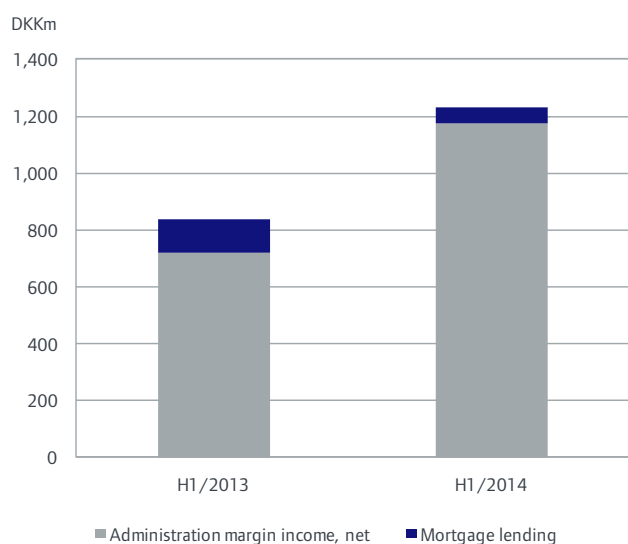
**Results – Totalkredit Partners**

DKK million	H1/2014	H1/2013
Core income from		
- business operations	1,233	835
- junior covered bonds	(111)	(147)
<b>Total</b>	<b>1,122</b>	<b>688</b>
Operating costs	199	209
Depreciation of property, plant and equipment and amortisation of intangible assets	-	258
<b>Core earnings before impairment losses</b>	<b>923</b>	<b>221</b>
Impairment losses on loans and advances	129	239
<b>Core earnings after impairment losses</b>	<b>795</b>	<b>(19)</b>

**Activities – Totalkredit Partners**

DKK million	30.06.2014	2013
<b>Mortgage lending</b>		
Gross new lending, H1*	22,280	28,879
Portfolio at nominal value, end of period	490,174	494,677
Impairment losses for the period as % of loans and advances*	0.03	0.05
<b>Total impairment provisions, end of period</b>		
Total impairment provisions	1,095	1,139
Total impairment provisions as % of loans and advances	0.22	0.23

\* For H1/2014 and H1/2013.  
Other data from end-H1/2014 and end-2013.

**Core income from business operations – Totalkredit Partners****WHOLESALE**

Wholesale comprises the business units Totalkredit Partners and Wholesale Clients. The latter consists of Corporate and Institutional Banking, Nykredit Markets and Nykredit Asset Management.

**Totalkredit Partners**

Totalkredit Partners provides mortgage loans under the Totalkredit brand to personal customers distributed through 65 Danish local and regional banks.

Totalkredit continuously develops its product range in association with the local and regional partner banks. In Q2/2014 a new secured homeowner loan was introduced. The loan allows partner banks to transfer bank loans secured on real estate to Totalkredit, thus funding these loans.

Under the partnership, the local and regional banks receive part of the administration margin income relating to the loans in question as payment for loan distribution. In return, Totalkredit may offset part of the loss incurred on a loan against the distribution commission payable to the partner banks.

Losses incurred corresponding to the cash part of a loan exceeding 60% of the mortgageable value of the property at the time of granting are offset against future commission payments from Totalkredit to its partner banks.

**Activities**

Nominal mortgage lending went down by DKK 4.5bn to DKK 490bn compared with the beginning of the year. Loans offered through Jyske Bank were DKK 79bn at the end of H1/2014.

**Results**

Core earnings after impairment losses came to DKK 795m against a loss of DKK 19m in H1/2013.

Results mirrored growth in core income from business operations coupled with a decline in impairment losses on loans and advances as well as in depreciation of property, plant and equipment and amortisation of intangible assets.

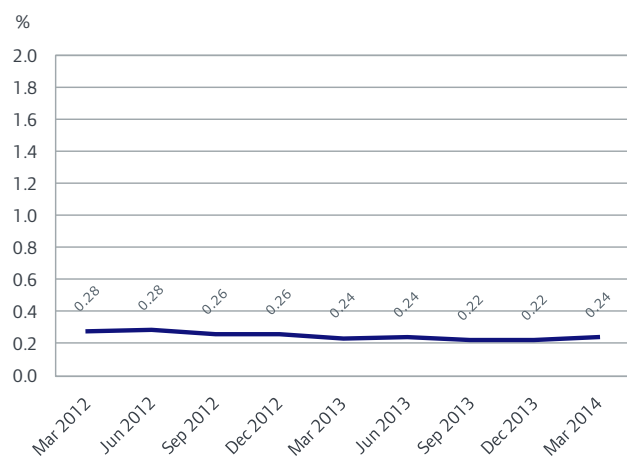
Core income from business operations rose by 48% to DKK 1,233m in H1/2014. This was spurred by higher administration margin income as well as a reduction in distribution commission as a result of Jyske Bank's exit from the Totalkredit partnership. Activity-specific income declined due to lower lending activity.

Net expenses relating to junior covered bonds came to DKK 111m against DKK 147m in H1/2013. The reduction was attributable to a decrease in the loan portfolio of junior covered bonds as well as slightly declining net interest.

Operating costs declined by DKK 10m, or 4.8%, to DKK 199m in H1/2014.



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



As the distribution right was fully amortised at the beginning of the year, nothing has been recorded under depreciation of property, plant and equipment and amortisation of intangible assets.

Loan impairment losses reduced by DKK 110m to DKK 129m compared with the same period in 2013, after set-off against commission payable to partner banks. Loan impairment losses in the period under review were affected by a reversal of collective impairment provisions, whereas the amount offset against commission payable to partner banks was reduced from DKK 136m in H1/2013 to DKK 123m.

At end-H1/2014, impairment provisions totalled DKK 1,095m against DKK 1,139m at the beginning of the year. The change in total impairment provisions stemmed from a decline in collective impairment provisions.

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were unchanged at 0.24% relative to the same time in 2013.

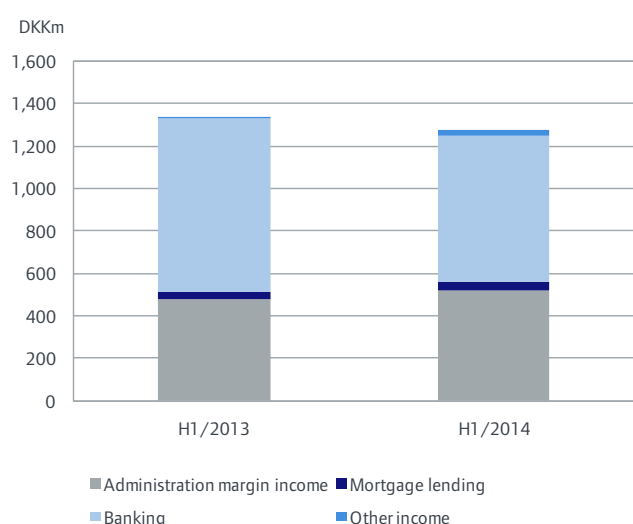
## Results – Wholesale Clients

DKK million	H1/2014	H1/2013
Core income from		
- business operations	1,276	1,338
- value adjustment of derivatives	103	(35)
- junior covered bonds	(9)	(9)
<b>Total</b>	<b>1,370</b>	<b>1,294</b>
Operating costs	448	460
Depreciation of property, plant and equipment and amortisation of intangible assets	3	3
<b>Core earnings before impairment losses</b>	<b>919</b>	<b>830</b>
Impairment losses on mortgage loans and advances	75	8
Impairment losses on bank loans and advances	(103)	64
<b>Core earnings after impairment losses</b>	<b>948</b>	<b>758</b>

## Income from customer activities

DKK million	H1/2014	H1/2013
Customer activities, gross		
Nykredit Markets	310	412
Nykredit Asset Management	392	394
CIB	859	825
<b>Total</b>	<b>1,561</b>	<b>1,631</b>
Payment for distribution		
Nykredit Markets	(132)	(140)
Nykredit Asset Management	(235)	(232)
CIB	82	79
<b>Total</b>	<b>(285)</b>	<b>(293)</b>
Core income		
Nykredit Markets	178	272
Nykredit Asset Management	157	162
CIB	941	904
<b>Total</b>	<b>1,276</b>	<b>1,338</b>

## Core income from business operations



## Wholesale Clients

The business area Wholesale Clients comprises activities with Nykredit's corporate and institutional clients, the non-profit housing segment, large housing cooperatives and mortgage lending to commercial customers for properties abroad. Wholesale Clients also handles Nykredit's activities within securities and financial derivatives trading, and asset and wealth management. Wholesale Clients consists of Corporate & Institutional Banking, Nykredit Markets and Nykredit Asset Management as well as the activities of Nykredit Leasing A/S.

## Results

Core earnings after impairment losses came to DKK 948m against DKK 758m in H1/2013.

The development mirrored growth in business operations in Corporate & Institutional Banking, lower activity in Nykredit Markets, higher positive value adjustment of derivatives (interest rate swaps) and a net income from impairment of loans and advances.

Gross income from customer activities was DKK 1,561m compared with DKK 1,631m in H1/2013.

Nykredit Markets posted gross income of DKK 310m, a DKK 102m decrease on H1/2013. In H1/2014 earnings reflected a low activity level in the fixed income market in particular. Low interest rates have reduced bond trading. Nykredit Asset Management's gross income remained unchanged at DKK 392m. Corporate & Institutional Banking recorded a DKK 34m increase to DKK 859m.

Nykredit Markets's income after payment for distribution to Retail dropped by DKK 94m to DKK 178m in H1/2014, whereas Nykredit Asset Management's income after payment for distribution to Retail declined slightly to DKK 157m. Corporate & Institutional Banking recorded a DKK 37m rise to DKK 941m.

Value adjustment of derivatives, mainly interest rate swaps, was a net credit of DKK 103m against a net charge of DKK 35m in H1/2013.

Operating costs declined by DKK 12m, or 2.7%, to DKK 448m in H1/2014.

Impairment losses on mortgage loans rose by DKK 67m to DKK 75m relative to H1/2013.

A reversal of DKK 103m was recorded under impairment losses on bank lending in H1/2014 against impairment losses of DKK 64m in H1/2013. Impairment losses include provisions for guarantees amounting to DKK 3m against DKK 54m in H1/2013.

Impairment losses represented 0.04% of mortgage lending and an income of 0.43% of bank lending.

At end-H1/2014, impairment provisions totalled DKK 1,913m against DKK 2,044m at the beginning of the year. The DKK 131m decline in total impairment provisions stemmed from a drop in individual as well as collective impairment provisions.

**Activities – Wholesale Clients**

DKK million	30.06.2014	2013
<b>Mortgage lending</b>		
Gross new lending, H1*	15,838	12,409
Portfolio at nominal value, end of period	184,190	179,803
Impairment losses for the period as % of loans and advances*	0.04	0.00
<b>Total impairment provisions, end of period</b>		
Total impairment provisions	488	408
Total impairment provisions as % of loans and advances	0.27	0.23
<b>Bank lending</b>		
Loans and advances, end of period	23,208	23,484
Deposits, end of period	22,105	27,235
Impairment losses for the period as % of loans and advances*	(0.43)	0.04
<b>Total impairment provisions, end of period</b>		
Total impairment provisions	1,425	1,636
Total impairment provisions as % of loans and advances	5.78	6.51
Guarantees, end of period	1,599	1,806
Provisions for guarantees, end of period	58	55
<b>Assets under management</b>	<b>119,087</b>	<b>116,269</b>
<b>Assets under administration</b>		
<b>Nykredit Portefølje Administration A/S</b>	<b>619,741</b>	<b>598,434</b>
- of which the investment funds of the Nykredit Group	56,749	51,808

\* For H1/2014 and H1/2013.  
Other data from end-H1/2014 and end-2013.

**Activities**

Total nominal mortgage lending went up by DKK 4.4bn to DKK 184bn at end-H1/2014. Gross new mortgage lending rose by DKK 3.4bn to DKK 16bn compared with the same period the year before.

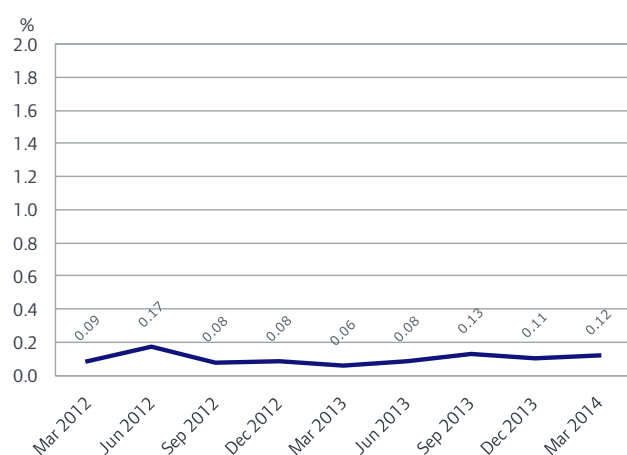
At end-H1/2014, bank lending of DKK 23.2bn was unchanged on the beginning of the year.

Bank deposits dropped by DKK 5.1bn to DKK 22.1bn at end-H1/2014.

At end-H1/2014, Nykredit Asset Management had assets under management totalling DKK 119bn, up DKK 2.8bn on the beginning of the year. Total assets under administration went up by DKK 21.3bn to DKK 620bn at end-H1/2014.

**Arrears**

At the March due date, 75-day mortgage loan arrears as a percentage of total mortgage payments due were 0.12% against 0.06% at the same time in 2013.

**Arrears ratio, mortgage lending  
75 days past due**

## GROUP ITEMS

A number of income statement and balance sheet items are not allocated to the business areas. Such items are carried under Group Items and include costs of some staff functions and IT development costs. Group Items also includes Nykredit's total return on the securities portfolio, which is the sum of "Core income from securities" and "Investment portfolio income". The activities of the companies Nykredit Ejendomme A/S and Ejendomsselskabet Kalvebod A/S are also part of Group Items.

### Results

A loss before tax of DKK 53m was recorded against a profit of DKK 394m in the same period the year before. This development was prompted by profit from the sale of strategic equities of DKK 697m recognised as income in H1/2013 relative to acquisition cost.

### Core income from securities

Nykredit's core income from securities was DKK 60m against DKK 63m in H1/2013. The downturn resulted from a decrease in the Danish central bank's average lending rate to 0.20% at end-H1/2014.

### Results – Group Items

DKK million	H1/2014	H1/2013
Core income from		
- business operations	21	(3)
- junior covered bonds	(26)	(21)
- securities	60	63
<b>Total</b>	<b>56</b>	<b>40</b>
Operating costs	325	304
Operating costs – special value adjustments	36	(1)
Depreciation of property, plant and equipment and amortisation of intangible assets	98	117
<b>Core earnings before impairment losses</b>	<b>(403)</b>	<b>(380)</b>
Impairment losses on mortgage loans and advances	11	10
Impairment losses on bank loans and advances	4	(11)
<b>Core earnings after impairment losses</b>	<b>(418)</b>	<b>(379)</b>
Investment portfolio income	602	999
- of which reclassification of value adjustments following the sale of strategic equities	-	697
<b>Profit before cost of capital</b>	<b>184</b>	<b>621</b>
Net interest on subordinated debt	(237)	(226)
<b>Profit (loss) before tax</b>	<b>(53)</b>	<b>394</b>

### Activities

DKK million	30.06.2014	2013
Bank lending		
Loans and advances, end of period	55	175
Deposits, end of period	434	1,139
<b>Total impairment provisions, end of period</b>		
Total impairment provisions	60	60
Total impairment provisions as % of loans and advances	51.81	25.43
Guarantees, end of period	1,515	1,260
Provisions for guarantees, end of period	1	-

Core income from securities equals the return the Group could have obtained by placing its investment portfolios at risk-free interest rates. Core income from securities also includes net interest expenses relating to Tier 2 capital and the acquisition of Totalkredit.

### Operating costs

Unallocated costs were DKK 325m against DKK 304m in H1/2013. By far the largest cost component was IT development costs.

Special value adjustments came to a net charge of DKK 36m, principally due to adjustment of the provisions for restructuring costs as a result of "Nykredit 2015".

### Loan impairment

Impairment losses on loans and advances amounted to DKK 15m.

### Investment portfolio income

Investment portfolio income came to DKK 602m against DKK 302m excluding reclassification of value adjustments following the sale of strategic equities in H1/2013.

Investment portfolio income from bonds, liquidity and interest rate instruments came to DKK 390m. Investment portfolio income from equities and equity instruments value adjusted through profit or loss was DKK 212m.

Investment portfolio income is the income exceeding risk-free interest obtained from investing in equities, bonds and derivative financial instruments. To this should be added the realisation of equities classified as available for sale and value adjustment of Kalvebod issues. Price spreads and interest margins relating to the mortgage lending of Nykredit Realkredit and Totalkredit and the trading activities of Nykredit Markets are included not as investment portfolio income, but as core income from business operations.

# OWN FUNDS, LIQUIDITY AND FUNDING

## EQUITY AND OWN FUNDS OF NYKREDIT REALKREDIT GROUP

### Equity

Nykredit's equity went up by DKK 1.5bn to DKK 60.2bn at end-H1/2014. The rise consisted of profit for the period of DKK 1.3bn and a credit from the value adjustment of strategic equities of DKK 0.2bn.

In accordance with IAS 39, Nykredit has classified the Group's strategic equity investments as "available for sale" in its Consolidated Financial Statements. Current value adjustment of these equities is recognised in equity, whereas value adjustments following a sale will be reclassified from equity to the income statement. The value of equities classified as available for sale totalled DKK 1,918m at end-H1/2014.

### Nykredit Realkredit Group Equity

DKK million	30.06.2014	31.12.2013
<b>Equity, beginning of period</b>	<b>58,716</b>	<b>57,556</b>
Profit for the period	1,337	1,674
Fair value adjustment of equities available for sale	173	366
Realised value adjustment of equities available for sale reclassified to the income statement	-	(709)
Distributed dividend	-	(150)
Other adjustments	5	(21)
<b>Equity, end of period</b>	<b>60,231</b>	<b>58,716</b>

### Nykredit Realkredit Group Capital and capital adequacy

DKK million	30.06.2014	31.12.2013	01.01.2014
Credit risk	303,643	298,575	300,931
Market risk	34,808	28,571	28,571
Operational risk	17,933	18,818	18,818
<b>Total risk exposure amount (REA)<sup>1</sup></b>	<b>356,385</b>	<b>345,963</b>	<b>348,320</b>
Equity	60,231	58,716	58,511
CET1 capital deductions	(4,012)	(4,050)	(3,283)
<b>Common Equity Tier 1 (CET1) capital</b>	<b>56,219</b>	<b>54,666</b>	<b>55,228</b>
Additional Tier 1 (AT1) capital	8,556	10,678	8,542
AT1 capital deductions	(151)	-	-
<b>Tier 1 capital</b>	<b>64,624</b>	<b>65,344</b>	<b>63,770</b>
Tier 2 capital	4,473	237	237
Tier 2 capital deductions	(146)	(237)	(98)
<b>Own funds</b>	<b>68,952</b>	<b>65,344</b>	<b>63,909</b>
CET1 capital ratio, %	15.7	15.8	15.9
Tier 1 capital ratio, %	18.1	18.9	18.3
Total capital ratio, %	19.3	18.9	18.3
Internal capital adequacy requirement (Pillar I and Pillar II), %	10.7	10.4	-

Own funds and capital adequacy are specified further in note 2.

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 capital requirement determined under Basel I. At end-Q2/2014, REA subject to the transitional rule amounted to DKK 628bn, equal to a total capital ratio of 14.1%.

Note: "01.01.2014" shows pro forma figures taking into account the new capital adequacy rules effective from 1 January 2014.

### Capital and capital adequacy

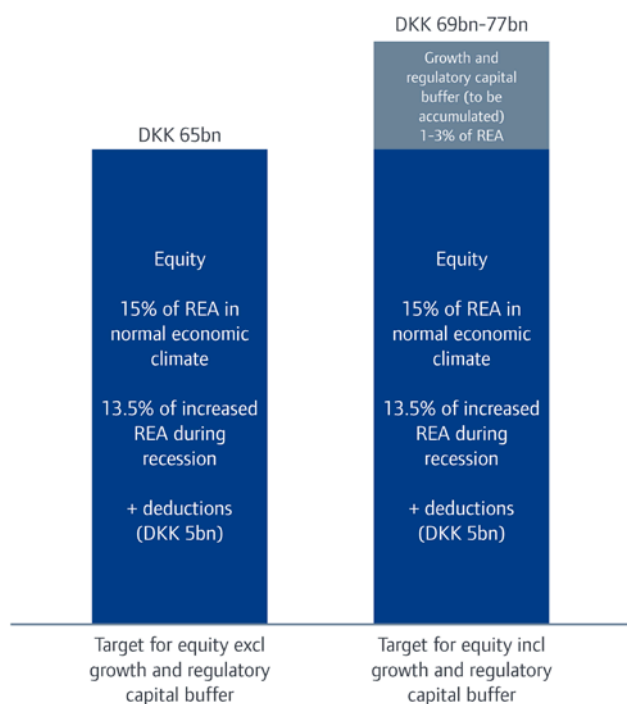
Nykredit's own funds include Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital and Tier 2 capital after deductions. In Q2/2014, Nykredit raised Tier 2 capital totalling EUR 600m to comfortably meet the new capital requirements.

Own funds came to DKK 69.0bn, and the risk exposure amount (REA) (previously risk-weighted assets (RWA)) was up DKK 10.4bn to DKK 356.4bn at end-H1/2014, corresponding to a total capital ratio of 19.3%. Additional Tier 1 capital included dropped by DKK 2.1bn to DKK 8.6bn at end-H1/2014. This development was mainly a result of the implementation of new capital requirement rules as at 1 January 2014. As part of the rules, only 80% of the value of the issued Additional Tier 1 capital may be included. The Tier 1 capital ratio was 18.1% and the CET1 capital ratio (previously core Tier 1 capital ratio) came to 15.7% at end-H1/2014.

Nykredit's internal capital adequacy requirement was determined at 10.7%. The determination takes into account approximately DKK 25bn resulting from the changed calculation method for REA following the statutory implementation of advanced IRB models for the lending of Nykredit Bank.

In June 2014 Nykredit was designated as a systemically important financial institution (SIFI) by the Danish FSA. As a result, Nykredit will have to meet a specific SIFI buffer requirement for CET1 capital. The requirement will be gradually implemented in 2015-2019. A 2% requirement is expected to be announced in autumn 2014.

## Nykredit Realkredit Group Capital targets for 2019



## NYKREDIT'S CAPITAL TARGETS FOR 2019

Nykredit's capital targets for 2019 are an equity level of DKK 65bn at the current business volumes and, in the longer term, a growth and regulatory capital buffer of 1-3% of the risk exposure amount (REA). In addition, Nykredit has a total capital ratio target of up to 20% of REA in a normal economic climate.

## FUNDING AND LIQUIDITY

Nykredit's mortgage lending is funded through the issuance of covered bonds (SDOs and ROs). In addition, the Group may provide statutory supplementary collateral by issuing junior covered bonds.

Bank lending is chiefly funded by deposits. As at 30 June 2014, Nykredit Bank had a deposit surplus of DKK 14.9bn measured as the difference between deposits and lending at amortised cost. At end-2013, the deposit surplus came to DKK 18.2bn.

Nykredit's liquidity is determined as the portfolios of highly liquid bonds and cash and is funded by deposits, junior covered bonds, senior debt (EMTNs and ECP), subordinated debt and equity.

### Liquidity

The balance sheet structure of the mortgage banks ensures a high level of liquidity as mortgage borrowers make their payments on or before the date on which Nykredit pays bondholders.

The liquidity position is to ensure that Nykredit has a sizeable buffer for cash flows driven by customer flows, loan arrears, current costs and maturing capital market funding. In addition, the liquidity position ensures the Group's compliance with regulatory liquidity requirements.

Nykredit's liquid assets are mainly liquid Danish and other European government and covered bonds. In a liquid repo market, these securities are eligible as collateral with other banks and with the Danish or other European central banks and are directly exchangeable into liquidity. To this should be added a small portfolio of money market deposits, equities, credit bonds and similar assets.

The unencumbered proportion of the liquid assets of the Group's mortgage banks, including proceeds from issued junior covered bonds, totalled DKK 94.6bn at end-H1/2014 against DKK 98bn at the beginning of the year.

At end-H1/2014, Nykredit Bank's liquid assets totalled DKK 76.8bn against DKK 85.3bn at end-2013, determined in accordance with section 152 of the Danish Financial Business Act.

### Liquidity Coverage Ratio (LCR)

As of 2015 Nykredit will be subject to the new international regulatory framework regarding the Liquidity Coverage Ratio (LCR). 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 covered bonds, except for self-issued bonds, will be eligible for inclusion in the stock of liquid assets. Nykredit also expects that some payment obligations relating to match-funded mortgage lending will be exempted from the LCR rules.

The LCRs of the Group's companies (excluding self-issued bonds held as liquid assets) were as follows at end-H1/2014:

Nykredit Realkredit Group	240%
Nykredit's mortgage banks	1,903%
Nykredit Bank A/S	128%

The Group and the individual group companies all comply with the requirement of an LCR above 100%.

### Issuance in 2014

The Nykredit Realkredit Group has not made any changes to its schedule for issuance of SDOs, ROs and junior covered bonds or Nykredit Bank's EMTN and ECP programmes for 2014 compared with the information provided in the Annual Report 2013.

In Q2/2014, Nykredit raised subordinate loan capital of EUR 600m (DKK 4.5bn) in the form of Tier 2 capital.

## CREDIT RATINGS

Nykredit's ratings have not changed since the 2013 Annual Report.

Nykredit Realkredit A/S and Nykredit Bank A/S each have a long-term unsecured rating of A+ and a short-term unsecured rating of A-1 with Standard & Poor's. The rating outlooks are negative. In rated capital centres, SDOs and ROs are all rated AAA by S&P. The rating outlooks are stable. All issued junior covered bonds are rated A+.

Nykredit Realkredit A/S and Nykredit Bank A/S each have a long-term unsecured rating of A and a short-term unsecured rating of F1 with Fitch Ratings. The rating outlooks are stable.

Moody's is still publishing a number of ratings of companies of the Nykredit Group on an unsolicited basis.

## OTHER

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

In line with expectations, the Danish FSA designated Nykredit Realkredit as a systemically important financial institution (SIFI) in June.

As a SIFI, Nykredit will be more closely monitored by the Danish FSA and the capital requirement (SIFI buffer) will be increased to an expected 2%. The SIFI buffer requirement will be announced by the Danish Ministry of Business and Growth during autumn 2014.

### **Nykredit accepts Danish Supreme Court decision**

The Danish Supreme Court made a decision in the case about Nykredit's administration margins in June. In its decision, the Court established that Nykredit Realkredit A/S must remain subject to the administration margin undertaking imposed by the Danish competition authorities on Nykredit Realkredit A/S in connection with Nykredit's acquisition of Totalkredit in 2003. As a result, Nykredit Realkredit A/S may only raise its administration margins for personal customers to market level subject to prior approval by the Danish competition authorities. The administration margins of mortgage loans raised with Nykredit Realkredit A/S before 1 April 2012 therefore remain unchanged.

Since 1 April 2012, all new lending to personal customers with the Nykredit Group has been granted via Totalkredit. This practice will continue unchanged.

### **Corporate loan portfolio from FIH Erhvervsbank A/S strengthens Nykredit Bank's position**

Nykredit Bank and FIH Erhvervsbank agreed in June that Nykredit Bank will take over 24 corporate accounts with credit exposures totaling approx DKK 4bn, comprising lending of around DKK 1.9bn, guarantees and credit commitments of around DKK 1.6bn and financial instruments of DKK 0.5bn.

The agreement adds a number of large corporate customers to Nykredit Bank's customer base and underpins Nykredit's strategy to strengthen its position as a corporate bank.

### **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 some DKK 82bn. At 30 June 2014, the amount was DKK 79bn.

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 will be paid to Jyske Bank in accordance with existing agreements.

Nykredit 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.

For the full year 2014, the net impact of revised contractual terms, including an estimated additional decline in the lending portfolio and loan refinancing volumes, is estimated to increase the results of Totalkredit and Nykredit by a total of some DKK 150m.

### **Stronger customer focus after Nykredit reorganisation**

As a part of the "Nykredit 2015" plan, we changed our management and organisational structure in the spring to sharpen our business strategic focus and raise profitability through a strong customer focus with new customer concepts, increased income, efficiencies and a less complex organisation. Another important focus area is to strengthen and reinvigorate the business relationship with the 65 Danish local and regional banks of the Totalkredit partnership.

Income is to grow by DKK 1bn and costs to be reduced 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. The new organisation was implemented on 1 May 2014.

### **Changes to the Group Executive Board**

As at 1 October 2014, Anders Jensen has been appointed Group Managing Director with responsibility for Retail. Anders Jensen was formerly the CEO of Nordea Bank Danmark.

Nykredit's Group Executive Board will subsequently consist of Michael Rasmussen, Group Chief Executive, Kim Duus, Group Managing Director (Wholesale), Søren Holm, Group Managing Director (CFO/CRO), Anders Jensen, Group Managing Director (Retail), and Bente Overgaard, Group Managing Director (COO).

Karsten Knudsen, Group Managing Director, and Per Ladegaard, Group Managing Director, who both turned 60 last year, have retired from the Group Executive Board and will retire from Nykredit at end-August.

### **New legislation on non-voting shares**

The Danish parliament passed new legislation in April 2014 under which Nykredit may issue non-voting shares. Nykredit has no current plans to exercise this option.



### **Sale of shares in Nets A/S**

Like other banks, Nykredit divested its shares in Nets in H1/2014. The profit affected group results by DKK 9m.

## **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.

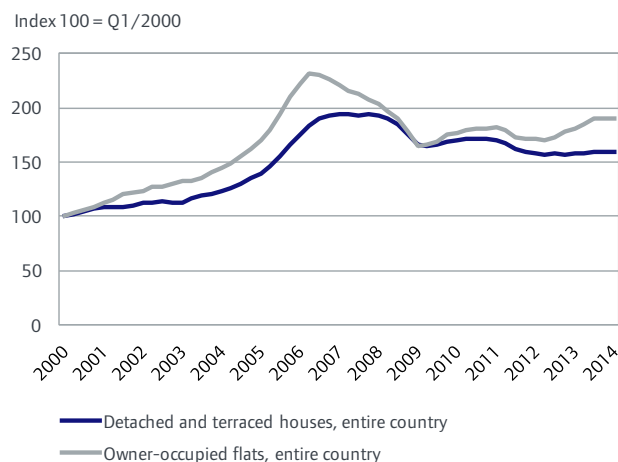
Uncertainty as to recognition and measurement is described in detail in the Group's accounting policies (note 1 of the Annual Report 2013), to which reference is made.

## **EVENTS OCCURRED AFTER THE END OF THE FINANCIAL PERIOD**

No significant events have occurred in the period up to the presentation of the H1 Interim Report 2014 which affect the financial position of the Nykredit Group.

# LENDING

## Nykredit Realkredit Group Housing prices in Denmark



The Group reported total mortgage and bank lending, excluding reverse lending, of DKK 1,164bn against DKK 1,167bn at the beginning of the year.

Mortgage lending at fair value was DKK 1,144bn against DKK 1,137bn at the beginning of the year. Nominal mortgage lending amounted to DKK 1,117bn.

Bank lending totalled DKK 46.9bn against DKK 47.0bn at the beginning of the year, while reverse lending amounted to DKK 45.3bn against DKK 56.8bn at the beginning of the year.

Impairment provisions for mortgage and bank lending totalled DKK 8.7bn compared with DKK 8.4bn at the beginning of the year. At end-H1/2014, Nykredit had made impairment provisions for receivables from credit institutions of DKK 44m.

At end-H1/2014, guarantees came to DKK 6.4bn against DKK 6.3bn at the beginning of the year.

Losses incurred totalled DKK 711m in H1/2014, with DKK 434m on mortgage lending and DKK 277m on bank lending.

## Nykredit Realkredit Group Loans, advances, guarantees and impairment losses on loans and advances

DKK million	Loans, advances and guarantees		Total provisions for loan impairment and guarantees		Impairment losses on loans and advances, earnings impact	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013	H1/2014	FY 2013
<b>Mortgage lending</b>						
Nykredit Realkredit	583,628	587,483	3,769	3,204	861	1,826
Totalkredit	533,107	532,487	1,149	1,174	138	578
<b>Total</b>	<b>1,116,735</b>	<b>1,119,970</b>	<b>4,918</b>	<b>4,378</b>	<b>999</b>	<b>2,404</b>
<b>Bank lending</b>						
Nykredit Bank	46,908	46,963	3,742	3,974	28	309
<b>Total</b>	<b>46,908</b>	<b>46,963</b>	<b>3,742</b>	<b>3,974</b>	<b>28</b>	<b>309</b>
<b>Receivables from credit institutions</b>						
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>29</b>	<b>15</b>	<b>29</b>
Reverse lending	45,328	56,814	-	-	-	-
Guarantees	6,351	6,311	111	103	7	21
<b>Loan impairment, %<sup>1</sup></b>						
Nykredit Realkredit	-	-	0.65	0.55	0.15	0.31
Totalkredit	-	-	0.22	0.22	0.03	0.11
<b>Total</b>	<b>-</b>	<b>-</b>	<b>0.44</b>	<b>0.39</b>	<b>0.09</b>	<b>0.21</b>
Nykredit Bank	-	-	7.39	7.80	0.06	0.61
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7.39</b>	<b>7.80</b>	<b>0.06</b>	<b>0.61</b>

<sup>1</sup> Loan impairment excluding receivables from credit institutions, reverse transactions and guarantees.  
Note: Nominal mortgage lending. Adjusted for intercompany lending and intercompany set-off.

## MORTGAGE LENDING

Credit exposures in terms of nominal mortgage lending amounted to DKK 1,117bn at end-H1/2014 against DKK 1,120bn at the beginning of the year.

The security behind the mortgage loan portfolio is robust. Also, mortgage loans granted via Totalkredit are covered by set-off agreements, which means that Totalkredit may offset part of the losses incurred on mortgage loans against future commission payments to the partner banks.

The LTV ratios of the mortgage loan portfolio are shown in the table below with individual loans relative to the estimated values of the individual properties at end-H1/2014.

### Total provisions for mortgage loan impairment

Total impairment provisions for mortgage lending rose by DKK 540m from the beginning of the year to DKK 4,918m at end-H1/2014. Of this increase, DKK 127m was related to private residential property and DKK 387m to private residential rental property (including housing cooperatives).

Private residential property accounted for DKK 2,293m and commercial property DKK 2,625m of impairment provisions at end-H1/2014.

Total impairment provisions amounted to 0.44% of total mortgage lending against 0.39% at the beginning of the year.

### Earnings impact

Impairment losses on mortgage lending were DKK 999m against DKK 753m in H1/2013. Of total impairment losses on loans and advances for the period, DKK 421m, or 42%, was attributable to the private residential rental segment (including housing cooperatives) and DKK 398m, or 40%, to the private residential segment.

To this should be added impairment losses on credit institutions totaling DKK 11m in H1/2014 compared with DKK 10m in H1/2013.

### Nykredit Realkredit Group

#### Mortgage debt outstanding relative to estimated property values

DKK million/%	LTV (loan-to-value)						Total	LTV average, % <sup>1</sup>
	0-40	40-60	60-80	80-90	90-100	>100		
Private residential	392,907	157,477	106,044	21,783	9,842	9,167	697,220	76
Private residential rental	72,387	26,796	16,294	2,660	1,254	1,000	120,391	70
Industry and trades	18,854	4,676	1,316	244	113	81	25,284	55
Office and retail	84,139	25,044	4,477	701	362	355	115,077	56
Agricultural property	72,284	19,124	7,126	1,157	532	473	100,696	58
Non-profit housing	-	-	-	-	-	-	68,276	-
Other	13,350	3,118	1,317	85	42	68	17,979	55
<b>Total, end-H1/2014</b>	<b>653,921</b>	<b>236,235</b>	<b>136,574</b>	<b>26,629</b>	<b>12,145</b>	<b>11,144</b>	<b>1,144,923</b>	<b>69</b>
Total, end-2013	656,393	234,719	132,155	25,063	11,416	10,536	1,137,843	68

<sup>1</sup> Determined as the top part of the debt outstanding relative to estimated property values.

Note: The figures are actual LTV ratios including any financed costs. Public authority guarantees reduce the credit risk relating to subsidised housing that forms part of lending to the non-profit housing segment. For this reason, LTVs of non-profit housing offer no relevant risk data.

In the table, debt outstanding is distributed continuously by LTV category. Loans with security covering for example between 0% and 60% of the mortgageable value are distributed with two thirds of the debt outstanding in the LTV category 0-40% and one third in the LTV category 40-60%.

### Nykredit Realkredit Group

#### Provisions for mortgage loan impairment by property type<sup>1</sup>

DKK million	30.06.2014		31.12.2013	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
Private residential	2,293	398	2,166	1,210
Private residential rental	1,155	421	768	440
Industry and trades	209	20	218	114
Office and retail	539	36	556	399
Agricultural property	567	119	494	150
Non-profit housing	48	7	44	16
Other	107	(2)	132	75
<b>Total</b>	<b>4,918</b>	<b>999</b>	<b>4,378</b>	<b>2,404</b>

<sup>1</sup> The breakdown by property type is not directly comparable with the Group's business areas.

**Nykredit Realkredit Group**  
**Arrears ratio – 75 days past due**

Due dates	Arrears relative to total mortgage payments	Debt outstanding affected by arrears of total debt outstanding	Debt outstanding affected by arrears
	%	%	DKKbn
<b>2014</b>			
- March	0.46	0.47	5.2
<b>2013</b>			
- December	0.43	0.50	5.6
- September	0.47	0.46	5.2
- June	0.46	0.50	5.6
- March	0.47	0.46	5.1

**Arrears**

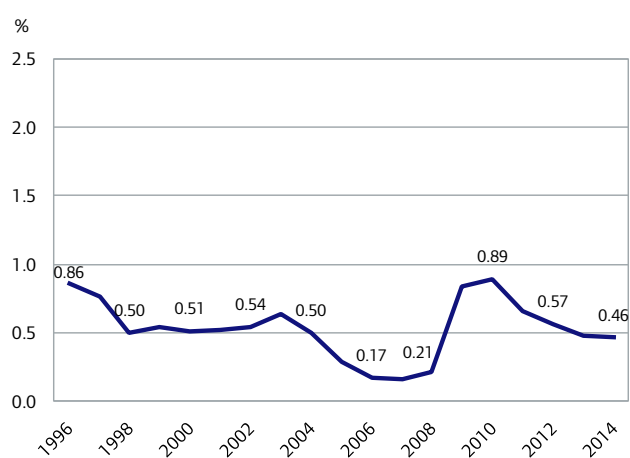
At the March due date, mortgage loan arrears as a percentage of total mortgage payments due were 0.46% against 0.47% at the same time in 2013.

By contrast, bond debt outstanding affected by arrears as a percentage of the total bond debt outstanding increased from 0.46% to 0.47% compared with the same time the year before.

**Reposessed properties**

In H1/2014 the Group acquired 193 properties and sold 229. At end-H1/2014, the property portfolio stood at 286 compared with 322 at the beginning of the year, of which 176 were private residential properties.

**Nykredit Realkredit Group**  
**Arrears ratio, mortgage lending – 75 days past the March due date**



## BANK LENDING

Loans, advances and guarantees were DKK 98.6bn against 110.1bn at the beginning of the year, down DKK 11.5bn. The decline chiefly stemmed from reverse lending, which fell back by DKK 11.5bn to DKK 45.3bn.

Bank lending amounted to DKK 46.9bn against DKK 47.0bn at the beginning of the year. Bank lending before provisions for loan impairment was DKK 50.7bn against DKK 50.9bn at the beginning of the year.

Nykredit Bank recorded negative lending growth of 0.5%, excluding reverse lending, determined pursuant to the rules of the Danish FSA, including rules relating to the FSA Supervisory Diamond model.

### Total provisions for bank loan impairment

Provisions for bank loan impairment totalled DKK 3,742m against DKK 3,974m at the beginning of the year.

Impairment provisions for receivables from credit institutions came to DKK 23m at end-H1/2014 compared with DKK 19m at end-H1/2013.

## Guarantees

The Bank issues guarantees on a current basis. Guarantees issued were DKK 6.4bn, which was unchanged on the beginning of the year.

At end-H1/2014, provisions for guarantees amounted to DKK 111m against DKK 103m at the beginning of the year.

## Earnings impact

For the period under review, loan impairment losses came to DKK 28m, and provisions for guarantees amounted to DKK 7m – a total charge of DKK 35m. By comparison, loan impairment losses and provisions for guarantees were DKK 147m in H1/2013.

To this should be added impairment losses on credit institutions totaling DKK 4m in H1/2014 compared with DKK 19m in H1/2013.

## Nykredit Realkredit Group

### Provisions for bank loan impairment and guarantees by sector<sup>1</sup>

DKK million	30.06.2014		31.12.2013	
	Total impairment provisions	Total earnings impact	Total impairment provisions	Total earnings impact
<b>Public sector</b>	<b>6</b>	<b>(2)</b>	<b>8</b>	<b>8</b>
Agriculture, hunting, forestry and fishing	149	(7)	177	28
Manufacturing, mining and quarrying	240	(16)	261	129
Energy supply	7	0	8	3
Construction	254	(5)	262	47
Trade	192	6	195	(27)
Transport, accommodation and food service activities	108	(13)	126	16
Information and communication	72	4	68	4
Finance and insurance	382	(36)	445	(207)
Real estate	1,352	3	1,465	98
Other	383	(12)	422	143
<b>Total commercial customers</b>	<b>3,139</b>	<b>(75)</b>	<b>3,429</b>	<b>234</b>
<b>Personal customers</b>	<b>708</b>	<b>112</b>	<b>641</b>	<b>88</b>
<b>Total</b>	<b>3,853</b>	<b>35</b>	<b>4,078</b>	<b>330</b>
- Of which provisions for losses on guarantees	111	7	103	21
<b>Total incl impairment provisions for credit institutions</b>	<b>3,875</b>	<b>39</b>	<b>4,097</b>	<b>349</b>

<sup>1</sup> The breakdown is based on public sector statistics and is therefore not directly comparable with Nykredit Bank's business areas.

# MANAGEMENT STATEMENT

## 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 June 2014 of Nykredit Realkredit A/S and the Nykredit Realkredit 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 have been prepared 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 30 June 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 – 30 June 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, 19 August 2014

### Executive Board

Michael Rasmussen  
Group Chief Executive

Kim Duus  
Group Managing Director

Søren Holm  
Group Managing Director

Bente Overgaard  
Group Managing Director

### Board of Directors

Steen E. Christensen  
Chairman

Hans Bang-Hansen  
Deputy Chairman

Steffen Kragh  
Deputy Chairman

Kristian Benggaard

Michael Demsitz

Merete Eldrup

Marlene Holm

Allan Kristiansen

Bent Naur

Anders C. Obel

Erling Bech Poulsen

Lars Peter Skaarup

Nina Smith

Jens Erik Udsen

Leif Vinther

## Statements of income and other comprehensive income for 1 January – 30 June DKK million

Nykredit Realkredit A/S				Nykredit Realkredit Group	
H1/2013	H1/2014		Note	H1/2014	H1/2013
14,646	14,252	Interest income	5	18,297	18,058
12,504	12,129	Interest expenses	6	12,786	13,189
2,142	2,122	<b>NET INTEREST INCOME</b>		5,511	4,869
29	41	Dividend on equities		57	47
434	338	Fee and commission income		923	946
146	71	Fee and commission expenses		1,002	1,019
2,460	2,430	<b>NET INTEREST AND FEE INCOME</b>		5,490	4,842
316	480	Value adjustments	7	(238)	838
12	3	Other operating income		89	111
1,286	1,164	Staff and administrative expenses	8	2,385	2,482
366	88	Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	9	106	383
3	53	Other operating expenses		87	40
513	871	Impairment losses on loans, advances and receivables	10	1,049	929
722	884	Profit from investments in associates and group enterprises	11	4	49
1,342	1,620	<b>PROFIT BEFORE TAX</b>		1,719	2,006
126	109	Tax	12	381	317
1,216	1,511	<b>PROFIT FOR THE PERIOD</b>		1,337	1,690
		<b>OTHER COMPREHENSIVE INCOME</b>			
		<b>ITEMS NOT ELIGIBLE FOR RECLASSIFICATION TO THE INCOME STATEMENT:</b>			
(2)	5	Actuarial gains/losses on defined benefit plans		5	(2)
-	-	Change in deferred tax on fair value adjustment of owner-occupied properties due to a reduction in the corporation tax rate		-	7
7	-	Share of comprehensive income in associates and group enterprises		-	-
5	5	<b>Total items not eligible for reclassification to the income statement</b>		5	5
		<b>ITEMS ELIGIBLE FOR RECLASSIFICATION TO THE INCOME STATEMENT:</b>			
-	-	Fair value adjustment of equities available for sale		173	265
-	-	Tax on fair value adjustment of equities available for sale		(0)	(29)
-	-	Realised value adjustment of equities available for sale reclassified to the income statement		-	(697)
-	-	Tax on realised value adjustment of equities available for sale reclassified to the income statement		-	(13)
-	-	<b>Total items eligible for reclassification to the income statement</b>		173	(474)
5	5	<b>OTHER COMPREHENSIVE INCOME</b>		178	(469)
1,221	1,515	<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		1,515	1,221



# Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2013	30.06.2014		Note	30.06.2014	31.12.2013
<b>ASSETS</b>					
1,761	64	Cash balances and demand deposits with central banks		1,557	4,810
23,736	26,056	Receivables from credit institutions and central banks	13	34,577	30,948
1,163,115	1,147,810	Loans, advances and other receivables at fair value	14	1,189,737	1,193,813
420	438	Loans, advances and other receivables at amortised cost	15	47,356	47,393
26,925	31,273	Bonds at fair value	16	115,072	90,091
<b>Equities</b>					
2,514	3,219	Equities measured at fair value through profit or loss		1,635	1,410
-	-	Equities available for sale		1,918	1,460
<b>2,514</b>	<b>3,219</b>	<b>Total</b>		<b>3,553</b>	<b>2,870</b>
117	118	Investments in associates		121	120
30,866	31,621	Investments in group enterprises		-	-
3,005	3,008	Intangible assets		3,055	3,054
<b>Land and buildings</b>					
-	-	Investment properties		301	554
18	22	Owner-occupied properties		1,602	1,626
<b>18</b>	<b>22</b>	<b>Total</b>		<b>1,903</b>	<b>2,180</b>
310	277	Other property, plant and equipment		319	355
46	0	Current tax assets		9	152
154	151	Deferred tax assets		153	159
436	445	Assets in temporary possession		548	676
14,105	12,955	Other assets	17	46,110	40,559
190	214	Prepayments		278	234
<b>1,267,720</b>	<b>1,257,671</b>	<b>TOTAL ASSETS</b>		<b>1,444,348</b>	<b>1,417,414</b>

## Balance sheets, end of period

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group			
31.12.2013	30.06.2014		Note	30.06.2014	31.12.2013
<b>LIABILITIES AND EQUITY</b>					
12,668	16,642	Payables to credit institutions and central banks	18	49,656	44,393
-	-	Deposits and other payables	19	61,764	65,172
1,160,447	1,142,266	Issued bonds at fair value	20	1,138,266	1,130,020
3,772	3,809	Issued bonds at amortised cost	21	26,187	30,273
862	2,188	Other non-derivative financial liabilities at fair value	22	41,214	27,258
-	61	Current tax liabilities		195	-
-	-	Liabilities temporarily assumed		29	136
19,963	16,870	Other liabilities	23	50,736	49,629
-	-	Deferred income		2	4
<b>1,197,713</b>	<b>1,181,836</b>	<b>Total payables</b>		<b>1,368,049</b>	<b>1,346,886</b>
<b>Provisions</b>					
201	201	Provisions for pensions and similar obligations		207	207
151	122	Provisions for deferred tax		213	263
80	77	Repayable reserves in pre-1972 series		77	80
-	-	Provisions for losses under guarantees		111	103
126	147	Other provisions		216	194
<b>557</b>	<b>548</b>	<b>Total provisions</b>		<b>824</b>	<b>847</b>
<b>10,734</b>	<b>15,056</b>	<b>Subordinated debt</b>	24	<b>15,243</b>	<b>10,964</b>
<b>Equity</b>					
1,182	1,182	Share capital		1,182	1,182
<b>Accumulated changes in value</b>					
2	2	- revaluation reserves		205	205
-	-	- value adjustment of equities available for sale		576	403
<b>Other reserves</b>					
3,554	4,310	- statutory reserves		-	-
32,402	32,402	- series reserves		32,402	32,402
21,576	22,335	Retained earnings		25,867	24,525
<b>58,716</b>	<b>60,231</b>	<b>Total equity</b>		<b>60,231</b>	<b>58,716</b>
<b>1,267,720</b>	<b>1,257,671</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,444,348</b>	<b>1,417,414</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
-	-	Contingent liabilities	25	6,351	6,311
1,356	1,093	Other commitments		7,488	8,073
<b>1,356</b>	<b>1,093</b>	<b>TOTAL</b>		<b>13,839</b>	<b>14,384</b>

## Statement of changes in equity for 1 January – 30 June

DKK million

Nykredit Realkredit A/S

	Share capital	Revaluation reserves	Statutory reserves*	Series reserves	Retained earnings	Proposed dividend	Total
<b>2014</b>							
Equity, 1 January	1,182	2	3,554	32,402	21,576	-	58,716
Profit for the period	-	-	884	-	627	-	1,511
Total other comprehensive income	-	-	-	-	5	-	5
Total comprehensive income for the period	-	-	884	-	631	-	1,515
Dividend from associates	-	-	(3)	-	3	-	-
Dividend from group enterprises	-	-	(125)	-	125	-	-
<b>Equity, 30 June</b>	<b>1,182</b>	<b>2</b>	<b>4,310</b>	<b>32,402</b>	<b>22,335</b>	<b>-</b>	<b>60,231</b>
<b>2013</b>							
Equity, 1 January	1,182	2	2,896	44,054	9,272	150	57,556
Profit for the period	-	-	686	-	530	-	1,216
Total other comprehensive income	-	-	7	-	(2)	-	5
Total comprehensive income for the period	-	-	693	-	528	-	1,221
Dividend from associates	-	-	(6)	-	6	-	-
Dividend from group enterprises	-	-	(40)	-	40	-	-
Distributed dividend	-	-	-	-	-	(150)	(150)
<b>Equity, 30 June</b>	<b>1,182</b>	<b>2</b>	<b>3,543</b>	<b>44,054</b>	<b>9,847</b>	<b>-</b>	<b>58,627</b>

\* The item relates to transfer to reserves for net revaluation according to the equity method. The reserves are non-distributable.

The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

## Statement of changes in equity for 1 January – 30 June

DKK million

Nykredit Realkredit Group

	Share capital	Revaluation reserves	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Proposed dividend	Total
<b>2014</b>							
Equity, 1 January	1,182	205	403	32,402	24,525	-	58,716
Profit for the period	-	-	-	-	1,337	-	1,337
Total other comprehensive income	-	-	173	-	5	-	178
Total comprehensive income for the period	-	-	173	-	1,342	-	1,515
Equity, 30 June	1,182	205	576	32,402	25,867	-	60,231
<b>2013</b>							
Equity, 1 January	1,182	202	745	44,054	11,223	150	57,556
Profit for the period	-	-	-	-	1,690	-	1,690
Total other comprehensive income	-	7	(474)	-	(2)	-	(469)
Total comprehensive income for the period	-	7	(474)	-	1,688	-	1,221
Distributed dividend	-	-	-	-	-	(150)	(150)
Equity, 30 June	1,182	209	272	44,054	12,910	-	58,627

# Statement of changes in equity for 1 January – 31 December

DKK million

	Share capital	Revaluation reserves	Statutory reserves*	Accumulated value adjustment of equities available for sale	Series reserves	Retained earnings	Proposed dividend	Total
<b>Nykredit Realkredit A/S</b>								
<b>2013</b>								
Equity, 1 January	1,182	2	2,896	-	44,054	9,272	150	57,556
Profit for the year	-	-	703	-	-	629	-	1,331
Total other comprehensive income	-	-	2	-	-	(24)	-	(22)
Total comprehensive income for the year	-	-	705	-	-	605	-	1,310
Dividend from associates	-	-	(7)	-	-	7	-	-
Dividend from group enterprises	-	-	(40)	-	-	40	-	-
Distributed dividend	-	-	-	-	-	-	(150)	(150)
Adjustment pursuant to capital adequacy rules	-	-	-	-	(11,652)	11,652	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	1	-	0
<b>Equity, 31 December</b>	<b>1,182</b>	<b>2</b>	<b>3,554</b>	<b>-</b>	<b>32,402</b>	<b>21,576</b>	<b>-</b>	<b>58,716</b>
<b>Nykredit Realkredit Group</b>								
<b>2013</b>								
Equity, 1 January	1,182	202	-	745	44,054	11,223	150	57,556
Profit for the year	-	-	-	-	-	1,674	-	1,674
Total other comprehensive income	-	2	-	(343)	-	(24)	-	(364)
Total comprehensive income for the year	-	2	-	(343)	-	1,650	-	1,310
Distributed dividend	-	-	-	-	-	-	(150)	(150)
Adjustment pursuant to capital adequacy rules	-	-	-	-	(11,652)	11,652	-	-
Transferred from provisions – pre-1972 series	-	-	-	-	(0)	1	-	0
<b>Equity, 31 December</b>	<b>1,182</b>	<b>205</b>	<b>-</b>	<b>403</b>	<b>32,402</b>	<b>24,525</b>	<b>-</b>	<b>58,716</b>

\* The item relates to transfer to reserves for net revaluation according to the equity method. The reserves are non-distributable.

The share capital is divided into shares of DKK 100 and multiples thereof. Nykredit Realkredit A/S has only one class of shares, and all the shares confer the same rights on shareholders.

## Cash flow statement for 1 January – 30 June

DKK million

	Nykredit Realkredit Group	
	H1/2014	H1/2013
<b>Profit for the period</b>	<b>1,337</b>	<b>1,690</b>
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	106	383
Profit from investments in associates	(4)	(49)
Impairment losses on loans, advances and receivables	1,049	929
Prepayments/deferred income, net	(45)	(104)
Tax calculated on profit for the period	381	317
Other adjustments	175	(437)
<b>Total</b>	<b>1,661</b>	<b>1,038</b>
<b>Profit for the period adjusted for non-cash operating items</b>	<b>2,999</b>	<b>2,728</b>
<b>Change in working capital</b>		
Loans, advances and other receivables	3,064	(12,157)
Deposits and payables to credit institutions	1,855	(9,485)
Issued bonds	4,159	(14,694)
Other working capital	9,441	637
<b>Total</b>	<b>18,518</b>	<b>(35,699)</b>
<b>Corporation tax paid, net</b>	<b>(86)</b>	<b>(72)</b>
<b>Cash flows from operating activities</b>	<b>21,431</b>	<b>(33,044)</b>
<b>Cash flows from investing activities</b>		
Divestment of associates	-	63
Dividend received	3	6
Purchase and sale of bonds and equities, net	(25,663)	11,834
Purchase of intangible assets	(41)	(13)
Purchase of property, plant and equipment	(17)	(37)
Sale of property, plant and equipment	264	46
<b>Total</b>	<b>(25,454)</b>	<b>11,898</b>
<b>Cash flows from financing activities</b>		
Subordinated debt raised	4,442	-
Purchase and sale of self-issued subordinated debt instruments	(44)	(19)
Distributed dividend	-	(150)
<b>Total</b>	<b>4,398</b>	<b>(169)</b>
<b>Total cash flows</b>	<b>375</b>	<b>(21,315)</b>
<b>Cash and cash equivalents, beginning of period</b>		
Cash balances and demand deposits with central banks	4,810	9,497
Receivables from credit institutions and central banks	30,948	50,677
<b>Total</b>	<b>35,758</b>	<b>60,174</b>
<b>Cash and cash equivalents, end of period</b>		
Cash balances and demand deposits with central banks	1,557	2,094
Receivables from credit institutions and central banks	34,577	36,764
<b>Total</b>	<b>36,133</b>	<b>38,859</b>

# Notes

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# Notes

## 1. ACCOUNTING POLICIES

### GENERAL

The Consolidated Financial Statements for H1/2014 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 H1/2014 of the Parent Company are prepared in accordance with the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Danish Executive Order on the Presentation of Financial Statements) issued by the Danish Financial Supervisory Authority (FSA).

### New and amended standards, interpretations and reporting provisions

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

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 H1 Interim Report 2014 of Nykredit Realkredit A/S and the Nykredit Realkredit 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.

Due to the new provisions of the Danish Executive Order on Presentation of Financial Statements, the Interim Report includes information about the revenue and staff numbers of Nykredit Realkredit's branches and subsidiaries abroad.

### Change in the presentation of business areas

The presentation of the Group's business areas has been adjusted to reflect the organisational changes implemented in H1/2014.

The primary change was the transfer of Nykredit Leasing A/S and the business unit Private Banking from Retail to Wholesale. Also, business activities with partner banks carried out by the business unit Bank Distribution have been transferred from Group Items, Treasury, to Wholesale.

Income and costs relating to Nykredit Leasing A/S that can be attributed to Retail activities are allocated to Retail.

In H1/2014 the most significant effect of the organisational changes was the allocation of profit before tax of around DKK 46m from Retail to Wholesale.

The changes do not affect Nykredit Realkredit's or the Nykredit Realkredit Group's results, comprehensive income, balance sheet or equity.

Comparative figures have been restated. Please refer to note 4 of this report.

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/reports](http://nykredit.com/reports).

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

Nykredit Realkredit A/S		Nykredit Realkredit Group		
31.12.2013	30.06.2014		30.06.2014	31.12.2013
<b>2. CAPITAL AND CAPITAL ADEQUACY</b>				
<b>58,716</b>	<b>60,231</b>	<b>Equity</b>	<b>60,231</b>	<b>58,716</b>
-	(418)	Deduction for average dividend payments	(415)	-
-	(114)	Prudent valuation adjustment	(495)	-
(3,005)	(3,008)	Intangible assets excluding deferred tax liabilities	(2,987)	(3,054)
(960)	(2,063)	Provisions relative to expected losses in accordance with IRB approach	(339)	(90)
(2,485)	(200)	Other deductions	(204)	(907)
-	1,806	Transitional adjustment of deductions	426	-
<b>(6,451)</b>	<b>(3,996)</b>	<b>Common Equity Tier 1 (CET1) capital deductions</b>	<b>(4,012)</b>	<b>(4,050)</b>
<b>52,266</b>	<b>56,235</b>	<b>CET1 capital</b>	<b>56,219</b>	<b>54,666</b>
10,444	8,356	Additional Tier 1 capital (incl transitional adjustment)	8,556	10,678
-	(76)	Additional Tier 1 capital deductions	(76)	-
-	(765)	Transitional adjustment of deductions	(75)	-
<b>10,444</b>	<b>7,515</b>	<b>Total Additional Tier 1 capital after deductions</b>	<b>8,405</b>	<b>10,678</b>
<b>62,710</b>	<b>63,750</b>	<b>Tier 1 capital</b>	<b>64,624</b>	<b>65,344</b>
34	4,473	Tier 2 capital (incl transitional adjustments)	4,473	237
(1,737)	(51)	Tier 2 deductions	(50)	(514)
-	(785)	Transitional adjustment of deductions	(95)	-
1,703	-	Set-off of excess deductions	-	277
<b>62,710</b>	<b>67,388</b>	<b>Own funds</b>	<b>68,952</b>	<b>65,344</b>
342,562	351,096	Credit risk	303,643	298,574
15,744	20,075	Market risk	34,808	28,571
9,599	9,705	Operational risk	17,933	18,818
<b>367,905</b>	<b>380,876</b>	<b>Total risk exposure amount</b>	<b>356,384</b>	<b>345,963</b>
<b>Financial ratios</b>				
14.2	14.7	CET1 capital ratio, %	15.7	15.8
17.0	16.7	Tier 1 capital ratio, %	18.1	18.9
17.0	17.6	Total capital ratio, %	19.3	18.9

Capital and capital adequacy have been determined in accordance with the 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 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 are 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

Nykredit Realkredit Group

## 3. CORE EARNINGS AND INVESTMENT PORTFOLIO INCOME

	H1/2014				H1/2013			
	Core earnings	Investment portfolio income	Cost of capital	Total	Core earnings	Investment portfolio income	Cost of capital	Total
Net interest income	5,306	441	(235)	5,511	4,527	568	(226)	4,869
Dividend on equities	9	48	-	57	7	40	-	47
Fee and commission income, net	(67)	(11)	-	(78)	(19)	(54)	-	(73)
<b>Net interest and fee income</b>	<b>5,248</b>	<b>477</b>	<b>(235)</b>	<b>5,490</b>	<b>4,514</b>	<b>554</b>	<b>(226)</b>	<b>4,843</b>
Value adjustments	(357)	121	(2)	(238)	419	419	(1)	838
Other operating income	89	-	-	89	104	8	-	111
Staff and administrative expenses	2,386	-	-	2,386	2,482	-	-	2,482
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	106	-	-	106	383	-	-	383
Other operating expenses	87	-	-	87	40	-	-	40
Impairment losses on loans and advances	1,049	-	-	1,049	929	-	-	929
Profit from investments in associates	-	4	-	4	30	19	-	49
<b>Profit (loss) before tax</b>	<b>1,354</b>	<b>602</b>	<b>(237)</b>	<b>1,719</b>	<b>1,233</b>	<b>1,000</b>	<b>(226)</b>	<b>2,006</b>

## Notes

DKK million

## Nycredit Realkredit Group

## 4. RESULTS BY BUSINESS AREA

H1/2014	Retail	Totalkredit Partners	Wholesale Clients	Group Items	Total
<b>Core income from</b>					
- customer activities, gross	2,753	1,233	1,561	21	5,569
- allocation of income for distribution	285	-	(285)	-	-
<b>Total business operations</b>	<b>3,038</b>	<b>1,233</b>	<b>1,276</b>	<b>21</b>	<b>5,569</b>
- value adjustment of derivatives	(538)	-	103	-	(435)
- junior covered bonds	(67)	(111)	(9)	(26)	(212)
- securities	-	-	-	60	60
<b>Total core income</b>	<b>2,433</b>	<b>1,122</b>	<b>1,370</b>	<b>56</b>	<b>4,981</b>
Operating costs	1,466	199	448	361	2,473
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	5	0	3	98	106
<b>Core earnings before impairment losses</b>	<b>963</b>	<b>923</b>	<b>919</b>	<b>(403)</b>	<b>2,403</b>
Impairment losses on loans and advances	934	129	(28)	15	1,049
<b>Core earnings after impairment losses</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>(418)</b>	<b>1,354</b>
Investment portfolio income <sup>1</sup>	-	-	-	602	602
<b>Profit before cost of capital</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>184</b>	<b>1,956</b>
Net interest on subordinated debt	-	-	-	(237)	(237)
<b>Profit (loss) before tax</b>	<b>29</b>	<b>795</b>	<b>948</b>	<b>(53)</b>	<b>1,719</b>

The most significant change resulting from the reorganisation was a negative earnings impact of DKK 46m in Retail and a positive earnings impact of DKK 46m in Wholesale Clients.

H1/2013	Retail	Totalkredit Partners	Wholesale Clients	Group Items	Total
<b>Core income from</b>					
- customer activities, gross	2,694	835	1,631	(3)	5,157
- allocation of income for distribution	293	-	(293)	-	-
<b>Total business operations</b>	<b>2,987</b>	<b>835</b>	<b>1,338</b>	<b>(3)</b>	<b>5,157</b>
- value adjustment of derivatives	85	-	(35)	-	50
- junior covered bonds	(56)	(147)	(9)	(21)	(233)
- securities	-	-	-	63	63
<b>Total core income</b>	<b>3,015</b>	<b>688</b>	<b>1,294</b>	<b>40</b>	<b>5,037</b>
Operating costs	1,519	209	460	304	2,492
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	4	258	3	117	383
<b>Core earnings before impairment losses</b>	<b>1,492</b>	<b>221</b>	<b>830</b>	<b>(381)</b>	<b>2,162</b>
Impairment losses on loans and advances	618	239	72	(1)	929
<b>Core earnings after impairment losses</b>	<b>873</b>	<b>(19)</b>	<b>758</b>	<b>(380)</b>	<b>1,233</b>
Investment portfolio income <sup>1</sup>	-	-	-	1,000	1,000
<b>Profit (loss) before cost of capital</b>	<b>873</b>	<b>(19)</b>	<b>758</b>	<b>620</b>	<b>2,233</b>
Net interest on subordinated debt	-	-	-	(226)	(226)
<b>Profit (loss) before tax</b>	<b>873</b>	<b>(19)</b>	<b>758</b>	<b>393</b>	<b>2,006</b>

As a result of the reorganisation, comparative figures have been restated, thus reducing Retail profit by DKK 28m and increasing Wholesale Clients and Group Items profit/loss by DKK 18m and DKK 10m, respectively. Core income was particularly affected by a transfer of about DKK 82m from Retail to Wholesale Clients. Operating costs were down DKK 50m in Retail and by DKK 10m in Group Items, whereas Wholesale Clients recorded an increase of DKK 60m. Impairment losses in Retail dropped DKK 4m, which was allocated to Wholesale Clients.

<sup>1</sup> Investment portfolio income includes a profit from investments in associates of DKK 4m against DKK 27m in H1/2013.

## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2013	H1/2014	H1/2014	H1/2013
<b>5. INTEREST INCOME</b>			
6,044	6,024	30	27
6,252	5,669	13,104	13,826
2,034	2,116	4,175	3,557
<b>Bonds</b>			
368	185	448	766
194	263	742	527
(9)	5	34	(15)
65	59	159	141
<b>Derivative financial instruments</b>			
(28)	(1)	7	(46)
69	92	51	72
-	-	(27)	(23)
-	-	18	(6)
27	31	45	30
<b>15,016</b>	<b>14,443</b>	<b>18,785</b>	<b>18,858</b>
(368)	(185)	(448)	(766)
(2)	(6)	(40)	(33)
<b>14,646</b>	<b>14,252</b>	<b>18,297</b>	<b>18,058</b>
<b>Of which interest income from reverse lending entered as:</b>			
8	1	18	11
-	-	96	99
<b>6. INTEREST EXPENSES</b>			
34	31	128	78
-	-	199	227
12,413	11,838	12,524	13,278
399	414	418	404
28	38	4	1
<b>12,874</b>	<b>12,320</b>	<b>13,274</b>	<b>13,989</b>
(368)	(185)	(448)	(766)
(2)	(6)	(40)	(33)
<b>12,504</b>	<b>12,129</b>	<b>12,786</b>	<b>13,189</b>
<b>Of which interest expenses from repo transactions entered as:</b>			
29	29	99	36
-	-	31	35

## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2013	H1/2014	H1/2014	H1/2013
<b>7. VALUE ADJUSTMENTS</b>			
<b>Financial assets measured at fair value through profit or loss</b>			
(3,554)	3,844	10,934	(7,264)
(3,500)	6,886	-	-
24	99	0	7
(258)	513	339	(424)
318	329	225	85
-	-	12	(0)
34	(6)	56	64
162	(328)	(744)	367
<b>Financial assets measured at fair value and recognised in "Other comprehensive income"</b>			
-	-	-	697
<b>Financial liabilities measured at fair value through profit or loss</b>			
3,591	(3,971)	(11,061)	7,306
3,500	(6,886)	-	-
<b>316</b>	<b>480</b>	<b>(238)</b>	<b>838</b>
<b>8. STAFF AND ADMINISTRATIVE EXPENSES</b>			
43	30	30	43
1,047	998	1,495	1,528
195	137	861	910
<b>1,286</b>	<b>1,164</b>	<b>2,385</b>	<b>2,482</b>
<b>Remuneration of Board of Directors and Executive Board</b>			
<b>Board of Directors</b>			
1	1	1	2
<b>Executive Board</b>			
24	21	21	24
18	7	7	18
<b>43</b>	<b>30</b>	<b>30</b>	<b>43</b>
Provisions for pension benefits in H1/2013 were affected by provisions for pension obligations in connection with Peter Engberg Jensen's impending resignation.			
<b>Changes to the Executive Board</b>			
Karsten Knudsen and Per Ladegaard have announced their resignation as Group Managing Directors. They will resign at end-August 2014.			
<b>Staff expenses</b>			
819	782	1,185	1,206
95	93	133	134
126	112	162	177
7	11	15	11
<b>1,047</b>	<b>998</b>	<b>1,495</b>	<b>1,528</b>
<b>Number of staff</b>			
3,007	2,969	4,001	4,049

## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2013	H1/2014	H1/2014	H1/2013
<b>9. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES FOR PROPERTY, PLANT AND EQUIPMENT AS WELL AS INTANGIBLE ASSETS</b>			
<b>Intangible assets</b>			
315	37	38	315
- Amortisation			
<b>Property, plant and equipment</b>			
51	51	67	68
- Depreciation			
<b>366</b>	<b>88</b>	<b>106</b>	<b>383</b>
<b>Total</b>			
<b>10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES</b>			
<b>10 a. Earnings impact</b>			
348	813	1,089	747
10	11	15	29
91	(12)	(71)	59
25	29	102	172
(19)	-20	(41)	(37)
-	-	7	32
<b>456</b>	<b>821</b>	<b>1,101</b>	<b>1,002</b>
<b>Total impairment losses on loans, advances and receivables, and provisions for guarantees</b>			
59	51	72	64
(1)	(1)	(1)	(1)
-	-	(123)	(136)
<b>513</b>	<b>871</b>	<b>1,049</b>	<b>929</b>
<b>Total</b>			
<b>10 b. Specification of impairment provisions for loans, advances and receivables</b>			
1,502	2,639	6,539	5,842
748	1,152	2,165	1,398
<b>2,251</b>	<b>3,791</b>	<b>8,704</b>	<b>7,240</b>
<b>Total impairment provisions</b>			
<b>Impairment provisions have been offset against the following items:</b>			
2,111	3,651	4,667	2,962
130	119	252	250
-	-	3,742	3,999
10	21	44	29
<b>2,251</b>	<b>3,791</b>	<b>8,704</b>	<b>7,240</b>
<b>Total impairment provisions</b>			
<b>10 c. Individual impairment provisions for loans and advances</b>			
<b>1,394</b>	<b>2,039</b>	<b>6,116</b>	<b>5,673</b>
<b>Impairment provisions, beginning of period</b>			
532	1,024	1,665	1,292
(184)	(211)	(576)	(545)
(77)	(66)	(101)	(108)
(173)	(169)	(609)	(499)
<b>1,492</b>	<b>2,617</b>	<b>6,495</b>	<b>5,813</b>
<b>Impairment provisions, end of period</b>			



## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
H1/2013	H1/2014	H1/2014	H1/2013
<b>10. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)</b>			
<b>10 d. Collective impairment provisions for loans and advances</b>			
657	1,165	2,237	1,339
91	(12)	(71)	59
<b>748</b>	<b>1,152</b>	<b>2,165</b>	<b>1,398</b>
<b>10 e. Individual impairment provisions for receivables from credit institutions</b>			
-	10	29	-
10	11	15	29
<b>10</b>	<b>21</b>	<b>44</b>	<b>29</b>
<b>10 f. Specification of loans, advances and receivables from credit institutions with objective evidence of impairment</b>			
7,254	12,965	20,493	15,513
1,492	2,617	6,495	5,813
<b>5,761</b>	<b>10,348</b>	<b>13,998</b>	<b>9,700</b>
44,205	40,207	115,698	118,479
748	1,152	2,165	1,398
<b>43,457</b>	<b>39,055</b>	<b>113,533</b>	<b>117,082</b>
29	29	54	54
10	21	44	29
<b>19</b>	<b>8</b>	<b>10</b>	<b>25</b>
<b>10 g. Impairment losses on repossessed properties</b>			
320	365	469	448
77	66	101	108
76	56	80	111
(17)	(5)	(9)	(47)
(133)	(148)	(187)	(156)
<b>323</b>	<b>334</b>	<b>454</b>	<b>464</b>
Impairment provisions for repossessed properties have been offset against "Assets in temporary possession".			
<b>11. PROFIT FROM INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>			
19	4	4	49
703	880	-	-
<b>722</b>	<b>884</b>	<b>4</b>	<b>49</b>
<b>12. TAX</b>			
9.4	6.7	22.2	15.8
In H1/2013, the Group's effective tax rate was affected by tax-exempt gains on equities. Adjusted for such gains, the Nykredit Group's effective tax rate was 22%.			

## Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
<b>13. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
-	-	Receivables from central banks	303	0
21,627	23,857	Receivables from credit institutions	14,468	18,401
-	-	Reverse lending to central banks	410	2,069
2,110	2,198	Reverse lending to credit institutions	19,395	10,477
<b>23,736</b>	<b>26,056</b>	<b>Total</b>	<b>34,577</b>	<b>30,948</b>
<b>14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE</b>				
597,200	596,476	Mortgage loans	1,143,883	1,136,644
246	354	Arrears and outlays	526	354
-	-	Reverse lending to undertakings other than credit institutions and central banks	45,328	56,814
27,129	23,823	Loans to Totalkredit serving as collateral in capital centres	-	-
538,541	527,157	Totalkredit mortgage loan funding	-	-
<b>1,163,115</b>	<b>1,147,810</b>	<b>Total</b>	<b>1,189,737</b>	<b>1,193,813</b>
<b>14 a. Mortgage loans</b>				
<b>600,042</b>	<b>588,670</b>	<b>Balance, beginning of period, nominal value</b>	<b>1,119,970</b>	<b>1,108,796</b>
50,499	25,978	New loans	54,862	122,167
467	199	Indexation	199	467
(981)	(500)	Foreign currency translation adjustment	(500)	(981)
(11,939)	(6,347)	Ordinary principal payments	(9,798)	(18,051)
(49,418)	(23,332)	Prepayments and extraordinary principal payments	(47,998)	(92,427)
<b>588,670</b>	<b>584,668</b>	<b>Balance, end of period, nominal value</b>	<b>1,116,735</b>	<b>1,119,970</b>
(316)	(359)	Loans transferred relating to properties in temporary possession	(396)	(365)
255	251	Loans assumed by the Danish Agency for Governmental Management	251	255
<b>588,609</b>	<b>584,559</b>	<b>Total</b>	<b>1,116,590</b>	<b>1,119,859</b>
<b>11,668</b>	<b>15,568</b>	<b>Adjustment for interest rate risk</b>	<b>31,959</b>	<b>20,942</b>
<b>Adjustment for credit risk</b>				
(1,912)	(2,499)	Individual impairment provisions	(2,846)	(2,290)
(1,165)	(1,152)	Collective impairment provisions	(1,821)	(1,867)
<b>597,200</b>	<b>596,476</b>	<b>Balance, end of period, fair value</b>	<b>1,143,883</b>	<b>1,136,644</b>
For total loans and advances, Nykredit has received mortgages over real estate and:				
27,540	27,520	Supplementary guarantees totalling	37,701	37,532
853	965	Interim loan guarantees totalling	9,237	9,731
2,028	2,757	Registration guarantees totalling	5,545	7,177
<b>14 b. Arrears and outlays</b>				
331	379	Arrears before impairment provisions	490	441
43	93	Outlays before impairment provisions	288	134
(127)	(119)	Individual impairment provisions for arrears and outlays	(252)	(221)
<b>246</b>	<b>354</b>	<b>Total</b>	<b>526</b>	<b>354</b>

## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2013	30.06.2014	30.06.2014	31.12.2013
<b>14. LOANS, ADVANCES AND OTHER RECEIVABLES AT FAIR VALUE (continued)</b>			
<b>14 c. Totalkredit mortgage loan funding</b>			
<b>509,107</b>	<b>531,206</b>		
		<b>Balance, beginning of period, nominal value</b>	-
218,461	89,681	New loans	-
(3,602)	(2,071)	Ordinary principal payments	-
(192,760)	(105,907)	Prepayments and extraordinary principal payments	-
<b>531,206</b>	<b>512,909</b>	<b>Balance, end of period, nominal value</b>	<b>-</b>
7,335	14,249	Adjustment for interest rate risk	-
<b>538,541</b>	<b>527,157</b>	<b>Balance, end of period, fair value</b>	<b>-</b>
<b>15. LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTISED COST</b>			
-	-	Bank loans and advances	50,650
26	26	Totalkredit mortgage loan funding	-
-	-	Mortgage loans	27
426	444	Other loans and advances	453
<b>452</b>	<b>470</b>	<b>Balance, end of period</b>	<b>51,130</b>
<b>Adjustment for credit risk</b>			
-	-	Individual impairment provisions	(3,398)
-	-	Collective impairment provisions	(344)
<b>452</b>	<b>470</b>	<b>Balance after impairment, end of period</b>	<b>47,388</b>
(32)	(32)	Set-off of self-issued "Other loans and advances" against "Issued bonds at amortised cost" – note 21	(32)
<b>420</b>	<b>438</b>	<b>Total</b>	<b>47,356</b>
<b>16. BONDS AT FAIR VALUE</b>			
47,467	21,190	Self-issued covered bonds (særligt dækkede obligationer, SDOs)	53,888
52,831	17,306	Self-issued ROs	33,465
-	-	Self-issued corporate bonds	2,941
750	-	Self-issued junior covered bonds	479
24,372	24,908	Other ROs	95,773
147	4,051	Government bonds	8,713
2,406	2,313	Other bonds	10,585
<b>127,973</b>	<b>69,768</b>	<b>Total</b>	<b>205,845</b>
(47,440)	(21,163)	Set-off of self-issued SDOs against "Issued bonds at fair value" – note 20	(53,862)
(26)	(26)	Set-off of self-issued SDOs against "Issued bonds at amortised cost" – note 21	(26)
(52,831)	(17,306)	Set-off of self-issued ROs against "Issued bonds at fair value" – note 20	(33,465)
-	-	Set-off of self-issued corporate bonds against "Issued bonds at amortised cost" – note 21	(2,941)
(750)	-	Set-off of self-issued junior covered bonds against "Issued bonds at fair value" – note 20	(479)
<b>26,925</b>	<b>31,273</b>	<b>Total</b>	<b>115,072</b>
2,409	2,394	As collateral security for the Danish central bank and foreign clearing centres, bonds have been deposited of a total market value of	16,716
		Collateral security was provided on an arm's length basis.	17,327

## Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
<b>17. OTHER ASSETS</b>				
10,324	8,939	Interest and commission receivable	9,866	10,878
270	220	Receivables from group enterprises	-	-
3,179	3,416	Positive market value of derivative financial instruments	34,158	27,796
188	194	Defined benefit plans	194	188
144	187	Other assets	1,891	1,698
<b>14,105</b>	<b>12,955</b>	<b>Total</b>	<b>46,110</b>	<b>40,559</b>
<b>18. PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
1,315	1,462	Payables to credit institutions	9,066	12,593
-	-	Payables to central banks	4,356	-
11,353	15,179	Repo transactions with credit institutions	35,824	31,392
-	-	Repo transactions with central banks	410	407
<b>12,668</b>	<b>16,642</b>	<b>Total</b>	<b>49,656</b>	<b>44,393</b>
<b>19. DEPOSITS AND OTHER PAYABLES</b>				
-	-	On demand	40,101	23,087
-	-	At notice	6,138	12,012
-	-	Time deposits	12,511	16,209
-	-	Special deposits	3,014	13,865
<b>-</b>	<b>-</b>	<b>Total</b>	<b>61,764</b>	<b>65,172</b>
<b>20. ISSUED BONDS AT FAIR VALUE</b>				
294,560	286,735	ROs	332,072	343,421
925,324	862,255	SDOs	862,255	925,324
41,585	31,744	Junior covered bonds	31,744	41,585
<b>1,261,469</b>	<b>1,180,735</b>	<b>Total</b>	<b>1,226,071</b>	<b>1,310,330</b>
(101,022)	(38,469)	Self-issued bonds transferred from "Bonds at fair value" – note 16	(87,806)	(180,310)
<b>1,160,447</b>	<b>1,142,266</b>	<b>Total</b>	<b>1,138,266</b>	<b>1,130,020</b>
<b>20 a. ROs</b>				
285,706	276,061	ROs at nominal value	319,254	332,616
8,854	10,674	Fair value adjustment	12,817	10,806
<b>294,560</b>	<b>286,735</b>	<b>ROs at fair value</b>	<b>332,072</b>	<b>343,421</b>
(52,831)	(17,306)	Self-issued ROs transferred from "Bonds at fair value" – note 16	(33,465)	(73,017)
<b>241,728</b>	<b>269,429</b>	<b>Total</b>	<b>298,607</b>	<b>270,404</b>
125	207	Of which pre-issuance	207	125
10,314	6,575	ROs redeemed at next creditor payment date	8,040	11,568

## Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
<b>20. ISSUED BONDS AT FAIR VALUE (continued)</b>				
<b>20 b. SDOs</b>				
915,154	843,101	SDOs at nominal value	843,101	915,154
10,170	19,154	Fair value adjustment	19,154	10,170
<b>925,324</b>	<b>862,255</b>	<b>SDOs at fair value</b>	<b>862,255</b>	<b>925,324</b>
(47,440)	(21,163)	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(53,862)	(105,958)
<b>877,884</b>	<b>841,092</b>	<b>Total</b>	<b>808,393</b>	<b>819,367</b>
630	1,144	Of which pre-issuance	1,144	630
105,692	27,684	SDOs redeemed at next creditor payment date	27,684	105,692
<b>20 c. Junior covered bonds</b>				
40,652	30,731	Junior covered bonds at nominal value	30,731	40,652
933	1,014	Fair value adjustment	1,014	933
<b>41,585</b>	<b>31,744</b>	<b>Junior covered bonds at fair value</b>	<b>31,744</b>	<b>41,585</b>
(750)	-	Self-issued junior covered bonds transferred from "Bonds at fair value" – note 16	(479)	(1,335)
<b>40,835</b>	<b>31,744</b>	<b>Total</b>	<b>31,265</b>	<b>40,250</b>
-	-	Junior covered bonds redeemed at next creditor payment date	-	-
<b>21. ISSUED BONDS AT AMORTISED COST</b>				
-	-	Corporate bonds	25,311	29,309
26	26	SDOs	26	26
3,664	3,752	Junior covered bonds	3,752	3,664
105	48	Employee bonds	55	127
35	42	Other securities	42	35
<b>3,831</b>	<b>3,868</b>	<b>Total</b>	<b>29,186</b>	<b>33,162</b>
-	-	Self-issued corporate bonds transferred from "Bonds at fair value" – note 16	(2,941)	(2,830)
(26)	(26)	Self-issued SDOs transferred from "Bonds at fair value" – note 16	(26)	(26)
(32)	(32)	Other self-issued securities transferred from "Loans, advances and other receivables at amortised cost" – note 15	(32)	(32)
<b>3,772</b>	<b>3,809</b>	<b>Total</b>	<b>26,187</b>	<b>30,273</b>
<b>22. OTHER NON-DERIVATIVE FINANCIAL LIABILITIES AT FAIR VALUE</b>				
-	-	Repo transactions with undertakings other than credit institutions and central banks	27,236	18,513
862	2,188	Negative securities portfolios	13,979	8,745
<b>862</b>	<b>2,188</b>	<b>Total</b>	<b>41,214</b>	<b>27,258</b>

## Notes

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
<b>23. OTHER LIABILITIES</b>				
13,944	10,521	Interest and commission payable	14,580	19,022
3,924	4,062	Negative market value of derivative financial instruments	31,417	26,118
222	225	Payables relating to the purchase of Totalkredit shares	201	198
1,873	2,062	Other liabilities	4,538	4,291
<b>19,963</b>	<b>16,870</b>	<b>Total</b>	<b>50,736</b>	<b>49,629</b>
<b>24. SUBORDINATED DEBT</b>				
Subordinated debt consists of financial liabilities in the form of subordinate loan capital and 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.				
Subordinated debt is included in Nykredit's own funds in accordance with the EU's Capital Requirements Regulation.				
<b>Subordinate loan capital</b>				
Nom EUR 600m. The loan falls due on 3 June 2036, but may be redeemed at par (100) from 3 June 2021. The loan carries a fixed interest rate of 4.0% pa up to 3 June 2021, after which date the interest rate will be fixed every 5 years. If the CET1 capital ratio of Nykredit Realkredit, the Nykredit Realkredit Group or the Nykredit Holding Group falls below 7%, the loan will be subject to impairment provisioning.				
-	4,467		4,467	-
-	<b>4,467</b>	<b>Total subordinate loan capital</b>	<b>4,467</b>	-
<b>Additional Tier 1 capital</b>				
-	-	Nom DKK 100m. The loan is perpetual and carries an interest rate of 1.7% pa above 3M Cibur	100	100
-	-	Nom DKK 150m. The loan is perpetual and carries a fixed interest rate of 6.3% pa	150	150
3,831	3,759	Nom EUR 500m. The loan is perpetual, but may be redeemed at par (100) from 22 September 2014. The loan carries a fixed interest rate of 4.9% pa up to 22 September 2014, after which date it will carry a floating interest rate	3,759	3,831
6,903	6,830	Nom EUR 900m. The loan is perpetual, but may be redeemed at par (100) from 1 April 2015. The loan carries a fixed interest rate of 9.0% pa up to 1 April 2015, after which date the interest rate will be fixed every 5 years	6,830	6,903
<b>10,734</b>	<b>10,589</b>	<b>Total Additional Tier 1 capital</b>	<b>10,839</b>	<b>10,984</b>
-	-	Portfolio of self-issued bonds	(63)	(19)
<b>10,734</b>	<b>15,056</b>	<b>Total subordinated debt</b>	<b>15,243</b>	<b>10,964</b>
10,444	12,829	Subordinated debt that may be included in own funds	13,029	10,678

## Notes

DKK million

Nykredit Realkredit A/S		Nykredit Realkredit Group	
31.12.2013	30.06.2014	30.06.2014	31.12.2013
<b>25. OFF-BALANCE SHEET ITEMS</b>			
Guarantees and warranties provided, irrevocable credit commitments and similar obligations not recognised in the balance sheets are presented below.			
-	-	6,351	6,311
	Contingent liabilities		
1,356	1,093	7,488	8,073
	Other commitments		
<b>1,356</b>	<b>1,093</b>	<b>13,839</b>	<b>14,384</b>
	<b>Total</b>		
<b>25 a. Contingent liabilities</b>			
-	-	2,498	3,173
	Financial guarantees		
-	-	299	336
	Registration and refinancing guarantees		
-	-	3,554	2,801
	Other contingent liabilities		
<b>-</b>	<b>-</b>	<b>6,351</b>	<b>6,311</b>
	<b>Total</b>		
"Other contingent liabilities" chiefly comprises purchase price and payment guarantees.			
<b>25 b. Other commitments</b>			
2	0	6,164	6,529
	Irrevocable credit commitments		
1,354	1,093	1,324	1,544
	Other liabilities		
<b>1,356</b>	<b>1,093</b>	<b>7,488</b>	<b>8,073</b>
	<b>Total</b>		

"Other liabilities" under "Other commitments" comprises obligations to and charges in favour of securities depositaries, investment commitments to private equity funds and non-callable lease payments.

#### Other contingent liabilities

Owing to its size and business scope, the Nykredit Realkredit Group is continuously involved in legal proceedings and litigation. 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 Realkredit Group's financial position.

Nykredit Bank A/S participates in the mandatory Danish deposit guarantee scheme, the Danish 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 from the winding-up of Danish banks, cf Bank Rescue Packages III and IV, 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%.

Nykredit Realkredit A/S has issued a letter of comfort stating that Nykredit Realkredit A/S will contribute capital to Nykredit Bank A/S to ensure that Nykredit Bank A/S's Tier 1 capital calculated according to the Basel II rules does not fall below 12-13%. However, Nykredit Realkredit A/S will not contribute capital to Nykredit Bank A/S if that will bring Nykredit Realkredit A/S's total capital ratio below the statutory capital requirement plus 0.5% or the internal capital adequacy requirement (ICAAP) plus 0.5%.

As mentioned in the Management's Review, Jyske Bank has instituted arbitration proceedings against Totalkredit. The background being that Jyske Bank disagrees with Totalkredit's stance that Jyske Bank exited the Totalkredit partnership when it acquired BRFkredit.

At 30 June 2014, Jyske Bank had referred customers to Totalkredit corresponding to lending of DKK 79bn. 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 84m if Jyske Bank had not exited the partnership.

Totalkredit still expects that the arbitration tribunal will find in its favour.

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 the interest, royalties or dividends of these companies as of 1 July 2012.

Nykredit Realkredit A/S is liable for the obligations of the pension fund in run-off Nykredits Afviklingspensionskasse (CVR no 24 25 62 19).

# Notes

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## 26. RELATED PARTY TRANSACTIONS AND BALANCES

Foreningen Nykredit, the Parent Company Nykredit Holding A/S, group enterprises and associates of Nykredit Realkredit A/S as stated in Group structure as well as Nykredit Realkredit A/S's Board of Directors, Executive Board and related parties thereof are regarded as related parties.

No unusual related party transactions occurred in H1/2014.

The companies have entered into various agreements as a natural part of the Group's day-to-day operations. The agreements typically involve finance, guarantees, referral commission, tasks relating to IT support and IT development projects, payroll and staff administration as well as other administrative tasks. Intercompany trade in goods and services took place on an arm's length or a cost reimbursement basis.

Significant related party transactions prevailing/entered into in H1/2014 include:

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

Nykredit Realkredit A/S has granted a loan to Totalkredit A/S serving as collateral in Totalkredit's capital centres. At 30 June 2014, the loan amounted to DKK 23.8bn.

An agreement has been made to hedge market risk relating to collateral, including investments, in Totalkredit's capital centres.

An agreement has been made 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).

Nykredit Realkredit A/S has granted loans of DKK 3,100m to Totalkredit A/S in the form of subordinated debt.



# Notes

DKK million

Nykredit Realkredit Group

## 27. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS

Financial instruments at fair value by measurement category (IFRS hierarchy)

30 June 2014

### Financial instruments in the form of assets:

#### Recognised as trading book:

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- reverse lending to credit institutions and central banks	-	19,805	-	19,805
- other reverse lending	-	45,328	-	45,328
- bonds at fair value	108,922	5,859	290	115,072
- equities measured at fair value through profit or loss	587	-	1,048	1,635
- positive fair value of derivative financial instruments	859	31,878	1,422	34,158

#### Recognised through the fair value option:

- mortgage loans, arrears and outlays	-	1,144,409	-	1,144,409
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#### Recognised as available for sale:

- equities available for sale	1,051	-	867	1,918
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<b>Total</b>	<b>111,419</b>	<b>1,247,279</b>	<b>3,627</b>	<b>1,362,325</b>
<b>Percentage</b>	<b>8.2</b>	<b>91.6</b>	<b>0.3</b>	<b>100</b>

### Financial instruments in the form of liabilities:

#### Recognised as trading book:

- repo transactions with credit institutions and central banks	-	36,234	-	36,234
- other non-derivative financial liabilities at fair value	13,979	27,236	-	41,214
- negative fair value of derivative financial instruments	758	30,330	330	31,417

#### Recognised through the fair value option:

- issued bonds at fair value	1,112,477	25,789	-	1,138,266
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<b>Total</b>	<b>1,127,213</b>	<b>119,588</b>	<b>330</b>	<b>1,247,131</b>
<b>Percentage</b>	<b>90.4</b>	<b>9.6</b>	<b>0.0</b>	<b>100</b>

### Financial instruments measured on the basis of unobservable inputs

#### Fair value, beginning of period, financial assets

Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	(81)
Realised capital gains and losses recognised in "Value adjustments" in the income statement	139
Unrealised capital gains and losses recognised in "Fair value adjustment of equities available for sale" in "Other comprehensive income"	24
Purchases for the period	38
Sales for the period	(147)
Redemptions for the period	(238)
Transferred to Listed prices and Observable inputs	(138)
Transferred from Listed prices and Observable inputs	385
<b>Fair value, end of period, financial assets</b>	<b>3,643</b>

#### Fair value, beginning of period, financial liabilities

Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	88
<b>Fair value, end of period, financial liabilities</b>	<b>330</b>

Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps adjusted for increased credit risk based on a credit value adjustment (CVA) model.

## Notes

DKK million

Nycredit Realkredit Group

## 27. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS (continued)

Financial instruments at fair value by measurement category (IFRS hierarchy)

31 December 2013

## Financial instruments in the form of assets:

## Recognised as trading book:

	Listed prices	Observable inputs	Unobservable inputs	Total fair value
- reverse lending to credit institutions and central banks	-	12,547	-	12,547
- other reverse lending	-	56,814	-	56,814
- bonds at fair value	78,059	11,535	496	90,091
- equities measured at fair value through profit or loss	399	-	1,011	1,410
- positive fair value of derivative financial instruments	509	25,993	1,294	27,796

## Recognised through the fair value option:

- mortgage loans, arrears and outlays	-	1,136,999	-	1,136,999
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## Recognised as available for sale:

- equities available for sale	618	-	842	1,460
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<b>Total</b>	<b>79,586</b>	<b>1,243,887</b>	<b>3,643</b>	<b>1,327,116</b>
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<b>Percentage</b>	<b>6.0</b>	<b>93.7</b>	<b>0.3</b>	<b>100</b>
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## Financial instruments in the form of liabilities:

## Recognised as trading book:

- repo transactions with credit institutions and central banks	-	31,800	-	31,800
- other non-derivative financial liabilities at fair value	8,745	18,513	-	27,258
- negative fair value of derivative financial instruments	545	25,331	242	26,118

## Recognised through the fair value option:

- issued bonds at fair value	1,107,501	22,519	-	1,130,020
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<b>Total</b>	<b>1,116,791</b>	<b>98,162</b>	<b>242</b>	<b>1,215,195</b>
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<b>Percentage</b>	<b>91.9</b>	<b>8.1</b>	<b>0.0</b>	<b>100</b>
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## Financial instruments measured on the basis of unobservable inputs

## Fair value, beginning of period, financial assets

	2,751
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	(1,154)
Realised capital gains and losses recognised in "Value adjustments" in the income statement	89
Unrealised capital gains and losses recognised in "Fair value adjustment of equities available for sale" in "Other comprehensive income"	(6)
Purchases for the period	828
Sales for the period	(603)
Redemptions for the period	(156)
Transferred to Listed prices and Observable inputs	(113)
Transferred from Listed prices and Observable inputs	2,006
<b>Fair value, end of period, financial assets</b>	<b>3,643</b>

## Fair value, beginning of period, financial liabilities

	166
Unrealised capital gains and losses recognised in "Value adjustments" in the income statement	76
<b>Fair value, end of period, financial liabilities</b>	<b>242</b>

Transfers from Observable inputs to Unobservable inputs consist of interest rate swaps adjusted for increased credit risk based on a credit value adjustment (CVA) model (DKK 1,823m) and of four untraded bonds (DKK 183m) for which measurement is subject to significant elements of unobservable inputs.

# Notes

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Nykredit Realkredit Group

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## 27. FAIR VALUE HIERARCHY FOR FINANCIAL INSTRUMENTS (continued)

### Listed prices

The Group'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 the use of generally accepted calculation methods as well as valuation and estimation techniques such as discounted cash flows and option models.

Observable inputs are typically yield curves, volatilities 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. Reverse lending and repo transactions as well as unlisted derivatives generally belong in this category.

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

In some cases, the markets, eg the bond market, have become inactive and illiquid. 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 discounting 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. The Group's unlisted equities are generally classified under this heading although measurement is based on the IPEV Valuation Guidelines.

Positive market values of a number of interest rate swaps with customers in Nykredit Bank's lowest rating categories have been adjusted for increased credit risk based on a CVA model. The model uses the statistical data applied by Nykredit Bank to calculate collective impairment provisions for loans and advances at amortised cost.

Measurement, notably of instruments classified as unobservable inputs, is subject to some uncertainty. Of total assets and liabilities, DKK 3,627m and DKK 330m, respectively, can be ascribed to this category. Assuming that actual transaction prices will deviate by +/- 10% from the calculated fair value, the earnings impact will be approximately DKK 396m.

## Notes

DKK million

Nykredit Realkredit Group	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012
<b>28. SEVEN-QUARTER FINANCIAL HIGHLIGHTS</b>							
<b>Core income from</b>							
Business operations	2,518	2,403	2,426	1,780	2,499	2,475	1,986
Securities	30	30	29	26	28	35	21
<b>Total</b>	<b>2,548</b>	<b>2,433</b>	<b>2,455</b>	<b>1,806</b>	<b>2,527</b>	<b>2,510</b>	<b>2,007</b>
Operating costs, depreciation and amortisation	1,304	1,274	1,816	1,356	1,422	1,454	1,507
<b>Core earnings before impairment losses</b>	<b>1,244</b>	<b>1,158</b>	<b>639</b>	<b>449</b>	<b>1,105</b>	<b>1,056</b>	<b>500</b>
Impairment losses on loans and advances	534	515	1,159	675	242	687	616
<b>Core earnings after impairment losses</b>	<b>710</b>	<b>643</b>	<b>(520)</b>	<b>(226)</b>	<b>863</b>	<b>370</b>	<b>(115)</b>
Investment portfolio income	253	349	493	394	331	669	155
<b>Profit (loss) before cost of capital</b>	<b>963</b>	<b>992</b>	<b>(27)</b>	<b>168</b>	<b>1,194</b>	<b>1,039</b>	<b>40</b>
Net interest on subordinated debt	(123)	(114)	(117)	(116)	(111)	(115)	(117)
<b>Profit (loss) before tax</b>	<b>841</b>	<b>878</b>	<b>(144)</b>	<b>52</b>	<b>1,083</b>	<b>923</b>	<b>(77)</b>
Tax	181	200	(29)	(48)	284	32	(106)
<b>Profit (loss) for the period</b>	<b>660</b>	<b>678</b>	<b>(115)</b>	<b>99</b>	<b>798</b>	<b>891</b>	<b>29</b>
<b>Other comprehensive income</b>							
Actuarial gains/losses on defined benefit plans	2	2	(14)	(8)	(3)	1	74
Value adjustment of strategic equities	16	157	65	66	89	146	(48)
Other adjustment of strategic equities	-	-	-	-	(89)	(620)	(122)
Fair value adjustment of owner-occupied properties	-	-	(4)	-	7	-	53
<b>Total other comprehensive income</b>	<b>18</b>	<b>159</b>	<b>47</b>	<b>58</b>	<b>4</b>	<b>(472)</b>	<b>(42)</b>
<b>Comprehensive income for the period</b>	<b>678</b>	<b>837</b>	<b>(69)</b>	<b>157</b>	<b>802</b>	<b>419</b>	<b>(13)</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>							
<b>Assets</b>	<b>30.06.2014</b>	<b>31.03.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>	<b>30.06.2013</b>	<b>31.03.2013</b>	<b>31.12.2012</b>
Cash balances and receivables from credit institutions and central banks	36,133	38,690	35,758	31,983	38,859	39,997	60,174
Mortgage loans at fair value	1,143,883	1,142,380	1,136,644	1,136,059	1,133,557	1,136,605	1,136,445
Bank loans – excluding reverse lending	46,908	48,078	46,963	49,130	50,354	50,192	49,728
Bonds and equities	118,624	110,300	92,961	75,521	70,579	73,391	82,413
Remaining assets	98,799	88,302	105,087	108,117	111,028	111,827	104,645
<b>Total assets</b>	<b>1,444,348</b>	<b>1,427,750</b>	<b>1,417,414</b>	<b>1,400,811</b>	<b>1,404,378</b>	<b>1,412,012</b>	<b>1,433,405</b>
<b>Liabilities and equity</b>							
Payables to credit institutions and central banks	49,656	49,174	44,393	55,974	49,319	49,486	67,539
Deposits and other payables	61,764	68,598	65,172	59,160	63,245	64,994	54,509
Issued bonds at fair value	1,138,266	1,130,708	1,130,020	1,088,084	1,086,408	1,101,262	1,103,818
Subordinated debt	15,243	10,913	10,964	11,028	11,085	11,184	11,281
Remaining liabilities	119,188	108,805	108,148	127,780	135,694	127,260	138,701
Equity	60,231	59,553	58,716	58,784	58,627	57,825	57,556
<b>Total liabilities and equity</b>	<b>1,444,348</b>	<b>1,427,750</b>	<b>1,417,414</b>	<b>1,400,811</b>	<b>1,404,378</b>	<b>1,412,012</b>	<b>1,433,405</b>
<b>FINANCIAL RATIOS</b>							
Profit (loss) for the period as % of average equity, pa	4.4	4.6	(0.8)	0.7	5.5	6.2	0.2
Core earnings before impairment losses as % of average equity pa	8.3	7.8	4.4	3.1	7.6	7.3	3.5
Core earnings after impairment losses as % of average equity pa	4.7	4.4	(3.5)	(1.5)	5.9	2.6	(0.8)
Total provisions for loan impairment and guarantees	8,771	8,535	8,456	7,741	7,325	7,380	7,094
Impairment losses for the period, %	0.04	0.04	0.09	0.05	0.02	0.06	0.05
Total capital ratio, %	19.3	18.3	18.9	20.4	20.0	19.1	19.1
Tier 1 capital ratio, %	18.1	18.3	18.9	20.4	20.0	19.1	19.1
Average number of full-time staff	4,001	4,027	4,052	4,042	4,049	4,059	4,115

## Notes

DKK million

Nykredit Realkredit Group	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012
<b>28. SEVEN-QUARTER FINANCIAL HIGHLIGHTS (continued)</b>							
Net interest income	2,652	2,859	2,800	2,656	2,382	2,487	2,697
Net fee income	60	(81)	(48)	90	14	(41)	60
<b>Net interest and fee income</b>	<b>2,712</b>	<b>2,778</b>	<b>2,752</b>	<b>2,746</b>	<b>2,396</b>	<b>2,446</b>	<b>2,758</b>
Value adjustments	(81)	(153)	30	(717)	294	543	(796)
Other operating income	46	43	47	52	55	56	67
Staff and administrative expenses	1,191	1,195	1,328	1,194	1,249	1,233	1,294
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	53	53	319	194	190	193	206
Other operating expenses	60	27	169	17	13	27	7
Impairment losses on loans, advances and receivables	534	515	1,159	675	242	687	616
Profit (loss) from investments in associates	4	(0)	2	52	31	18	17
<b>Profit (loss) before tax</b>	<b>841</b>	<b>878</b>	<b>(144)</b>	<b>52</b>	<b>1,083</b>	<b>923</b>	<b>(77)</b>
Tax	181	200	(29)	(48)	284	32	(106)
<b>Profit (loss) for the period</b>	<b>660</b>	<b>678</b>	<b>(115)</b>	<b>99</b>	<b>798</b>	<b>891</b>	<b>29</b>
<b>Other comprehensive income</b>							
Actuarial gains/losses on defined benefit plans	2	2	(14)	(8)	(3)	1	74
Value adjustment of strategic equities	16	157	65	66	89	146	(48)
Other adjustment of strategic equities	-	-	-	-	(89)	(620)	(122)
Fair value adjustment of owner-occupied properties	-	-	(4)	-	7	-	53
<b>Total other comprehensive income</b>	<b>18</b>	<b>159</b>	<b>47</b>	<b>58</b>	<b>4</b>	<b>(472)</b>	<b>(42)</b>
<b>Comprehensive income for the period</b>	<b>678</b>	<b>837</b>	<b>(69)</b>	<b>157</b>	<b>802</b>	<b>419</b>	<b>(13)</b>
<b>FINANCIAL RATIOS<sup>1</sup></b>							
Total capital ratio, %	19.3	18.3	18.9	20.4	20.0	19.1	19.1
Tier 1 capital ratio, %	18.1	18.3	18.9	20.4	20.0	19.1	19.1
Return on equity before tax, %	1.4	1.7	(0.1)	0.2	1.8	0.9	(0.4)
Return on equity after tax, %	1.1	1.4	(0.1)	0.3	1.4	0.7	(0.2)
Income:cost ratio	1.47	1.58	0.97	1.06	1.63	1.23	0.88
Foreign exchange position, %	1.2	1.8	1.6	1.0	0.4	0.8	0.6
Loans and advances:equity (loan gearing)	20.5	20.7	21.1	21.0	21.0	21.3	21.2
Growth in loans and advances for the period, %	0.1	(1.3)	0.4	0.5	0.9	0.7	0.1
Total impairment provisions, %	0.70	0.68	0.67	0.62	0.59	0.59	0.57
Impairment losses for the period, %	0.04	0.04	0.09	0.05	0.02	0.06	0.05

<sup>1</sup> Financial ratios are based on the Danish FSA's definitions and guidelines. As a result, the calculation of financial ratios is based on profit for the period including value and other adjustment of strategic equities. Definitions appear from note 51 in our Annual Report 2013.

## Notes

DKK million

Nykredit Realkredit A/S

	H1/2014	H1/2013	H1/2012	H1/2011	H1/2010
<b>29. FIVE-YEAR FINANCIAL HIGHLIGHTS</b>					
<b>SUMMARY INCOME STATEMENT</b>					
Net interest income	2,122	2,142	2,715	2,318	2,705
Net fee income	307	317	494	324	348
<b>Net interest and fee income</b>	<b>2,430</b>	<b>2,460</b>	<b>3,209</b>	<b>2,642</b>	<b>3,053</b>
Value adjustments	480	316	383	(507)	(439)
Other operating income	3	12	5	18	49
Staff and administrative expenses	1,164	1,286	1,212	1,443	1,158
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	88	366	351	330	324
Other operating expenses	53	3	0	0	2
Impairment losses on loans, advances and receivables	871	513	419	403	434
Profit from investments in associates and group enterprises	884	722	544	575	2,037
<b>Profit before tax</b>	<b>1,620</b>	<b>1,342</b>	<b>2,160</b>	<b>551</b>	<b>2,781</b>
Tax	109	126	389	(157)	175
<b>Profit for the period</b>	<b>1,511</b>	<b>1,216</b>	<b>1,771</b>	<b>708</b>	<b>2,607</b>
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>					
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	26,119	26,393	30,074	26,634	30,297
Mortgage loans at fair value	596,476	603,804	617,753	581,530	572,456
Totalkredit mortgage loan funding	527,157	489,751	459,795	382,442	366,284
Bonds and equities	34,492	16,780	53,524	57,751	67,488
Remaining assets	73,426	81,652	74,748	60,685	55,484
<b>Total assets</b>	<b>1,257,671</b>	<b>1,218,380</b>	<b>1,235,895</b>	<b>1,109,042</b>	<b>1,092,008</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	16,642	14,703	67,983	62,512	102,156
Issued bonds at fair value	1,142,266	1,109,237	1,073,781	949,479	891,684
Subordinated debt	15,056	10,859	11,015	10,678	14,644
Remaining liabilities	23,476	24,954	26,232	30,658	29,663
Equity	60,231	58,627	56,884	55,716	53,861
<b>Total liabilities and equity</b>	<b>1,257,671</b>	<b>1,218,380</b>	<b>1,235,895</b>	<b>1,109,042</b>	<b>1,092,008</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Other commitments	1,093	1,318	1,805	1,585	1,261
<b>FINANCIAL RATIOS<sup>1</sup></b>					
Total capital ratio, %	17.6	17.1	16.0	17.9	18.5
Tier 1 capital ratio, %	16.7	17.1	16.0	17.9	17.7
Return on equity before tax, %	2.7	2.3	3.9	1.0	5.3
Return on equity after tax, %	2.5	2.1	3.2	1.3	5.0
Income:cost ratio	1.74	1.62	2.09	1.25	2.45
Loans and advances:equity (loan gearing)	9.9	10.3	10.9	10.5	10.6
Growth in loans and advances for the period, %	(0.7)	(1.2)	1.7	1.7	2.5
Total impairment provisions, %	0.63	0.37	0.30	0.32	0.28
Impairment losses for the period, %	0.14	0.08	0.07	0.07	0.08
Return on capital employed, %	0.12	0.10	0.14	0.06	0.24

<sup>1</sup> Financial ratios are based on the Danish FSA's definitions and guidelines. Definitions appear from note 51 in our Annual Report 2013.

## Notes

DKK million

Nykredit Realkredit Group	H1/2014	H1/2013	H1/2012	H1/2011	H1/2010
<b>29. FIVE-YEAR FINANCIAL HIGHLIGHTS (continued)</b>					
<b>SUMMARY INCOME STATEMENT</b>					
Net interest income	5,511	4,869	5,348	4,944	5,532
Net fee income	(21)	(27)	266	167	319
<b>Net interest and fee income</b>	<b>5,490</b>	<b>4,842</b>	<b>5,614</b>	<b>5,111</b>	<b>5,851</b>
Value adjustments	(238)	838	215	(67)	(21)
Other operating income	89	111	106	111	89
Staff and administrative expenses	2,385	2,482	2,341	2,535	2,358
Depreciation, amortisation and impairment losses for property, plant and equipment as well as intangible assets	106	383	368	393	398
Other operating expenses	87	40	6	91	252
Impairment losses on loans, advances and receivables	1,049	929	991	745	1,246
Profit from investments in associates	4	49	9	10	3
<b>Profit before tax</b>	<b>1,719</b>	<b>2,006</b>	<b>2,238</b>	<b>1,402</b>	<b>1,667</b>
Tax	381	317	537	194	439
Profit from discontinued insurance operations	-	-	-	-	1,512
<b>Profit for the period</b>	<b>1,337</b>	<b>1,690</b>	<b>1,701</b>	<b>1,208</b>	<b>2,739</b>
Total value adjustment and reclassification of strategic equities against equity	173	(474)	70	(499)	(133)
<b>SUMMARY BALANCE SHEET, END OF PERIOD</b>					
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2012</b>	<b>30.06.2011</b>	<b>30.06.2010</b>
<b>Assets</b>					
Cash balances and receivables from credit institutions and central banks	36,133	38,859	61,440	36,779	46,137
Mortgage loans at fair value	1,143,883	1,133,557	1,120,214	1,040,134	1,022,068
Bank loans – excluding reverse lending	46,908	50,354	55,203	57,281	61,344
Bonds and equities	118,624	70,579	95,773	79,005	103,123
Remaining assets	98,799	111,028	101,002	62,665	77,407
<b>Total assets</b>	<b>1,444,348</b>	<b>1,404,378</b>	<b>1,433,632</b>	<b>1,275,864</b>	<b>1,310,079</b>
<b>Liabilities and equity</b>					
Payables to credit institutions and central banks	49,656	49,319	100,888	79,120	137,278
Deposits and other payables	61,764	63,245	55,281	51,875	57,225
Issued bonds at fair value	1,138,266	1,086,408	1,066,902	971,772	925,137
Subordinated debt	15,243	11,085	11,254	11,444	15,779
Remaining liabilities	119,188	135,694	142,423	105,938	120,893
Equity	60,231	58,627	56,884	55,716	53,861
<b>Total liabilities and equity</b>	<b>1,444,348</b>	<b>1,404,378</b>	<b>1,433,632</b>	<b>1,275,864</b>	<b>1,310,173</b>
<b>OFF-BALANCE SHEET ITEMS</b>					
Contingent liabilities	6,351	5,779	6,191	5,664	6,896
Other commitments	7,488	8,094	9,278	7,899	8,619
<b>FINANCIAL RATIOS</b>					
Total capital ratio, %	19.3	20.0	17.5	19.5	18.4
Tier 1 capital ratio, %	18.1	20.0	17.5	19.5	17.2
Return on equity before tax, %	3.2	2.7	4.1	1.4	5.7
Return on equity after tax, %	2.5	2.1	3.2	1.3	5.0
Income:cost ratio	1.52	1.41	1.63	1.20	1.35
Foreign exchange position, %	1.2	0.4	0.6	0.3	1.0
Loans and advances:equity (loan gearing)	20.5	21.0	21.2	20.0	20.4
Growth in loans and advances for the period, %	(1.2)	1.6	3.7	1.8	2.6
Total impairment provisions, %	0.70	0.59	0.58	0.70	0.90
Impairment losses for the period, %	0.08	0.07	0.08	0.07	0.11
Return on capital employed, %	0.09	0.12	0.12	0.09	0.21

## Notes

DKK million

## Nykredit Realkredit A/S

## 30. GROUP STRUCTURE

	Ownership interest as %, 30 June 2014	Profit for the period	Equity, 30 June 2014	Profit for 2013	Equity, 31 December 2013
<b>Name and registered office</b>					
Nykredit Realkredit A/S (Parent Company), Copenhagen, a)	-	1,511	60,231	1,331	58,716
Totalkredit A/S, Taastrup, a)	100	671	16,325	565	15,655
Nykredit Bank A/S, Copenhagen, b)	100	152	14,500	77	14,347
Nykredit Pantebrevsinvestering A/S, Copenhagen, c)	100	0	12	0	12
Nykredit Portefølje Administration A/S, Copenhagen, h)	100	33	356	64	323
Nykredit Leasing A/S, Gladsaxe, f)	100	18	224	46	206
FB Ejendomme A/S, Copenhagen, e)	100	0	4	0	4
Nykredit Mægler A/S, Århus, d)	100	12	111	28	129
Nykredit Ejendomme A/S, Copenhagen, e)	100	25	500	3	475
Ejendomsselskabet Kalvebod A/S, Copenhagen, i)	100	20	184	41	259
Kalvebod Ejendomme I A/S, Copenhagen, e)	100	15	105	33	91
Kalvebod Ejendomme II A/S, Copenhagen, e)	100	6	75	8	69
Nykredit Adm. V A/S, Copenhagen, g)	100	0	1	0	1

The group structure only includes significant subsidiaries. Financial information is provided in such order as the companies are recognised in the Consolidated Financial Statements.

	Number of staff	Revenue	Profit (loss) before tax	Tax	Government aid received
<b>Geographical distribution of activities</b>					
Denmark, names and activities appear from the Group structure	3,975	16,106	1,720	382	--
Poland, Nykredit Realkredit A/S S.A. Oddział w Polsce, branch, a)	12	3,200	1	(1)	-
Sweden, Nykredit Bank A/S, branch, b)	14	3	(2)	0	-

\* For companies preparing financial statements in accordance with the Danish Financial Business Act, revenue is defined as: Interest, fee and commission income and other operating income.

- a) Mortgage bank
- b) Bank
- c) Mortgage trading company
- d) Estate agency business
- e) Property company
- f) Leasing business
- g) No activity
- h) Investment management company
- i) Holding company, no independent activities

Nykredit Realkredit A/S is wholly owned by and consolidated with Nykredit Holding A/S, which is consolidated with Foreningen Nykredit.

The financial statements (in Danish) of Foreningen Nykredit and Nykredit Holding A/S are available from:

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V



# Capital adequacy

DKK million

Nykredit Realkredit A/S			Nykredit Realkredit Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
52,266	56,235	Common Equity Tier 1 (CET1) capital	56,219	54,666
10,444	7,515	Total Additional Tier 1 capital after deductions	8,405	10,678
62,710	63,750	Tier 1 capital	64,624	65,344
62,710	67,388	Own funds	68,952	65,344
367,905	380,876	Total risk exposure amount	356,385	345,963
14.2	14.7	CET1 capital ratio, %	15.7	15.8
17.0	16.7	Tier 1 capital ratio, %	18.1	18.9
17.0	17.6	Total capital ratio, %	19.3	18.9
Nykredit Bank Group			Nykredit Holding Group	
31.12.2013	30.06.2014		30.06.2014	31.12.2013
14,307	14,101	Common Equity Tier 1 (CET1) capital	56,197	54,695
250	200	Total Additional Tier 1 capital after deductions	8,405	10,678
14,557	14,301	Tier 1 capital	64,603	65,372
14,912	14,670	Own funds	68,931	65,372
88,709	91,155	Total risk exposure amount	356,480	346,316
16.1	15.4	CET1 capital ratio, %	15.7	15.8
16.4	15.6	Tier 1 capital ratio, %	18.1	18.9
16.8	16.0	Total capital ratio, %	19.3	18.9

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 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 are based on the then applicable rules of the Danish Financial Business Act. The layout has been adjusted to reflect the new presentation format.

*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.*