

To NASDAQ OMX Copenhagen A/S and the press

19 August 2014

H1 INTERIM REPORT 2014

Totalkredit A/S

(1 January – 30 June 2014)

H1 – in brief

- Profit before tax came to DKK 889m against DKK 296m in H1/2013
- Core income from business operations increased 51% to DKK 1,308m
- Net costs relating to supplementary collateral for SDO-funded lending dropped DKK 33m to DKK 118m
- Operating costs were DKK 199m against DKK 201m in H1/2013
 - Costs as a percentage of core income came to 16.8% compared with 27.9% in H1/2013
- Impairment losses on loans and advances were DKK 138m against DKK 245m in H1/2013
 - The decline was chiefly due to lower collective impairment provisions
- Investment portfolio income amounted to DKK 41m compared with DKK 21m in H1/2013
- At nominal value, the loan portfolio totalled DKK 533bn, which was unchanged from the beginning of the year
- Totalkredit's 37.5% share of Danish mortgage lending was unchanged from the beginning of the year.

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Financial highlights

DKK million

	H1/2014	H1/2013	FY 2013
Core earnings and results for the period			
Core income from			
- business operations	1,308	869	1,957
- junior covered bonds	(118)	(151)	(313)
- securities	(5)	3	(2)
Total	1,185	721	1,642
Operating costs, depreciation and amortisation	199	201	397
Core earnings before impairment losses	986	520	1,245
Impairment losses on loans and advances	138	245	567
Core earnings after impairment losses	848	275	678
Investment portfolio income	41	21	76
Profit before tax	889	296	754
Tax	218	74	189
Profit for the period	671	222	565
Summary balance sheet, end of period			
	30.06.2014	30.06.2013	31.12.2013
Assets			
Receivables from credit institutions	15,677	14,559	16,263
Mortgage loans at fair value	548,474	531,185	540,670
Bonds at fair value	53,325	50,393	79,357
Remaining assets	3,506	3,577	3,534
Total assets	620,982	599,714	639,824
Liabilities and equity			
Payables to credit institutions	551,044	521,723	565,734
Issued bonds at fair value	43,079	52,371	46,568
Subordinated debt – Tier 2 capital	3,100	3,100	3,100
Remaining liabilities	7,434	7,209	8,767
Equity	16,325	15,311	15,655
Total liabilities and equity	620,982	599,714	639,824
Financial ratios			
Profit for the period as % of average equity pa	8.4	2.9	3.7
Core earnings before impairment losses as % of average equity pa	12.3	6.8	8.1
Costs as % of core income	16.8	27.9	24.2
Impairment losses for the period, %	0.03	0.05	0.11
Total capital ratio, %	20.4	21.9	21.3
Common Equity Tier 1 (CET1) capital ratio, %	17.8	18.3	17.8
Internal capital adequacy requirement, %	10.2	10.4	10.2



H1 Interim Report 2014

Totalkredit posted a profit before tax of DKK 889m against DKK 296m in the same period last year. Profit after tax came to DKK 671m.

Results for H1/2014 included growth in income from business operations as well as reduced impairment losses on loans and advances.

Core earnings before impairment losses

Core income from business operations amounted to DKK 1,308m against DKK 869m in H1/2013. This was spurred by higher administration margin income as well as reduced commission expenses as a result of Jyske Bank's exit from the Totalkredit partnership.

Administration margin income was up DKK 534m on the same period last year, whereas activity-specific income dropped by DKK 32m owing to lower lending activity. Commission expenses grew by DKK 91m.

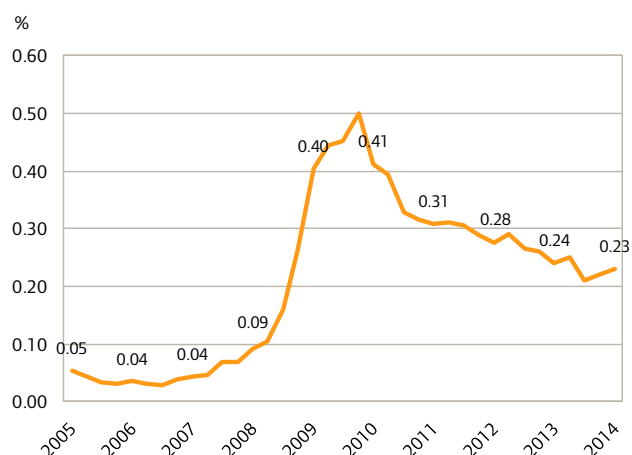
Net interest expenses for junior covered bonds came to DKK 118m against DKK 151m in H1/2013.

Core income from securities was a loss of DKK 5m against income of DKK 3m in the same period last year. Core income from securities further included interest expenses of DKK 25m relating to Tier 2 capital.

Operating costs came to DKK 199m, marginally down on the same period last year.

Core earnings before impairment losses came to DKK 986m against DKK 520m in H1/2013.

Arrears ratio, mortgage lending – 75 days past due



Impairment losses on loans and advances

Impairment losses on loans and advances totalled DKK 138m against DKK 245m in the same period last year. In H1/2014, impairment losses equalled 0.03% of lending compared with 0.05% in H1/2013. The decline was chiefly due to lower collective impairment provisions.

Write-offs for the period totalled DKK 276m, of which DKK 124m was covered by the partner banks by set-off against commission payable or by guarantee.

Impairment provisions totalled DKK 1,149m against DKK 1,174m at the beginning of the year. Total impairment provisions equalled 0.21% of lending.

Individual impairment provisions stood at DKK 480m and collective impairment provisions at DKK 669m.

The arrears ratio measured as at the March due date, 75 days past due, was 0.23%, which was also the level of the previous due date.

In H1/2014, 66 properties were acquired by public auction and 50 properties were sold. At end-H1/2014, the portfolio of repossessed properties stood at 63 against 47 at the beginning of the year.

Investment portfolio income

Investment portfolio income was DKK 41m against DKK 21m in the same period last year.

Loans and advances

Gross new lending came to DKK 29bn against DKK 37bn in H1/2013.

At nominal value, the loan portfolio totalled DKK 533bn, which was unchanged from the beginning of the year.

Measured by the loan portfolio, Totalkredit's market share was 37.5% at end-H1/2014.

Loan-to-value ratios (LTVs)

The average LTV ratio of the loan portfolio, determined as the top part of the loan amount for each property, was 77% at end-H1/2014.

For the part of the loan portfolio funded by SDOs (Danish covered bonds) and for which LTV ratios exceed the statutory LTV limits of 80% for private residential property and 60% for holiday homes, supplementary collateral must be provided to bondholders. The supplementary collateral requirement averaged DKK 26.7bn in H1/2014.

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



Balance sheet

At end-H1/2014, the balance sheet stood at DKK 621bn against DKK 640bn at the beginning of the year.

Assets essentially consisted of three items: receivables from credit institutions of DKK 16bn, mortgage lending of DKK 549bn and a bond portfolio of DKK 53bn.

Liabilities essentially consisted of payables to the Parent Company, Nykredit Realkredit A/S, totalling DKK 551bn, of which DKK 527bn related to the funding of mortgage loans and DKK 24bn related to supplementary collateral for SDO-funded lending.

At end-H1/2014, Totalkredit had issued own bonds of DKK 53bn.

Equity including profit for the period totalled DKK 16.3bn at end-H1/2014.

Capital and capital adequacy

Own funds (previously referred to as the capital base) stood at DKK 18.6bn, and the risk exposure amount (REA) (previously referred to as risk-weighted assets) totalled DKK 91.0bn, corresponding to a total capital ratio of 20.4%.

The Common Equity Tier 1 (CET1) capital came to DKK 16.2bn, corresponding to a CET1 capital ratio of 17.8% at end-H1/2014.

Under the Basel I transitional rules, REA came to DKK 218.0bn, equal to a total capital ratio of at least 19.1%. The Basel I transitional rules have been extended to 2015 inclusive, but are expected to be further extended to 2019, at which time the new capital requirements will be fully implemented.

Totalkredit			
Capital and capital adequacy			
DKK million	30.06.2014	2013	2012
Credit risk	85,447	82,155	73,050
Market risk	2,513	2,476	5,248
Operational risk	3,049	3,077	3,316
Total REA¹	91,008	87,708	81,614
Equity	16,325	15,655	15,090
CET1 capital deductions	(115)	(34)	(37)
CET1 capital	16,210	15,621	15,052
Tier 2 capital	2,480	3,100	3,100
Tier 2 deductions	(44)	(32)	(35)
Own funds	18,646	18,689	18,117
CET1 capital ratio, %	17.8	17.8	18.4
Total capital ratio, %	20.4	21.3	22.2
Internal capital adequacy requirement (Pillar I and Pillar II),%	10.2	10.2	10.6

¹ 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 218bn, or 19.2%.

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

The internal capital adequacy requirement (ICAAP) is calculated on the basis of the required own funds (previously referred to as the required capital base), which is the minimum capital required, in Management's judgement, to cover all significant risks. At end-H1/2014, required own funds totalled DKK 9.3bn, equal to an internal capital adequacy requirement of 10.2%.

Credit ratings

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

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



Other

Totalkredit partnership strengthened

Totalkredit and its partner banks have strengthened their partnership through new agreements on secured homeowner loans and one-tier mortgaging. As a result, the product range now includes products the partner banks have requested for their customers.

Jyske Bank's exit from Totalkredit partnership

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

In June Jyske Bank instituted arbitration proceedings to determine the final terms for its exit from the Totalkredit partnership.

In March Jyske Bank had referred customers to Totalkredit corresponding to lending of DKK 82bn. 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.

Totalkredit still expects that Jyske Bank will encourage the refinancing of the majority of the loans into loans granted directly by Jyske Bank or one of its group's companies.

For the full year 2014, the net impact of the changed contractual terms, including an expected additional decline in the loan portfolio, and refinancing volumes is estimated to be a DKK 150m rise in Totalkredit's profit.

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

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

Uncertainty as to recognition and measurement

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

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

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

Outlook for 2014

Core earnings after impairment losses for the full year are expected to be around DKK 1,400m-1,600m.

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

Events occurred after the end of the financial period

No material events have occurred in the period from the balance sheet date up to the presentation of the H1 Interim Report that may affect the assessment of the Interim Report.

Accounting policies

The H1 Interim Report 2014 has been prepared in accordance with the Danish Financial Business Act and the FSA Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

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

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

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



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

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

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

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

Copenhagen, 19 August 2014

Executive Board

Troels Bülow-Olsen

Allan Rømer

We are of the opinion that the Interim Financial Statements give a fair presentation of the Company's assets, liabilities, equity and financial position at 30 June 2014 and of the results of the Company's operations and 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 Company as well as a description of the material risk and uncertainty factors which may affect the Company.

The Interim Report has not been audited or reviewed.

Board of Directors

Michael Rasmussen,
Chairman

Claus E. Petersen,
Deputy Chairman

Jette Alsig Bargholz

Petter Blondeau

Kim Duus

Karen Frøsig

Søren Holm

Michael Holm Jensen

Jari Loch Jensen

Gert Jonassen

Merete Nilausen

Bente Overgaard



Statements of income and comprehensive income for 1 January – 30 June

DKK million

	Note	H1/2014	H1/2013
INCOME STATEMENT			
Interest income	1	8,637	8,211
Interest expenses	2	6,501	6,644
Net interest income		2,136	1,567
Fee and commission income	3	146	178
Fee and commission expenses	4	1,001	946
Net interest and fee income		1,280	799
Value adjustments	5	(54)	(58)
Other operating income		0	0
Staff and administrative expenses	6	199	201
Depreciation and impairment losses for property, plant and equipment		0	0
Impairment losses on loans, advances and receivables	7	138	245
Profit before tax		889	296
Tax		218	74
Profit for the period		671	222
STATEMENT OF COMPREHENSIVE INCOME			
Comprehensive income			
Profit for the period		671	222
Other comprehensive income		-	-
Comprehensive income for the period		671	222



Balance sheet at 30 June

DKK million

	Note	30.06.2014	31.12.2013
ASSETS			
Cash balances and demand deposits with central banks		0	0
Receivables from credit institutions and central banks	8	15,677	16,263
Loans, advances and other receivables at fair value	9	548,619	540,751
Loans, advances and other receivables at amortised cost	9	36	36
Bonds at fair value	10	53,325	79,357
Other property, plant and equipment		-	0
Current tax assets		-	38
Deferred tax assets		2	2
Assets in temporary possession	11	41	28
Other assets	12	3,274	3,342
Prepayments		9	7
Total assets		620,982	639,824
LIABILITIES AND EQUITY			
Payables to credit institutions	13	551,044	565,734
Issued bonds at fair value	14	43,079	46,568
Current tax liabilities		129	-
Other liabilities	15	7,300	8,762
Total payables		601,552	621,064
Provisions		6	6
Subordinated debt – Tier 2 capital	16	3,100	3,100
Equity			
Share capital		848	848
Reserves			
Series reserves		1,646	1,646
Other reserves		13,161	13,161
Retained earnings for the period		671	-
Total equity		16,325	15,655
Total liabilities and equity		620,982	639,824
OFF-BALANCE SHEET ITEMS			
Guarantees	17	0	0
Other commitments		10	10
Total		10	10



Statement of changes in equity for 1 January – 30 June

DKK million

	Share capital	Series reserves	Other reserves	Total
Equity, 1 January 2014	848	1,646	13,161	15,655
Profit for the period	-	-	671	671
Total comprehensive income for the period	-	-	671	671
Equity, 30 June 2014	848	1,646	13,831	16,325
Equity, 1 January 2013	848	1,646	12,596	15,090
Profit for the period	-	-	222	222
Total comprehensive income for the period	-	-	222	222
Equity, 30 June 2013	848	1,646	12,818	15,311

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

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



Cash flow statement for 1 January – 30 June

DKK million

	30.06.2014	30.06.2013
Profit after tax for the period	671	222
Adjustment for non-cash operating items, depreciation and impairment losses		
Depreciation and impairment losses for property, plant and equipment	0	0
Impairment losses on loans and advances	138	245
Prepayments/deferred income, net	(2)	(7)
Tax calculated on profit for the period	218	74
Other adjustments	(13)	9
Total	341	321
Profit for the period adjusted for non-cash operating items	1,012	543
Change in working capital		
Loans and advances	(8,006)	(8,516)
Deposits and payables to credit institutions	(14,691)	(25,289)
Issued covered bonds	(3,489)	(6,145)
Other working capital	(1,393)	(1,791)
Total	(27,579)	(41,741)
Corporation tax paid, net	(51)	(26)
Cash flows from operating activities	(26,618)	(41,224)
Cash flows from investing and financing activities		
Investments	26,033	34,841
Total	26,033	34,841
Total cash flows	(585)	(6,383)
Cash and cash equivalents, beginning of period	16,263	20,942
Cash and cash equivalents, end of period	15,677	14,559



Notes

DKK million

	H1/2014	H1/2013
1. INTEREST INCOME		
Receivables from credit institutions	10	15
Loans, advances and other receivables	6,246	6,313
Administration margin (income)	2,062	1,528
Bonds:		
- Self-issued covered bonds	10	4
- Other covered bonds	294	346
Derivative financial instruments		
- Interest rate contracts	25	9
Total	8,647	8,215
Interest from self-issued covered bonds has been offset against interest expenses – note 2	(10)	(4)
Total	8,637	8,211
2. INTEREST EXPENSES		
Nykredit Realkredit A/S mortgage loan funding	5,728	5,662
Issued bonds	506	638
Other payables to Nykredit Realkredit A/S	251	323
Subordinated debt	25	25
Other interest expenses	0	0
Total	6,510	6,648
Set-off of interest from self-issued covered bonds – note 1	(10)	(4)
Total	6,501	6,644
3. FEE AND COMMISSION INCOME		
Loan fees, new lending	87	114
Trading commission and other fees	59	64
Total	146	178
4. FEE AND COMMISSION EXPENSES		
Loan arrangement fees	70	92
Commission to loan arrangers	872	781
Trading commission and other fees	59	73
Total	1,001	946
5. VALUE ADJUSTMENTS		
Mortgage loans	7,090	(3,715)
Bonds	(19)	(167)
Foreign exchange, interest rate and other contracts as well as derivative financial instruments	63	132
Other liabilities	(99)	(23)
Issued bonds, including bonds issued by Nykredit Realkredit A/S in connection with the funding of mortgage loans granted by Totalkredit A/S	(7,089)	3,715
Total	(54)	(58)



Notes

DKK million

	H1/2014	H1/2013
6. STAFF AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board	3	3
Staff expenses	41	40
Administrative expenses	155	157
Total	199	200
Remuneration of Board of Directors and Executive Board		
Board of Directors:		
Remuneration	0	0
Executive Board:		
Salaries	3	2
Pensions	0	0
Other social security expenses and charges	0	0
Total	3	2
Staff expenses:		
Salaries	33	32
Pensions	4	3
Other social security expenses and charges	4	5
Total	41	40
Number of staff		
Average number of staff, full-time equivalents	126	129
7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES		
Change in individual impairment provisions for loans and advances	232	187
Change in collective impairment provisions for loans and advances	(34)	80
Write-offs for the period, net	47	117
Recoveries on claims previously written off	(4)	(2)
Total impairment losses on loans, advances and receivables	241	382
Value adjustment of assets in temporary possession	21	5
Losses covered by security from partner banks	(124)	(142)
Total	138	245
Specification of provisions for loan impairment		
Individual impairment provisions	480	445
Collective impairment provisions	669	526
Total impairment provisions	1,149	971
Individual impairment provisions		
Impairment provisions, beginning of period	472	458
Impairment provisions for the period	327	295
Impairment provisions reversed	(95)	(108)
Value adjustment of repossessed properties	(35)	(30)
Impairment provisions written off	(189)	(169)
Impairment provisions, end of period	480	445
Collective impairment provisions		
Impairment provisions, beginning of period	702	446
Impairment provisions for the period, net	(33)	80
Impairment provisions, end of period	669	526



Notes

DKK million

	H1/2014	H1/2013
7. IMPAIRMENT LOSSES ON LOANS, ADVANCES AND RECEIVABLES (continued)		
Individual impairment provisions for repossessed properties		
Impairment provisions, beginning of period	104	128
Transfer from non-repossessed properties	35	30
Impairment provisions for the period	24	34
Impairment provisions reversed	(3)	(29)
Impairment provisions written off	(40)	(22)
Impairment provisions, end of period	120	141
Specification of loans and advances		
Loans and advances subject to individual impairment	2,156	2,191
Impairment provisions	(480)	(445)
Loans and advances after impairment provisions	1,676	1,746
Loans and advances subject to collective impairment	30,213	25,990
Impairment provisions	(669)	(526)
Loans and advances after impairment provisions	29,544	25,464



Notes

DKK million

	30.06.2014	31.12.2013
8. RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS		
Receivables from credit institutions	15,677	16,263
Total	15,677	16,263
9. LOANS AND ADVANCES		
Loans, advances and other receivables at fair value	548,619	540,751
Loans, advances and other receivables at amortised cost	36	36
Total	548,655	540,787
Loans, advances and other receivables at fair value		
Mortgage loans	548,447	540,643
Receivables from lending secured on non-repossessed properties	172	108
Total	548,619	540,751
Mortgage loans		
Balance, beginning of period, nominal value	532,487	509,915
New loans	28,737	71,694
Ordinary principal payments	(3,451)	(6,113)
Prepayments and extraordinary principal payments	(24,666)	(43,009)
Balance, end of period, nominal value	533,107	532,487
Loans transferred relating to properties in temporary possession	(37)	(49)
Fair value adjustment	16,392	9,285
Adjustment for credit risk		
Individual impairment provisions	(347)	(378)
Collective impairment provisions	(669)	(702)
Balance, end of period, fair value	548,447	540,643
Receivables from lending secured on non-repossessed properties		
Arrears before impairment provisions	111	111
Outlays before impairment provisions	195	91
Provisions for arrears and outlays	(133)	(94)
Total	172	108
Loans, advances and other receivables at amortised cost		
Mortgage loans	27	27
Other loans and advances	9	9
Total	36	36
Measured at fair value, the item amounted to DKK 36m at end-H1/2014 and DKK 36m at end-2013.		
Mortgage loan guarantees provided by banks:		
Supplementary guarantees in addition to mortgages over real estate	8,149	8,126
Statutory guarantees for interim loans	10,181	10,240
Guarantees for loans disbursed before obtaining a registered mortgage	10,521	9,992
Total	28,851	28,358



Notes

DKK million

	30.06.2014	31.12.2013
10. BONDS AT FAIR VALUE		
- Self-issued covered bonds	2,258	2,293
- Other covered bonds	53,325	79,357
Total	55,583	81,650
Set-off against "Issued bonds at fair value" – note 14	(2,258)	(2,293)
Total bonds	53,325	79,357
Of which:		
Redeemed bonds	132	130
11. ASSETS IN TEMPORARY POSSESSION		
Debt outstanding, end of period	13	22
Outlays	88	49
Impairment provisions, end of period	(60)	(43)
Total	41	28
12. OTHER ASSETS		
Positive market value of derivative financial instruments	125	166
Interest and commission receivable on loans and advances	2,585	2,051
Interest receivable from bonds and credit institutions	521	1,082
Other assets	43	43
Total	3,274	3,342
13. PAYABLES TO CREDIT INSTITUTIONS		
Payables to credit institutions, other payables	37	39
Payables to Nykredit Realkredit A/S concerning supplementary collateral for SDO-funded mortgage lending	23,823	27,129
Mortgage loan funding through Nykredit Realkredit A/S	527,184	538,567
Total	551,044	565,735
Of which mortgage loan funding through Nykredit Realkredit A/S		
Balance, beginning of period, nominal value	531,233	509,138
Additions	81,492	211,655
Redemptions and prepayments	(96,952)	(183,762)
Prepayments and extraordinary principal payments	(2,837)	(5,798)
Balance, end of period, nominal value	512,936	531,233
Fair value adjustment	14,248	7,334
Total	527,184	538,567
14. ISSUED BONDS AT FAIR VALUE		
Covered bonds issued against mortgages over real estate		
Balance, beginning of period, nominal value	46,909	56,366
Additions	-	-
Redemptions and prepayments	(2,834)	(7,472)
Prepayments and extraordinary principal payments	(881)	(1,985)
Balance, end of period	43,194	46,909
Set-off of self-issued bonds	(2,258)	(2,293)
Fair value adjustment	2,143	1,952
Total	43,079	46,568
Bonds redeemed at next creditor payment date	1,465	1,254



Notes

DKK million

	30.06.2014	31.12.2013
15. OTHER LIABILITIES		
Interest payable on issued covered bonds, including bonds issued by Nykredit Realkredit A/S for the funding of mortgage lending by Totalkredit A/S	5,549	7,104
Negative market value of derivative financial instruments	100	168
Other liabilities	1,651	1,490
Total	7,300	8,762
16. SUBORDINATED DEBT		
Subordinated debt consists of financial liabilities in the form of subordinate loan capital which, in case of voluntary or compulsory liquidation, will not be repaid until the claims of ordinary creditors have been met. Nykredit Realkredit A/S is creditor on the loans. Subordinated debt is included in Totalkredit's own funds in accordance with the EU's Capital Requirements Regulation (CRR).		
Nom DKK 2,600m. The loan falls due at par (100) on 24 June 2018 and carries an interest rate of 0.45% pa above 3M Cibur.		
Nom DKK 500m. The loan falls due at par (100) on 1 December 2018 and carries an interest rate of 6.00% pa above 3M Cibur.		
Measured at fair value, the two loans total DKK 3,100m.		
17. OFF-BALANCE SHEET ITEMS		
Guarantees		
Financial guarantees	0	0
Total guarantees	0	0
Other commitments		
Other liabilities	10	10
Total other commitments	10	10
Total off-balance sheet items	10	10
Other contingent liabilities		
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 opinion that Jyske Bank exited the Totalkredit partnership when it purchased 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 believes that the arbitration tribunal will find in its favour.		



Notes

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

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

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

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

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

Agreement on joint funding of mortgage lending.

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

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

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

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



Capital and capital adequacy

DKK million

	30.06.2014	31.12.2013
Own funds		
Equity, end of period	16,325	15,655
Difference between expected losses and impairment losses	(186)	(32)
Other deductions	(78)	(2)
Transitional adjustment of deductions	149	-
Common Equity Tier 1 (CET1) capital	16,210	15,621
Transitional adjustment of deductions		-
Set-off of excess deduction		-
Tier 2 capital (incl transitional adjustments)	2,480	3,100
Tier 2 deductions	(44)	(32)
Own funds	18,646	18,689
Capital requirement		
Credit risk	6,836	6,573
Market risk	201	198
Operational risk	244	246
Total capital requirement¹	7,281	7,017
Total risk exposure amount (REA)	91,008	87,708
Total REA subject to transitional rule	218,008	215,043
Financial ratios		
CET1 capital ratio, %	17.8	17.8
Total capital ratio, %	20.4	21.3
¹ The capital requirement is determined subject to a transitional rule in accordance with the transitional provisions of the EU's Capital Requirements Regulation (CRR). The capital requirement must constitute at least 80% of the capital requirement determined under Basel I. At end-H1/2014, the capital requirement under the transitional rules was DKK 17.4bn.		
Required own funds and internal capital adequacy requirement		
Pillar I – primary risks		
Credit risk	6,836	6,806
Market risk	201	239
Operational risk	244	183
Total Pillar I	7,281	7,227
Pillar II – other risks		
Weaker economic climate	1,184	904
Other factors	846	813
Total Pillar II	2,030	1,717
Total required own funds	9,311	8,945
Total risk exposure amount	91,008	87,708
Internal capital adequacy requirement (ICAAP), %	10.2	10.2
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 were based on the then applicable rules of the Danish Financial Business Act. The layout has been adjusted to reflect the new presentation format.		



Five-year financial highlights

DKK million

	H1/2014	H1/2013	H1/2012	H1/2011	H1/2010
INCOME STATEMENT					
Net interest income	2,136	1,567	1,488	1,346	1,406
Net fee income	(856)	(768)	(578)	(553)	(470)
Net interest and fee income	1,280	799	910	793	936
Value adjustments	(54)	(58)	(40)	(97)	(18)
Other operating income	0	0	1	0	1
Staff and administrative expenses	199	201	196	186	223
Depreciation and impairment losses for property, plant and equipment	0	0	0	0	0
Impairment losses on loans, advances and receivables	138	245	331	139	56
Profit before tax	889	296	344	371	640
Tax	218	74	86	93	160
Profit for the period	671	222	258	278	480
SUMMARY BALANCE SHEET, END OF PERIOD					
	30.06.2014	30.06.2013	30.06.2012	30.06.2011	30.06.2010
ASSETS					
Receivables from credit institutions	15,677	14,559	23,288	8,871	14,201
Mortgage loans	548,474	531,185	503,733	459,243	450,279
Bonds at fair value	53,325	50,393	45,890	26,220	29,740
Remaining assets	3,506	3,577	4,217	4,060	3,677
Total assets	620,982	599,714	577,128	498,394	497,897
LIABILITIES AND EQUITY					
Payables to credit institutions	551,044	521,723	482,187	392,783	373,845
Issued bonds	43,079	52,371	67,368	80,735	99,296
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	2,600	2,600
Remaining liabilities	7,434	7,209	9,647	8,742	9,307
Equity	16,325	15,311	14,826	13,534	12,849
Total liabilities and equity	620,982	599,714	577,128	498,394	497,897
FINANCIAL RATIOS					
Profit for the period as % of average equity	4.2	1.5	1.8	2.1	3.8
Profit before tax for the period as % of average equity	5.6	1.9	2.4	2.8	5.1
Loans and advances:equity	33.6	34.7	34.0	33.9	35.0
Growth in loans and advances for the period, %	0.12	2.4	4.7	1.8	4.6
Impairment losses for the period, %	0.03	0.05	0.07	0.03	0.01
Total capital ratio, %	20.4	21.9	19.7	22.8	25.5
CET1 capital ratio, %	17.8	18.3	16.4	19.3	21.3
Average number of full-time staff	126	129	118	121	122



Six-quarter financial highlights

DKK million

	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
CORE EARNINGS AND RESULTS FOR THE PERIOD						
Core income from						
- business operations	669	639	618	470	406	463
- junior covered bonds	(59)	(59)	(79)	(83)	(78)	(73)
- securities	(3)	(2)	(2)	(3)	0	3
Total	607	578	537	384	328	393
Operating costs, depreciation and amortisation	104	95	104	92	106	95
Core earnings before impairment losses	503	483	433	292	222	298
Impairment losses on loans and advances	120	18	232	90	122	123
Core earnings after impairment losses	383	465	201	202	100	175
Investment portfolio income	18	23	7	48	18	3
Profit before tax	402	487	208	250	118	178
Tax	99	119	52	63	29	45
Profit for the period	303	368	156	187	89	133
SUMMARY BALANCE SHEET, END OF PERIOD						
	30.06.2014	31.03.2014	31.12.2013	30.09.2013	30.06.2013	31.03.2013
ASSETS						
Receivables from credit institutions	15,677	17,672	16,263	17,913	14,559	16,718
Mortgage loans	548,474	544,361	540,670	535,768	531,185	528,658
Bonds at fair value	53,325	92,539	79,357	109,151	50,393	99,557
Remaining assets	3,506	2,971	3,534	4,246	3,577	3,045
Total assets	620,982	657,543	639,824	667,078	599,714	647,978
LIABILITIES AND EQUITY						
Payables to credit institutions	551,044	585,452	565,734	590,041	521,723	566,943
Issued bonds	43,079	44,993	46,568	48,603	52,371	54,799
Subordinated debt – Tier 2 capital	3,100	3,100	3,100	3,100	3,100	3,100
Remaining liabilities	7,434	7,976	8,767	9,836	7,209	7,913
Equity	16,325	16,022	15,655	15,498	15,311	15,223
Total liabilities and equity	620,982	657,543	639,824	667,078	599,714	647,978
FINANCIAL RATIOS						
Profit for the period as % of average equity pa	7.5	9.3	4.0	4.8	2.3	3.5
Core earnings after impairment losses as % of average equity pa	9.5	11.7	5.2	5.3	2.6	4.6
Costs as % of core income	17.1	16.5	19.4	24.0	32.4	24.2
Impairment losses for the period, %	0.02	0.00	0.05	0.02	0.02	0.02
Total capital ratio, %	20.4	19.3	21.3	21.9	21.9	21.1
CET1 capital ratio, %	17.8	16.8	17.8	18.3	18.3	17.6

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.