2025

Danish Covered Bonds

Nykredit markets

Nykredit A/S
CVR-nr. 12 71 92 48

Sundkrogsgade 25
2150 Nordhavn

Tlf. 70 10 90 00
nykredit.dk

Contents

Introduction

Nykredit Markets maintains a strong focus on the Nordics, our core market, and we are pleased to present our *Covered Bonds Handbook 2025* focused on the Danish covered bond market. With roughly EUR 430bn (DKK 3,220bn) outstanding, Denmark is the world's largest covered mortgage bond market.

The market combines a 225-year track record with exceptional transparency. Covered bonds issued by the five main issuers, representing about 98% of the outstanding volume, are all rated AAA by S&P.

This handbook provides the relevant information to assess Danish covered bonds. It opens with Denmark's macroeconomic and housing fundamentals; sets out market structure and legislation; and gives a market overview covering segments and issuance mechanics. We then offer segment deep-dives, highlighting characteristics, dynamics, and key investment considerations, before introducing the issuer landscape and presenting the issuer profiles.

For questions — or to discuss opportunities — please contact Nykredit Markets.

Nykredit Markets
Copenhagen, August 2025

Nykredit Markets Contact Information

Research

Jacob Skinhøj
Head of Fixed Income Research
jsi@nykredit.dk, +45 44 55 11 27

Peter Eibye Bache
Fixed Income Research
pbac@nykredit.dk, +45 44 55 13 63

Palle Sørensen
Macro and Strategy
pls@nykredit.dk, +45 44 55 25 20

Svend Greniman Andersen
Macro and Strategy
svga@nykredit.dk, +45 44 55 18 12

Sales

Michael Veller-Villadsen
Head of Sales and Research
mvv@nykredit.dk, +45 44 55 13 07

Björn Marcel Peters
Fixed Income Sales
bjp@nykredit.dk, +45 44 55 13 40

Danish Economy

Key Takeaways

- Robust and well-diversified, AAA rated economy.
- Healthy public finances and strong fiscal discipline.
- Despite high debt levels, households have substantial net wealth.

Stable AAA Outlook

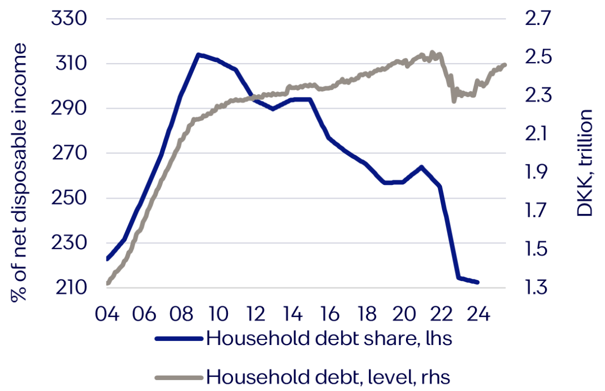
Denmark is one of only ten countries rated AAA by all of the three largest credit rating agencies.

Danish public finances are healthy, and the country has a long-standing track record of long-term fiscal planning spanning multiple governments across several political parties. Long-term fiscal sustainability has been ensured mainly as a result of past pension reforms linking the retirement age to life expectancy. On top of this, Denmark receives its top rating based on its diversified production structure, a stable and consensus-based political environment, high labour market participation rates, a generally high educational attainment level, banks' strong capital buffers, and a flexible labour market combined with a generous social welfare system.

Danish Households are Financially Robust

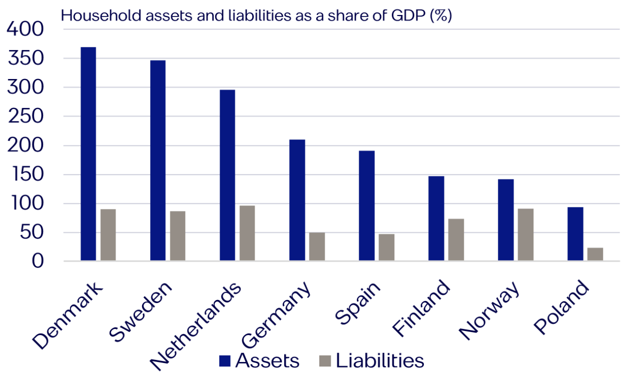
Danish households have considerable financial wealth. Financial assets total almost DKK 10,222bn, equivalent to 358% of GDP (in 2023) or DKK 3.6m per household. Including housing wealth (2022 data), total wealth stands at DKK 5.3m per household. The high wealth reflects a well-developed pension system. Both asset and debt levels are high relative to other advanced countries. Debt represents some 92% of GDP. Among financial assets, pension savings and shares constitute the main part.

Danish Households Have Reduced Their Debt Share



Source: Macrobond, Nykredit Markets

Household Debt is Matched by High Wealth



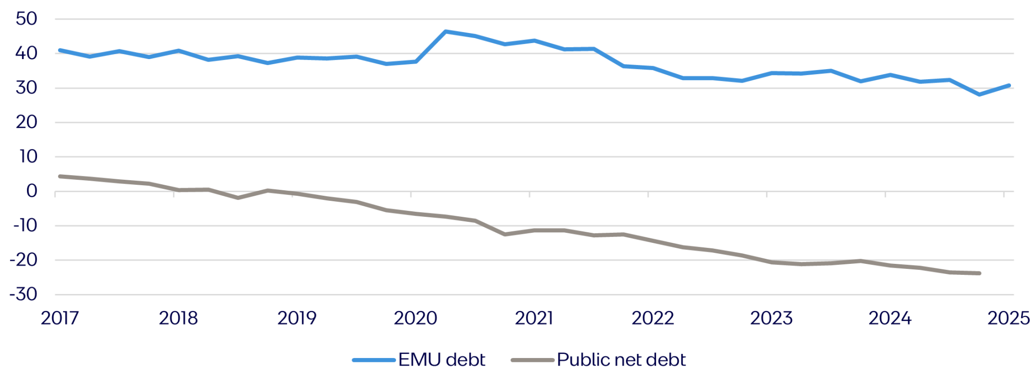
Source: Nykredit Markets

Strong Public Finances and Robust Economy
Thanks to Denmark's healthy public finances, a generous social welfare system can cushion households from loss of income over the business cycle. Combined with a flexible labour market this also ensures smoother necessary transitions over the business cycle and as a part of the technological progress and ongoing changing nature of the economy. Danish wage earners are less exposed to changing economic environments than many of their foreign counterparts.

Budgetary discipline is a cornerstone in the conduct of fiscal policy, and the regulatory set-up for fiscal policy ensures continued tight control of public expenditure. This has kept public debt low in Denmark. Few countries faced the pandemic with buffers as solid as Denmark's and in such good position to mitigate the economic consequences. Considering Denmark's economic balances, a downgrade of its top rating should be a long way off.

The Danish economy has recovered impressively from the pandemic without any major imbalances. Households and firms were prudent during the pandemic and reduced their debts. Overall, the Danish economy seems robust to any shocks from abroad.

Sound Public Finances and Low Public Debt



Source: Macrobond, Nykredit Markets

Danish Housing Market

Key Takeaways
- We expect house price growth in the coming years, driven by favorable Danish economic trends.
- Strongest flat price growth in Copenhagen, which may prove vulnerable during an economic crisis.
- Fortunately, homeowners are well prepared for the future.

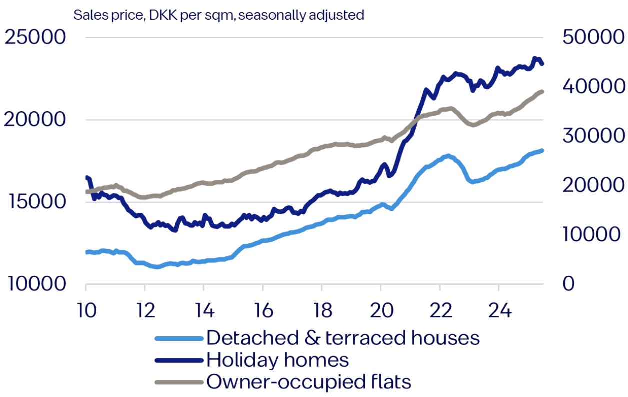
Strong Housing Market

The Danish housing market has rebounded since higher interest rates and overall inflation caused a slump in the market. Prices are now higher than the previous peak in 2022 for both houses and owner-occupied flats. The housing cost burden has surged due to higher interest rates but is now back to the historical average for houses. The housing cost burden is still high for flats, particularly in Copenhagen, and there is a risk of declining flat prices, especially in case of a labour market setback or rising interest rates. Fortunately, homeowners are well prepared for the future with reasonable loan-to-value ratios and financial buffers.

Going forward, we expect further increases in home prices across the country, albeit at different paces. While price growth in 2023 and 2024 was particularly strong in and around Copenhagen, we will now see price growth spreading to the rest of the country. The development reflects how changes in the housing market historically feed through from Copenhagen and other major urban areas to the rest of Denmark.

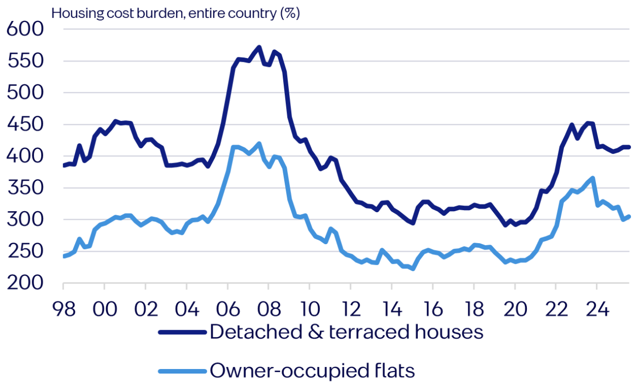
The main drivers of this housing market growth are rising real wages, a strong labour market, lower interest rates and lower housing taxes. Employment continues to grow, and even if any tariff barriers will hit a small open economy like Denmark harder than most other countries, it will not be enough to trigger an outright crisis in the Danish economy.

Housing Prices Have Rebounded Above Previous Peak



Source: Nykredit Markets

Housing Cost Burden Is Back at Historical Average



Source: Nykredit Markets

Decrease in Loans with Fixed Interest Rate since 2021

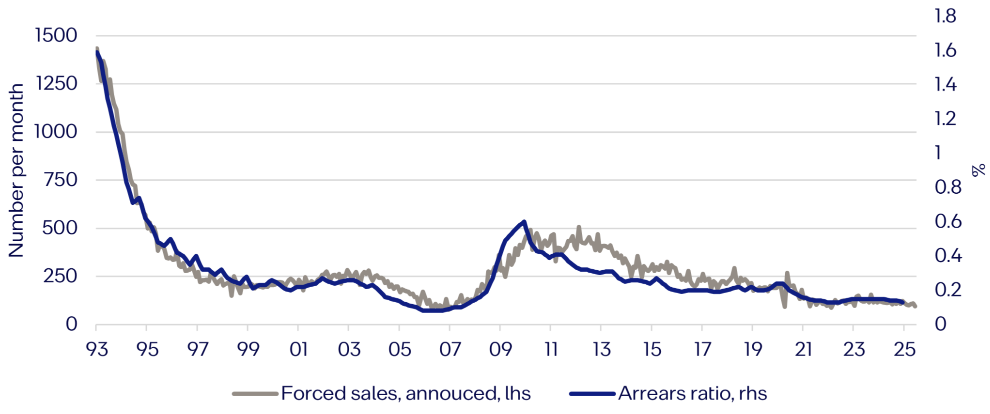
After increasing for several years, the proportion of outstanding fixed-rate mortgage loans has decreased since the end of 2021. The fall has largely been driven by homeowners buying back the bonds behind their fixed-rate mortgage loans at market values well below par and financing such buybacks by taking up a new loan. This exercise, also known as refinancing, reduces the principal of their loan. For many homeowners not refinancing, the market value of their fixed-rate mortgage loans has decreased substantially, protecting their home equity against housing price decreases.

One in every three homeowners switches from a fixed-rate loan to a variable-rate loan when remortgaging. However, the ratio of fixed-rate mortgages to variable-rate mortgages remains high compared to 2013, and more than half the borrowers choose to amortise their loans. This helps enhance resilience in the Danish housing market, as high amortisation rates reduce interest-rate sensitivity and housing debt.

Fewer Borrowers Default and Lose Their Homes

Employment and income growth have made it easier for homeowners to meet their payment obligations on mortgage loans. Accordingly, the arrears ratio has been at a sustained low level for the last several years. Naturally, this can be seen in the number of houses subject to forced sale, which is at the lowest level since 2008. This also reflects the improvements in the housing market in large parts of Denmark, making it easier to sell a house in the open market and avoid a forced sale.

Forced Sales and Arrears Remain at a Very Low Level



Source: Macrobond, Statistics Denmark, Association of Danish Mortgage Banks, Nykredit Markets

Structure & Regulatory Framework

Key Takeaways

- Danish covered bonds are fully compliant with the EU Covered Bond Directive.
- Strong investor protection ensured by strict loan origination rules, dual recourse, and mandatory overcollateralization.
- Issuers are subject to active supervision and enhanced capital requirements due to their systemic importance.

A Legacy Beyond 200 Years

The Danish covered bond market is one of the oldest in the world, with a history dating back more than 200 years. It originated in response to the devastating Copenhagen Fire of 1795, which destroyed nearly a quarter of the city's homes. The immense need for reconstruction required a reliable source of financing at a time when access to credit was limited. To address this, the very first Danish covered bonds were issued, laying the foundation for a system that remains the backbone of housing finance in Denmark today.

The first mortgage legislation was introduced in 1851, making the Danish mortgage market one of the world's first regulated mortgage markets. Over the centuries, the system has demonstrated remarkable resilience, weathering economic crises, wars, and financial downturns. A key factor in this success is the strict regulatory framework, which ensures low risk for investors. To this day, every single bond issued has been repaid in full.

Issuers of Danish Covered Bonds

Danish covered bonds are issued by either specialised mortgage banks or universal banks.

- *Mortgage Banks:* Institutions that operate exclusively within mortgage lending and fund loans solely through covered bond issuance.
- *Universal Banks:* Full-service banks offering a wide range of financial services, permitted to issue covered bonds since 2007.

Capital Centres and Cover Registers

Mortgage banks issue covered bonds through cover pools, known as capital centres, which consist of either a single bond series or a group of series that share a series reserve fund and joint liability. The assets securing these bonds, include mortgage loans and other eligible assets (see fact box on eligible assets). Each capital centre operates independently and mortgage banks may have multiple capital centres. Universal banks maintain cover registers instead of using capital centres, which serve a similar function.

Types of Danish Covered Bonds

Danish covered bonds are issued in three main categories: SDOs, SDROs, and RO's, all of which comply with the EU Covered Bond Directive (CBD), making them eligible as European Covered Bonds. SDOs and SDROs meet the stricter requirements of the Capital Requirements Regulation (CRR), including the requirement that the assets collateralising the bonds continuously comply with the relevant Loan-to-Value limits. If property prices fall, the issuer must provide additional collateral to the cover pool, for instance in the form of government bonds.

As a result, both SDOs and SDROs are classified as European Covered Bonds (Premium) and benefit from a 10% risk weighing under the standardized approach for credit risk. ROs, in contrast, do not meet the CRR's enhanced standards. They are therefore classified as standard European Covered Bonds, carrying a 20% risk weighting. However, ROs issued before January 1, 2008 – referred to as Grandfathered ROs (GFROs) – retain a grandfathered 10% risk weighting. Today, the market is predominantly composed of SDO/SDRO bonds, with RO/GFRO bonds representing only a small share of the total outstanding volume.

Eligible Assets for Danish Covered Bonds

Eligible assets for Danish covered bonds include:

- Loans secured by mortgages on real estate
- Unsecured loans to public authorities
- Loans guaranteed by public authorities
- Non-subordinated claims and guarantees issued by credit institutions with at least A-/A3

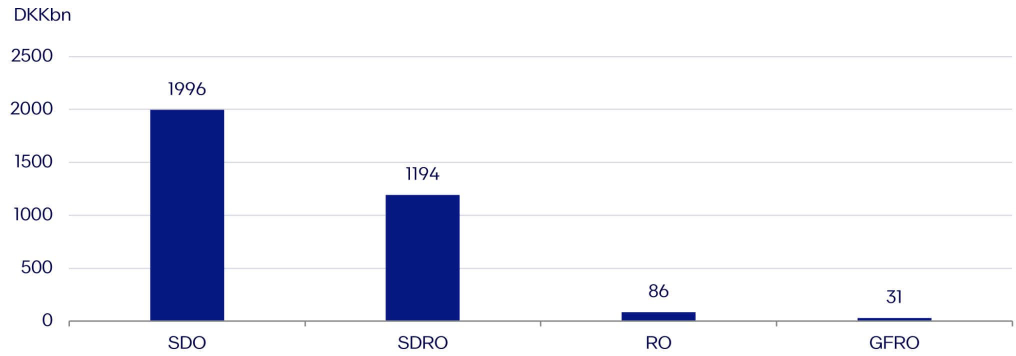
Claims on credit institutions may not exceed 15% of the total outstanding nominal amount of bonds. The Danish FSA may allow other CRR-compliant assets.

Types of Danish Covered Bonds

Danish covered bonds comply with the EU Covered Bond Directive (CBD) and are categorized as follows:

- *SDO:* European Covered Bond (Premium), 10% risk weighting
- *SDRO:* European Covered Bond (Premium), 10% risk weighting, eligible assets restricted to mortgage loans and exposure to public authorities
- *RO:* European Covered Bond, 20% risk weighting, eligible assets restricted to mortgage loans and exposure to public authorities
- *GFRO:* Grandfathered RO (issued before 1 January 2008), 10% risk weighting, eligible assets restricted to mortgage loans and exposure to public authorities

Danish Covered Bonds by Type



Note: RO covers bonds of types RO, RO2L and RO20
Source: Nykredit Markets

Legislation Overview
The Danish covered bond market is governed by a robust and transparent regulatory framework designed to ensure financial stability and protect investors. Key legislative features include:

- *Systemic Importance (O-SII):* All covered bond issuers in Denmark are classified as Other Systemically Important Institutions (O-SIIs) and are therefore subject to stricter capital and supervisory requirements.
- *Rigorous Loan Origination Rules:* Danish legislation includes stringent loan-to-value (LTV) limits and additional risk-mitigating lending criteria.
- *The Balance Principle:* Danish law imposes tight control over the financial risks issuers may assume, requiring strict adherence to balance principle tests that limit interest rate, currency, and liquidity risks.
- *Segregated Cover Pools:* Assets backing covered bonds must be isolated into independent capital centres (for mortgage banks) or cover registers (for universal banks), ensuring investor protection.
- *Dual Recourse:* Investors benefit from recourse both to the issuer's capital and to the underlying cover pool in the event of default.
- *Mandatory Overcollateralisation (OC):* Covered bonds must be backed by cover pool assets exceeding the bond liabilities by at least 2%.
- *Active Supervision:* The Danish Financial Supervisory Authority (FSA) rigorously monitors issuer compliance through both regulatory reporting and regular on-site inspections.

O-SII Classification
Due to their central role in the financial system, all Danish covered bond issuers are classified as O-SIIs. This classification requires them to maintain additional capital buffers of 1–3% of risk-weighted assets, depending on their systemic relevance. These capital requirements aim to bolster the resilience of the Danish financial sector and mitigate systemic risk.

Loan Origination
Following the global financial crisis, the Danish FSA implemented additional lending restrictions beyond standard LTV caps (aligned with the EU Capital Requirements Regulation). Notable requirements include:

- *Debt-to-income restrictions:* Households with debt exceeding 4x their income and/or LTV above 60% are restricted in their access to variable-rate or interest-only loans.
- *Down payment requirements:* Borrowers are required to contribute 5% of the property value, meaning they can finance no more than 95% of the property value through loans.
- *Credit scoring:* Borrowers must qualify for a callable fixed-rate 30Y amortizing loan, regardless of the loan type they choose.

To further limit risk exposure, mortgage banks must comply with the *Supervisory Diamond* framework. This framework sets out benchmarks for lending growth, interest rate risk assumed by borrowers, interest-only lending volumes, short-term funded loans, and large loan exposures. The framework functions as an early warning system for excessive risk-taking by the mortgage banks.

Balance Principle
The balance principle specifies the extent of market risks that mortgage and universal banks can take in connection with covered bond issuance. For each capital centre (for mortgage banks) or cover register (for universal banks), the issuer must select either the general or specific balance principle (see fact box: *Specific and General Balance Principle*). The selected balance principle must be disclosed in the bond prospectus and cannot be changed arbitrarily. Issuers are required to consistently meet risk management and compliance tests aligned with their chosen principle.

Please refer to page 24 for a complete overview of the issuers' chosen balance principle.

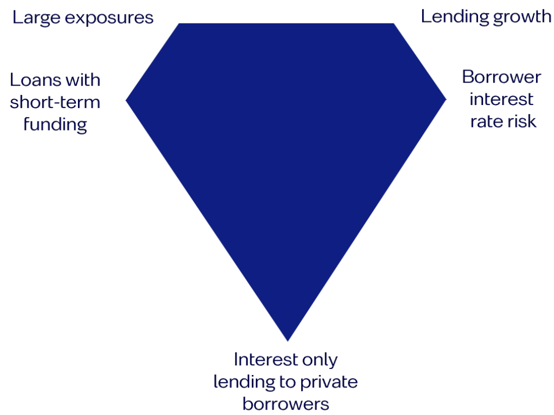
Loan-to-Value Limits

Danish covered bond issuers are subject to loan-to-value (LTV) limits that are fully aligned with the requirements of the Capital Requirements Regulation (CRR). These limits apply at the individual loan level.

Issuers must apply a haircut approach, meaning that only the portion of a loan within the applicable LTV limit can be counted toward the cover pool backing the bonds. Any part of the loan that exceeds the limit must be excluded when determining cover asset values.

Property type	LTV limit
Residential	80%
Commercial/agricultural	60% (70% against extra collateral)

Supervisory Diamond



Source: The Danish FSA & Nykredit Markets

Specific and General Balance Principle

General Balance Principle: This allows greater funding flexibility and mirrors European asset-liability management practices. Issuers may raise funding under terms that differ from those of the underlying loans (e.g. in currency, maturity, or interest rate), subject to detailed risk limits and regular stress tests. Mortgage banks are subject to tighter risk limits than universal banks under this principle.

Specific Balance Principle: This approach is more restrictive and requires a close match between lending and funding. It further includes stricter limits on the use of derivatives and funding mismatches.

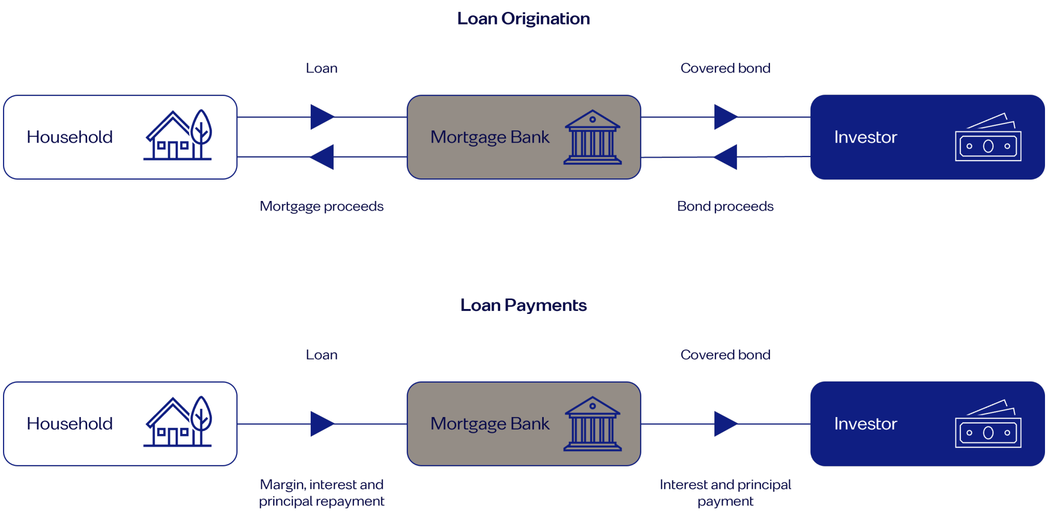
Match Funding

In practice, most Danish mortgage banks comply with the requirements of the specific balance principle through match funding. Match funding ensures a one-to-one relationship between the terms of mortgage loans and the bonds used to fund them. On a loan-by-loan basis, all interest and principal from borrowers are passed directly to bondholders. These payments are guaranteed by the issuer and the relevant capital centre or cover register.

Key features of match funding:

- Virtually eliminates market risk, making stress testing unnecessary in practice.
- Offers Danish borrowers the right to repay their loans by repurchasing the corresponding bonds in the open market—known as the delivery or buyback option.
- Supports strong bond market liquidity by tightly linking loan and bond terms. In periods of rising interest rates, Danish borrowers often act as natural buyers of their own bonds—helping to maintain demand when it would otherwise dry up in most other covered bond markets.

Match Funding



Source: Nykredit Markets

Investor Protection

Investors in Danish covered bonds are protected by dual recourse:

1. Primary claim on the cover pool (capital centre or cover register), which is ring-fenced from the issuer's other assets.
2. Secondary claim on the general capital of the issuing institution.

In the event of issuer insolvency:

- Covered bond holders rank pari passu with derivative counterparties – provided the derivatives were entered into for the purpose of hedging risks related to the covered bond issuance.
- Payments to covered bond holders and derivative counterparties must continue unaffected by the bankruptcy of the issuer.
- Payments cannot be accelerated as a result of insolvency.
- Derivatives counterparties may not terminate contracts solely due to the issuer's bankruptcy.

In practice, due to the classification of all covered bond issuers as Other Systemically Important Institutions (O-SIIs), Danish authorities prioritize restructuring over liquidation in cases of financial distress. Borrowers are liable for loans granted against mortgages on real property – personally and with the property serving as collateral.

Mandatory Overcollateralisation (OC)

To ensure a margin of safety, Danish law mandates a minimum overcollateralisation of 2% of the outstanding covered bond amount at the capital centre level. Issuers often provide additional OC voluntarily to secure higher credit ratings.

Market Overview

Key Takeaways

- Danish covered bond market is the world's largest, with liquidity on par with or exceeding Danish government bonds.
- Three main segments: callable bonds, bullet bonds, and floaters with outstanding amount roughly evenly distributed.
- Issuance takes place daily through tap issuance and at four annual refinancing auctions.

Market Size and Liquidity

Despite Denmark's modest population, a strong tradition of home ownership and persistent demand for mortgage financing has made the Danish covered bond market the largest in the world by outstanding volume. As of July 2025, the total outstanding amount of Danish covered bonds was DKK 3,220 billion, far exceeding the DKK 600 billion outstanding in Danish government bonds. Relative to the size of the economy, Denmark stands out even more, with covered bonds amounting to 111% of GDP (see table: *Market Size by Country*).

The market size supports the liquidity of the Danish covered bond market. Bonds are issued in the secondary market on a daily basis through a tap issuance system (see section "Issuance of Covered Bonds" below for further details), which, together with daily clearing and high market transparency, supports daily turnover and enhances overall liquidity. This daily tap issuance system was a key factor in keeping the Danish covered bond market, unlike most other bond markets, open throughout the entire global financial crisis. Overall, the liquidity in Danish covered bonds is generally on par with, and in periods even surpasses that of Danish government bonds.

Combined with their AAA rating (please refer to page 49 for details), these characteristics make Danish covered bonds an attractive alternative to Danish government securities, drawing significant interest from both domestic and international investors.

Top 10 Largest Covered Mortgage Bond Markets

Country	Covered Bonds (EURm)	% of GDP
Denmark	435,825	111%
France	376,098	13%
Germany	296,841	7%
Sweden	224,876	40%
The Netherlands	222,045	10%
Canada	205,903	16%
Spain	188,626	13%
Switzerland	168,800	19%
Italy	160,775	7%
Norway	145,619	33%
Austria	95,516	20%

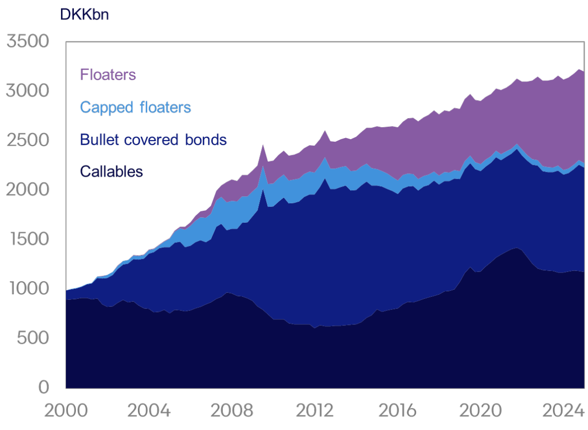
Note: Data as of year-end 2024, except Spain (year-end 2023).
Sources: ECBC Factbook 2025; Macrobond; Nykredit Markets.

Segments in the Danish Covered Bond Market

The Danish covered bond market is divided into three main segments:

- *Callable bonds:* Long-term fixed-rate bonds that allow borrowers to prepay their loan at par.
- *Bullet bonds:* Shorter-term, non-callable bullet bonds used to fund longer-term adjustable-rate mortgages.
- *Floaters:* Bonds with floating interest rates, used to fund longer-term floating-rate mortgage loans. While some floaters previously included interest rate caps, these have now nearly disappeared from the market.

Segments in The Danish Covered Bond Market



Source: Nykredit Markets

The outstanding amount is approximately evenly distributed among the three segments. However, the match funding structure of Danish mortgage lending means that borrower demand, and thus issuance activity, responds strongly to changes in bond prices. When the yield curve is steep, borrower demand typically shifts toward loans linked to shorter-term interest rates, such as those funded by floaters or bullet bonds. Conversely, when the yield curve is flat and rates are low, borrowers tend to prefer 30-year fixed-rate callable loans. In more recent years, the total outstanding amount has remained relatively balanced across segments, but shifts in issuance patterns can still have a significant impact on bond pricing.

Currency Composition

The majority of Danish covered bonds are denominated in Danish kroner (DKK), while foreign currency issuance remains limited. EUR-denominated bonds account for approximately 2.8% of outstanding volume, primarily within the floater segment. SEK- and NOK-denominated bonds are also present, but make up only a small fraction of the market, with SEK representing 1.9% and NOK just 0.05% of total outstanding volume—both concentrated in the floater segment.

Issuance of Covered Bonds

Danish covered bonds are issued in two manners:

- *Tap issuance:* Daily issuance of callable bonds, bullet bonds, and floaters, used to satisfy the funding needs arising from loan disbursements. Loans are usually funded through tap issuance on the same or next business day.
- *Refinancing auctions:* Used to refinance adjustable-rate and floating-rate mortgages, when the underlying bonds mature. Auctions take place approximately one month before maturity dates, which are 1 January, 1 April, 1 July, and 1 October.

The total refinancing volume is consistently lower than the amount maturing due to ongoing loan amortisation and shifts in loan product preferences. Final auction amounts are typically announced about a week before the auctions take place.

Legislation to Contain Refinancing Risk

To limit borrower exposure to interest rate and refinancing risk, Danish legislation has since 2015 required that loans subject to refinancing be funded using bonds with a soft bullet structure. These bonds feature a refinancing trigger, allowing the bond's maturity to be extended in the event of refinancing failure. Some bonds also include an interest rate trigger, which permits maturity extension if market yields rise sharply.

- The refinancing trigger is activated if auctions fail.
- The interest rate trigger is activated if market yields have increased by more than 500 basis points compared to the previous year.

As the legislation applies to all loans subject to refinancing, it covers both bullet bonds and floaters. In practice, neither trigger has ever been activated, underlining the robustness and reliability of the Danish refinancing framework.

If a trigger is activated the following rules apply:

- *1- and 2-year bullets:* If either trigger is activated, the coupon on the extended bond is fixed at the yield of an equivalent bond from the previous year's refinancing, plus 500bp.
- *Longer-term bullet bonds:* If the refinancing trigger is activated, the extended bond's coupon is set at the yield of a similar bond from the refinancing auction the previous year, plus 500bp.
- *Floaters:* If the refinancing trigger is activated the the maturity is extended and the coupon is set at the most recent interest rate fixing plus 500bp.
- *1- and 2-year floaters:* If the interest rate trigger is activated, the coupon is set at the most recent interest rate fixing plus 500bp.

Refinancing Auction Procedures

Type of Auction

Auctions are conducted via Nasdaq Copenhagen A/S. Participants include stockbrokers and investors with access to the exchange's mortgage bond submarket. The hidden call principle is employed, meaning that participants can view their own bids in the Genium INET system, but not those of other participants.

Allotment

The auctions follow the Dutch auction principle.

- All bids above the fixing price will be settled in full at the fixing price.
- Bids at the fixing price may be accepted on a pro rata basis.

All executed trades are published through Nasdaq OMX Copenhagen A/S.

Value Date

All bonds are subject to long settlement. The value date for the auction trades is the term date. If the term falls on a non-banking day, settlement occurs on the next banking day.

Reverse Facility

Due to long settlement, issuers offer a reverse facility for bullet bonds. This allows successful bidders who require early delivery (T+2) to purchase bonds under standard settlement terms and sell them back to the issuer at the value date.

- The reverse facility is available only to accepted bidders.
- The size is determined individually and must not exceed the amount allotted.
- It may be conditional on the investor delivering a matching amount of bonds maturing on the term date.
- Facilities are arranged case-by-case with the issuer.

Soft Bullet Structures in Danish Covered Bonds

Funding period	Interest rate trigger	Refinancing trigger
Bullet $\leq$ 1Y	1Y yield +500 bp	Yes
1Y $<$ Bullet $\leq$ 2Y	2Y yield +500 bp	Yes
Bullet $>$ 2Y	None	Yes
Floater $\leq$ 2Y	Previous fixing +500 bp	Yes
Floater $>$ 2Y	None	Yes

Source: Association of Danish Mortgage Banks

Recent Issuance Development

Historically low interest rates in 2019–2020 led to a surge in callable bond issuance, as borrowers sought to secure long-term fixed-rate mortgage loans at exceptionally favorable rates. However, as rates began to rise in 2022, borrower preferences shifted sharply toward floating-rate loans, whose coupons had been fixed just before the hikes, making them particularly attractive. At the same time, the price of low-coupon callables dropped substantially, prompting many borrowers to buy back the bonds funding their loans - reducing their principal by as much as 30%, since all capital gains belong to the borrower (Please refer to page 20 for more detail on the buy-back oppurtunity in Danish Callables). Many of those borrowers then turned to floater loans, taking advantage of the favorable coupon at the time, which further increased the floater issuance. Taken together, these factors led to a sharp increase in daily floater issuance, with floaters not only driving the overall rise in issuance but also by far dominating its composition.

In the second half of 2024, floater bond issuance slowed significantly after coupon resets occurred just before a decline in interest rates, reducing their appeal. During this period, bullet bond issuance increased, driven by adjustable-rate mortgages' relative cost advantage over mortgages funded by floaters and callable bonds. This trend was further supported by borrowers refinancing 5% coupon callable mortgages into more affordable adjustable-rate mortgages, due to the lack of an attractive lower-coupon callable mortgage option.

Characteristics of Danish Covered Bond Segments

	Callable Bonds	Bullet Bonds	Floaters
Interest Payments	Quarterly	Yearly	Quarterly or Semi-Annually
Repayment	Annuity or Interest Only	Bullet	Annuity or Interest Only
Coupon	Fixed	Fixed	Floating
Maturities	10, 15, 20 and 30 years	1–10 years (Usually 1Y, 3Y, 5Y)	1–5 years
Issuance Format	Tap	Tap and Refinancing Auction	Tap and Refinancing Auction

Source: Nykredit Markets

Danish Bullet Bonds

Key Takeaways

- Bullet bonds are used to fund adjustable rate mortgages with maturities concentrated in the 1-5 year range.
- Standardized issuance and active refinancing auctions leads to high liquidity and transparency in the segment.
- Recently trading in line with Dutch and German covered bonds in terms of spread to EUR swap (basis).

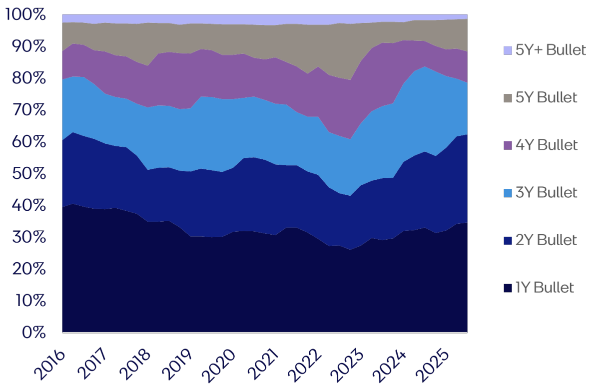
Purpose and Key Features

Danish bullet bonds are used exclusively to fund adjustable-rate mortgage loans, a loan product introduced in 1996 that quickly gained popularity for being linked to shorter-term interest rates. These mortgages have maturities of up to 30 years and may include interest-only periods of up to 10 years. Most are offered with fixed-rate periods of 1 to 5 years.

Funding Structure and Refinancing

Adjustable-rate mortgage loans are funded through short- to medium-term bullet bonds, with the bond's maturity matching the fixed-rate period of the underlying mortgage. When a bullet bond matures, the remaining loan balance is refinanced via a refinancing auction, and the mortgage interest rate is adjusted to reflect the new market rate established at that auction. The borrower's payments are recalculated accordingly. For example, a 30-year adjustable-rate mortgage funded by 1-year bullet bonds will be refinanced 29 times over its lifetime.

Share of Outstanding Bullet Amount by Maturity



Source: Nykredit Markets

Borrower Preferences and Market Dynamics

Danish mortgage banks actively encourage borrowers to choose longer fixed-rate periods to reduce their exposure to interest rate and refinancing risk. This has contributed to a gradual shift away from shorter-dated bullet bonds, reducing their share compared to the last few years (see graph: *Share of Outstanding Bullet Amount by Maturity*).

However, issuance remains strongly influenced by borrower preferences, which in turn depends on market conditions:

- A steep yield curve increases demand for shorter fixed-rate periods, increasing issuance of shorter-dated bullets.
- A flat yield curve tends to shift preferences toward longer fixed-rate periods, leading to increased issuance of longer dated bullets.

Refinancing Schedule

Refinancing is now distributed across four standard maturity dates – 1 January, 1 April, 1 July, and 1 October – instead of being concentrated on a single annual date, as was previously the case. The more even distribution reduces refinancing concentration risk and supports more stable market activity.

The largest bullet volumes matures on 1 January and 1 April, making the November and February auctions the biggest bullet bond auctions of the year.

Refinancing Maturity Profile

Payment date	Total (DKKbn)	1Y	2Y	3Y	4Y	5Y	6Y+
2025-10-01	34,075	45%	2%	15%	1%	37%	0%
2026-01-01	153,288	42%	5%	10%	5%	37%	1%
2026-04-01	131,039	36%	7%	12%	6%	35%	4%
2026-07-01	35,680	0%	2%	25%	6%	67%	0%
2026-10-01	24,829	0%	3%	24%	2%	71%	0%
2027-01-01	114,131	0%	6%	26%	3%	62%	3%
2027-04-01	103,710	0%	3%	35%	3%	53%	6%

Source: Nykredit Markets

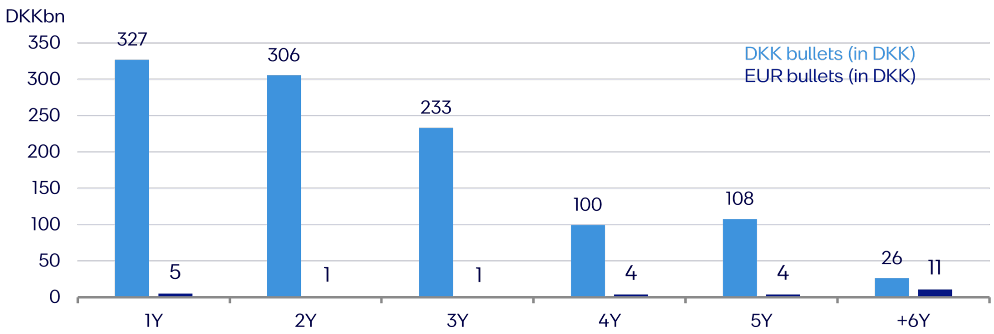
Standardisation and Market Efficiency

To promote liquidity and price transparency, mortgage banks issue bullet bonds in standardised formats - consistent combinations of coupon and maturity — across issuers which supports a unified and efficient market.

LCH Collateral Eligibility

As of December 2024, LCH Ltd. (London Clearing House) added Danish bullet bonds to its list of eligible non-cash collateral for initial margin.The recognition underscores the quality of Danish bullet bonds and supports a broader investor base and liquidity in the segment.

Outstanding Amount in Bullets Bonds by Maturity and Currency



Source: Nykredit Markets

Currencies

The currency of outstanding bullet bonds reflects the currency composition of the underlying loans in the cover pool. As a result, the market is almost entirely DKK-denominated (≈ 99%), with only a small proportion issued in EUR (≈ 1%) (see graph: *Outstanding Amount in Bullet Bonds by Maturity and Currency*).

Investing in Bullet Bonds

Large volumes of outstanding bonds, the simplicity of the bullet bonds (including the high degree of alignment of bond characteristics across issuers), and the natural liquidity in the market from ongoing tap issuance and buybacks from borrowers make the segment very attractive for liquidity purposes. In addition, regular refinancing auctions offer the opportunity to acquire bonds in larger sizes. For the Danish banking sector, short-term DKK covered bonds are the most important asset in liquidity management, and the need for short-term covered bonds is underpinned by the fact that the DKK government bond market is too small to meet the demand for liquid assets in the banking sector. Most covered bonds from Danish issuers are AAA rated. The pickup in Danish bullets vs. Danish government bonds has for years been roughly in line with the pickup in Dutch or German covered bonds vs. German Bunds.

Foreign investors familiar with investing in the EUR covered bond market could just as well buy DKK covered bullet bonds. The risk factors in DKK-denominated bullet bonds relative to EUR covered bonds are the foreign exchange exposure to DKK and the yield risk (country spread risk). While the FX risk is limited due to the DKK being pegged to the EUR, the interest rate risk remains as Danmarks Nationalbank ultimately defends the peg by adjusting the policy rate spread vis-à-vis the ECB. However, both the FX risk and interest rate risk can be hedged through (basis)swaps, leaving the difference in swap spreads as the primary risk factor. Recently, Danish covered bullets have been trading roughly in line with Dutch or German covered bonds in terms of spreads to EUR swap (basis).

Despite the similarities (and spread correlations) to EUR covered bonds, the Danish covered bullet market does exhibit its own dynamics, and thus sometimes provides attractive opportunities to investors.

Danish Floaters

Key Takeaways

- Floaters fund floating-rate mortgages, with most issuance in the DKK market and maturities of typically 2-5 years.
- WWide variation in structures, but market makers can provide key figures and spreads that account for differences.
- Over the past year, floaters have typically offered a pickup of 0–10bp to Danish bullets.

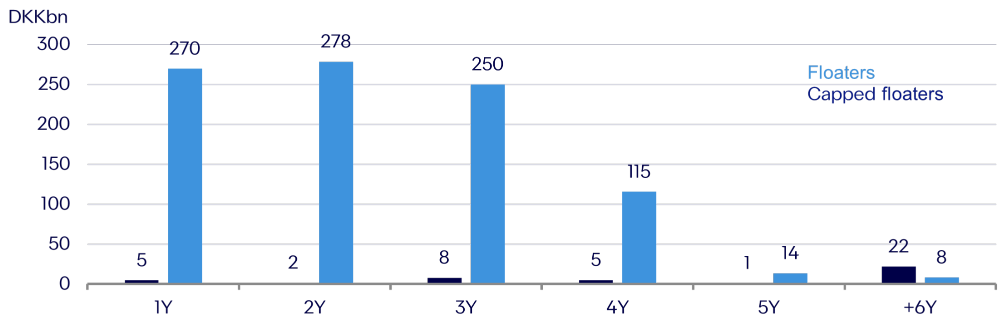
Purpose and Key Features

Danish floating-rate notes ("floaters") are used to fund floating-rate mortgage loans. The product was introduced in 2000 and has since become an established part of the Danish mortgage market.

These loans can have maturities of up to 30 years, but the underlying floaters are issued with shorter maturities—most commonly 2–5 years (see graph on floater maturities). The loan's interest rate resets either 2 or 4 times a year and when a floater matures, the remaining loan balance is refinanced at auction.

When floaters are refinanced at auction they are usually sold at a predetermined price (usually 100 or 100.20), with investors bidding on the coupon spread to be added to the reference rate.

Floating-Rate Notes by Maturity



Source: Nykredit Markets

Product Structure and Characteristics

Since their introduction, floating-rate mortgages have evolved substantially. Due to the long maturity of the loans and match funding principles (please refer to page 10 for further details on match funding), the floater market today is highly diverse, with many bonds carrying different characteristics.

The most common reference rates are 3- or 6-month CIBOR, 6-month CITA, or, for EUR-denominated issues, 3- or 6-month EURIBOR. Additional features may include:

- *Interest Rate Caps:* Some floaters include caps to limit borrower exposure to rising rates, though they are rare today, as they are mainly relevant in steep yield curve environments.
- *Interest Rate Floors:* Following the period of negative short-term rates, most modern floaters explicitly allow for negative reference rates. Only a small residual share still include a 0% floor to protect investors from negative coupons.
- *Callability:* Selected floaters are callable, allowing early redemption, usually at par or 105.
- *Coupon Multiplication Factors:* Used to adjust for differences in bond market and money market interest conventions. In some floaters, only the reference rate is multiplied by the factor, while in others both the reference rate and coupon spread are multiplied.

Please refer to table *Common Characteristics of Danish Floaters* for an overview of the most common characteristics.

Common Characteristics of Danish Floaters

Payment dates p.a.	4
Coupon fixings p.a.	2 or 4
Reference rate	3M or 6M Cibor/Euribor/Cita
Fixing period	From 2 to 8 banking days before a payment
Coupon formula	(Fixing rate + coupon spread) × factor or Fixing rate × factor + coupon
Day Count	ACT/360 or ACT/ACT
Maturity	Up to 30 years
Amortisation	Annuity or bullet

Source: Nykredit Markets

Green Floaters

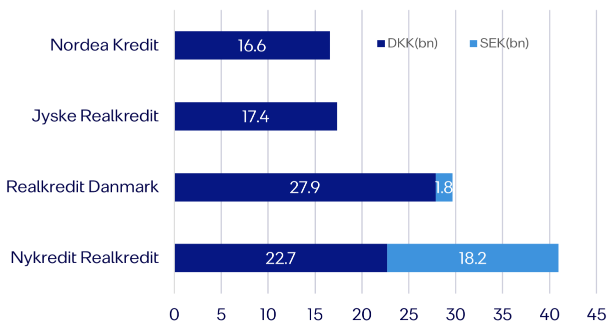
In recent years, Danish mortgage banks have introduced green floaters, with proceeds allocated to projects that support environmental sustainability. Green bonds are relevant for both borrowers and investors seeking to align with climate-related goals, and they typically trade tighter than comparable non-green floaters due to strong demand.

All four major mortgage banks—Nykredit, Realkredit Danmark, Nordea Kredit, and Jyske Realkredit—have green floaters outstanding. Green issuance is expected to continue growing in the coming years. Currently, green bonds in Denmark are issued exclusively in floater format; no green bullet or callable bonds exist at present.

Currencies

The floater market is primarily DKK-denominated (≈ 89%), with limited issuance in SEK (≈ 7%) and EUR (≈ 4%), reflecting the domestic focus of Danish mortgage lending.

Outstanding Amount Green Floaters



Source: Nykredit Markets

Investing in Floaters

Danish covered floating rate notes (floaters) resemble plain-vanilla floaters (or swap-hedged Danish bullet bonds). However, several factors need to be taken into account.

Firstly, the bonds are not bullet structures but amortize corresponding to the underlying loans (annuities with or without interest-only options). Issuers do, however, provide cash flows projections with expected redemptions, which can be used for pricing purposes etc. Secondly, Danish floaters can use one of four reference rates (CIBOR 3M/6M and CITA 3M/6M) and bonds characteristics are not fully aligned with respect to e.g. fixing dates and coupon formulas. However, Danish market makers can provide key figures and relevant spreads taking such differences into account.

Historically, Danish floaters have been trading with a spread to Danish bullets of -5bp to 20bp, primarily depending on the level of floater issuance. In periods of low floater issuance, the floaters can trade through the bullet curve due to the convenience of them being “pre-hedged”, and in periods of massive floater issuance, they can offer a pickup of up to 20bp to bullets. Over the past year, floaters have typically offered a pickup to Danish bullets of 0bp to 10bp.

Danish Callable Bonds

Key Takeaways

- Callable bonds fund long-term, fixed-rate mortgages and provide borrowers with the right to prepay at par.
- Offer investors attractive compensation for the complexity resulting from prepayment risk and negative convexity.
- Market makers can provide option-adjusted key figures to support investors' risk management of callable bonds.

Purpose and Key Features

Callable bonds are the original Danish covered bond type, dating back to the establishment of the Danish mortgage system in 1797. They fund fixed-rate callable mortgage loans, most commonly with 30-year maturities, though 10-, 15-, and 20-year options also exist. Some loans additionally include interest-only periods of 10 or 30 years.

The key feature in callable bonds is an embedded call option, allowing borrowers to prepay their loans at par value four times a year without prepayment penalties. This introduces unique investment characteristics including prepayment risk, negative convexity and dynamic duration behavior.

Annuity vs. Interest Only Callable Bonds

Loans funded by callable bonds are structured as either:

- *Annuity Mortgage Loans:* Regular principal and interest repayments throughout the loan term.
- *Interest-Only (IO) Mortgage Loans:* Interest-only periods up to 10 or 30 years, deferring principal repayments.

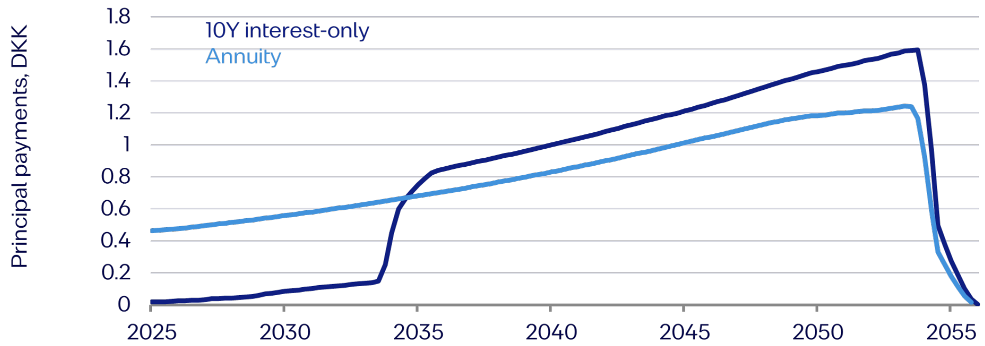
Callable mortgage loans are funded in different series depending on whether the loan includes an interest-only (IO) period:

- *Annuity Bond Series:* Exclusively used to fund fixed-rate callable annuity mortgage loans.
- *IO Bond Series:* Exist in 10-year and 30-year variants and generally trade at lower prices relative to the annuity series, due to their longer duration. The 10-year IO series may also be used to fund annuity loans in certain market conditions, while the 30-year IO series is used exclusively for 30-year IO loans due to higher margins and stricter LTV limits.

Borrowers typically choose the series trading closest to par in order to avoid potential losses arising from decreasing interest rates.

In addition, if interest rates decline and the price of previously issued annuity bond rises above par, while a 10-year interest-only bond with the same coupon trades slightly below par, and a new lower-coupon annuity bond trades substantially below par, borrowers will typically choose the 10-year IO series.

Cash Flow profile 30Y Callable with/without IO Period



Source: Nykredit Markets

Issuance and Opening Period

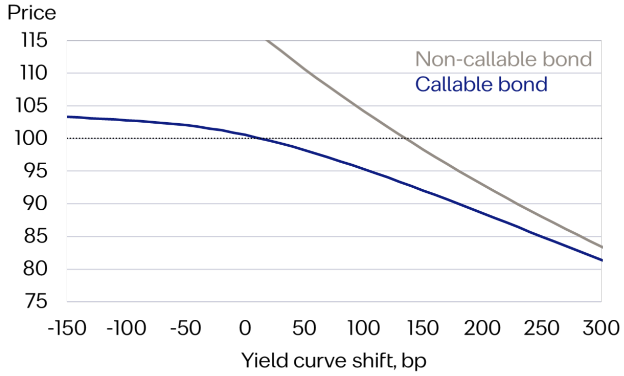
The standard opening period for a Danish callable bond series is up to three years, allowing the issuer to build up volume. New series are opened when an existing series reaches the end of its opening period or when a new coupon is required due to changes in yield levels. While series typically reach an outstanding amount of DKK 10-30 bn, the largest series may grow to as much as DKK 70-100 bn. However, while a series is still building up, investors may face limited liquidity.

Prepayment and Buyback Dynamics
Danish borrowers actively manage their callable loans through two methods:

1. *Prepayment at par*
   - When yields fall and bonds trade above par, borrowers can prepay at par and refinance into lower-coupon loans.
   - Prepayment can only occur on 1 January, 1 April, 1 July and 1 October, with borrowers required to give at least 60 days' notice.
   - Prepayments are distributed proportionally across investo *Example:* If 10% of a bond series is called, 10% of every investor's holding is redeemed at par on the next payment date.
2. *Buyback at market price*
   - When yields rise and bonds trade far below par, borrowers can buy back their bonds in the market and refinance into a higher-coupon bond trading closer to par.
   - Thereby borrowers can reduce their outstanding debt substantially.
   - Although refinancing into a higher coupon may appear counterintuitive, mortgage interest is tax-deductible in Denmark. As a result, after-tax payments often increase only slightly, while the debt reduction can be significant.

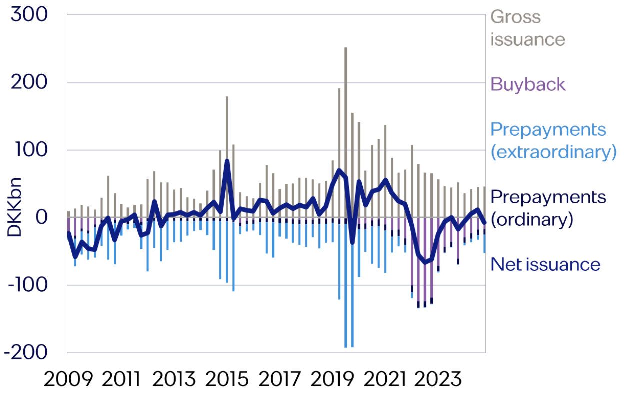
Danish borrowers are very active in regard to their mortgage, leading to both substantial prepayment activity in decreasing interest rate environments as well as significant buyback activity in increasing interest rate environments (see figure: *Issuance, Buybacks and Prepayments of Callables*).

Price Yield Structure in Callables vs. Non-Callables



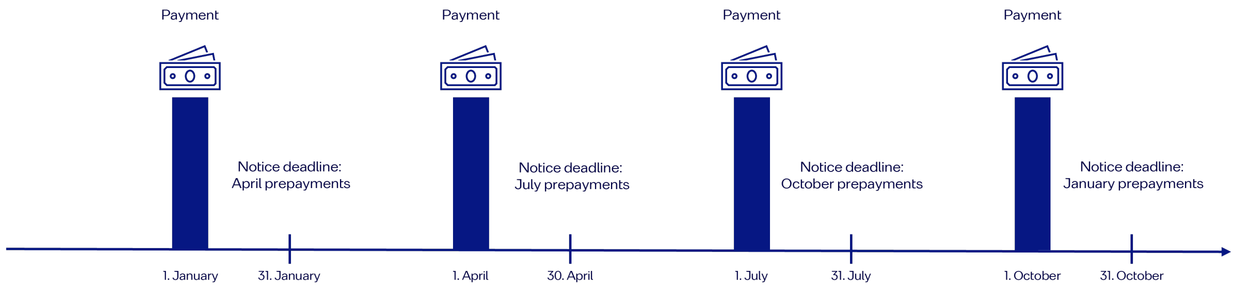
Source: Nykredit Markets

Issuance, Buybacks and Prepayments of Callables



Source: Nykredit Markets

Prepayment Dates and Notice Deadlines



Note: Preliminary prepayments are announced on an ongoing basis. Final prepayments are announced on the first Friday on or after the 18th of the month following each notice deadline.
Source: Nykredit Markets

Determinants of Prepayment Activity

The fact that a callable bond is trading above par does not in itself drive prepayments. Borrowers only prepay when the economic gain from refinancing justifies the fixed transaction costs. If the refinancing alternative is unattractive, a bond may trade above par and still experience little or no prepayment activity. The main determinant of prepayments is therefore the potential savings from refinancing into a lower-coupon mortgage loan.

Key drivers of prepayment activity include:

1. *Availability of a lower coupon bond close to par*
   - Borrowers typically require a coupon reduction of more than 1 percentage point before refinancing becomes attractive.
   - The new, lower-coupon callable also needs to trade close to par (around 98) to trigger large scale prepayments.
2. *The size of the loan*
   - The larger the outstanding debt, the greater the refinancing gain.
   - Bond series with a higher proportion of large loans tend to prepay sooner and to a greater extent than series with a higher proportion of smaller loans.
3. *Remaining term of the loan*
   - Longer remaining terms increase the gain from refinancing.
   - All else equal, older callable bond series should prepay sooner than otherwise similar newer series.
   - However, in practice, remaining term is a less important factor compared to the loan size.

Price Behaviour and Negative Convexity

The embedded prepayment option in Danish callable bonds gives them different price and duration behaviour compared to standard fixed-rate bonds. This behaviour is driven by prepayment risk, making negative convexity a key characteristic. The impact of negative convexity on price and duration varies depending on whether the bond trades far below, close to, or above par, as the prepayment risk change with interest rates.

Negative Convexity

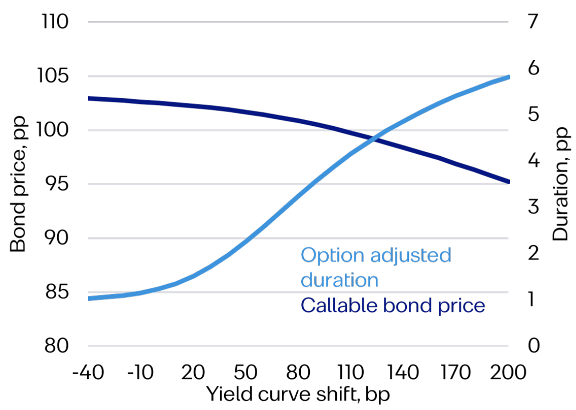
Convexity measures how a bond's duration changes as yields move.

Positive convexity:(typical for non-callable bonds) Duration (absolute value) falls as rates increase and increases as rates fall.

Negative convexity (callable bonds):

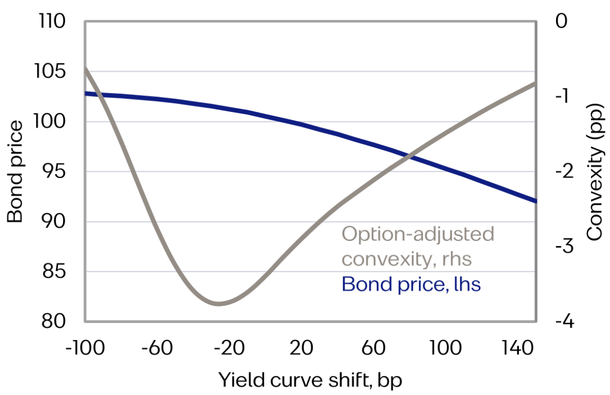
- When rates fall → Borrowers prepay early at par → Bond life shortens → Duration (absolute value) drops relative to a non-callable bond → Price gains are capped.
- When rates rise → Borrowers have no incentive to prepay at par → Expected prepayments decline → Average bond life extends → Duration (absolute value) increases relative to a non-callable bond.

Reduced Duration as Yields Fall



Source: Nykredit Markets

Reduced Negative Convexity as Yields Fall



Source: Nykredit Markets

Risk Assessment and Modelling

The option-embedded structure makes standard bond metrics such as yield-to-maturity and simple yield-curve spreads of limited use. Assessing callable bonds instead requires stochastic models that incorporate borrower prepayment behaviour. Investors typically use:

- *Option-Adjusted Spread (OAS):* to evaluate relative value after accounting for prepayment risk.
- *Option-Adjusted Duration (OAD):* to measure interest rate sensitivity under realistic prepayment assumptions.

The stochastic modelling of prepayments is complex and beyond the scope of most investors. Danish banks, however, maintain sophisticated prepayment models and can provide these key figures to market participants.

Option-Adjusted Spread (OAS)

The option-adjusted spread (OAS) provides a basis for comparing the relative value of callable bonds to other fixed-income investments.

OAS is typically estimated relative to the Danish swap curve, using implied swaption volatilities to incorporate interest rate volatility and prepayment expectations. It can also be calculated relative to the government bond yield curve, although this is less common.

Current OAS levels are closely monitored by market participants, and trading strategies are often established based on changes in OAS.

Price Behaviour of Callable Bonds

Price Level	Prepayment Option Status	Duration and Convexity Behaviour
Far below par	Out-of-the-money	Similar to a non-callable bond, with convexity around zero or slightly positive. If rates fall, duration may decline as some prepayment risk re-emerges.
Close to par	At-the-money	Strongest negative convexity: borrower incentives are finely balanced, leading to a sharp increase in duration if rates rise as prepayment risk decreases and a sharp drop if rates fall as prepayment risk increases.
Above par	In-the-money	Substantial prepayments significantly shorten the bond's life and duration typically falls close to zero. Negative convexity also approaches zero because most borrowers are already refinancing; further rate declines have little impact on prepayment activity, while rates must rise enough to push the bond back toward or below par before duration begins to increase again.

Source: Nykredit Markets

Investing in Callables

Callable bonds are by nature a more complex product compared to bullets and floaters, entailing both higher risk and higher expected returns. The complexity arises partly because of the design of the call option embedded in the bonds (the option to call the bond at par at each quarter throughout the life of the loan), partly because borrowers' incentives to call the option is not simple to model and that borrowers not always act rationally on these incentives.

Pricing of the call option thus requires both an interest rate term structure model – identifying relevant interest rate scenarios and their probability – and a prepayment model – estimating borrowers incentives to exercise the call option in the relevant interest rate scenarios along with their propensities to act on these incentives. The pricing of the bonds is further complicated by the fact that the distribution of borrowers (with respect to the size of loans) matters for the average prepayment propensity. However, all Danish market makers provide option-adjusted key figures to institutional investors for risk management. These option-adjusted key figures are also, to a limited extent, available on Bloomberg.

The complexity of the options along with the negative convexity and short vol position imbedded in the callable bonds of course carry risks for investors, but also present opportunities for active managers as well as excess return for investors in general. Over the last 10 years a representative index of the callables market (Nykredit's Total Index) has outperformed other bond types with similar duration, including Danish government bonds, German Bunds, U.S. Treasuries, U.S. mortgage-backed securities, and Japanese government bonds. This is despite the fact, that this time period contains 2022, a historically difficult year for bonds with negative convexity and short-volatility exposure.

Finally, daily tap issuance along with active buyers – prepaying and refinancing when rates are declining, and buying back bonds in the market and refinancing when rates are increasing – provides for a dynamic and liquid market.

Issuers of Danish Covered Bonds

Key Takeaways

- Five specialized mortgage banks issue Danish covered bonds, constituting the main issuers.
- All covered bonds issued by the main issuers are AAA rated by S&P.
- Nykredit Realkredit is by far the largest issuer holding a market share of 46%

There are seven active issuers of Danish covered bonds: *Nykredit Realkredit, Realkredit Danmark, Nordea Kredit, Jyske Realkredit, DLR Kredit, Danske Bank*, and *Danmarks Skibskredit*.

- Nykredit Realkredit, Realkredit Danmark, Nordea Kredit, Jyske Realkredit, and DLR Kredit are specialized mortgage banks.
- Danmarks Skibskredit is a specialized ship finance institution focused on issuing ship mortgage bonds.
- Danske Bank is a universal bank, with a comparatively small volume of covered bonds outstanding.

Nykredit Realkredit is by far the largest issuer, accounting for almost half of the total outstanding market (46%). Owing to the limited market shares of Danske Bank and Danmarks Skibskredit—and, in the latter case, its narrow sector focus—detailed profiles of these two issuers are not included here.

All of the specialized mortgage banks except DLR Kredit are affiliated with one of Denmark's major commercial banks. The table below presents the outstanding volume of covered bonds and resulting market shares for the main issuers.

Outstanding Covered Bonds by Issuer

Issuer	Outstanding Amount (DKKbn)	Outstanding Amount (EURbn)	Market Share
Nykredit Realkredit	1509	203	46.3%
Realkredit Danmark	758	102	23.3%
Nordea Kredit	422	57	13.0%
Jyske Realkredit	357	48	11.0%
DLR Kredit	207	28	6.4%
Other	5	1	0.1%

All five specialized mortgage banks have their covered bonds rated AAA by S&P. The table below also summarizes the current ratings for each issuer and their main capital centres.

Covered Bond Issuers – Capital Centres

Issuer	Nykredit Realkredit		Realkredit Danmark		Nordea Kredit	Jyske Kredit	DLR Kredit
Issuer Rating	A+/Stable		Not disclosed		Not disclosed	A+/Stable	A-/Stable
Capital Centre	E	H	S	T	1	E	B
Type	SDO	SDO	SDRO	SDRO	SDRO	SDO	SDO
Covered Bond Rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA

Issuers must comply with either the general or specific balance principle; in practice, most operate under a match-funding structure that closely mirrors the specific balance principle. The overview below highlights each issuer's disclosed principle and funding structure.

Covered Bond Issuers – Balance Principles

Issuer	Balance Principle	Match Funding
Nykredit Realkredit	General Balance Principle	Yes
Realkredit Danmark	Specific Balance Principle	Yes
Nordea Kredit	Specific Balance Principle	Yes
Jyske Kredit	General Balance Principle	Yes and syndication
DLR Kredit	General Balance Principle	Yes

Nykredit Realkredit

Business Overview

Nykredit Realkredit is a specialised mortgage bank within the Nykredit Realkredit Group, one of Denmark's leading financial institutions with mortgage lending and banking as core activities. Tracing its roots back to 1851, Nykredit Realkredit is Denmark's largest covered bond issuer with a market share of around 45%.

As a specialised mortgage bank, it does not accept deposits but funds all mortgage lending through issuance of covered bonds. Nykredit Realkredit is classified as an O-SII and therefore maintains additional capital buffers.

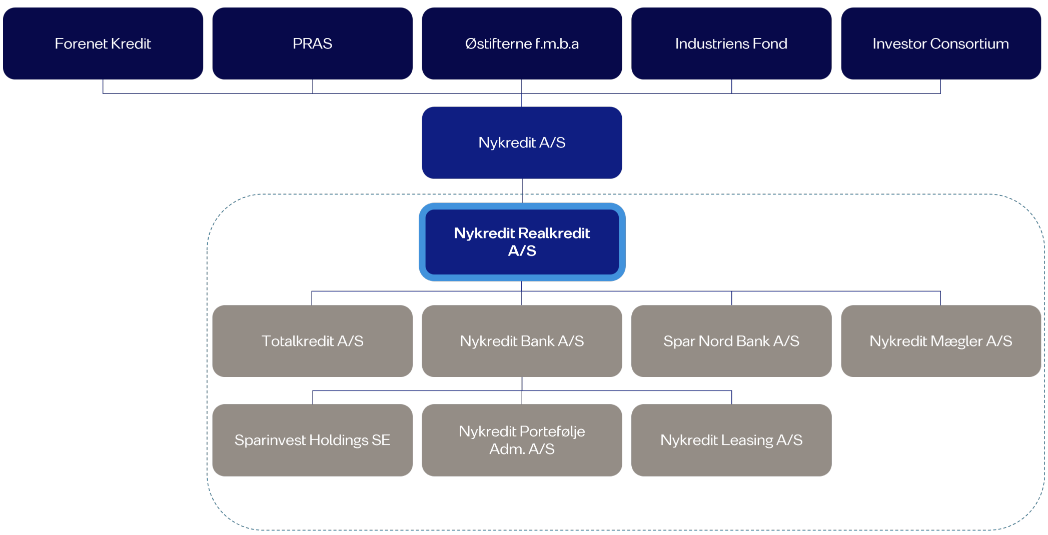
Ownership

Nykredit Realkredit is wholly owned by the holding company Nykredit A/S.

Nykredit A/S is predominantly customer owned through Forenet Kredit, a member association of Nykredit customers, which holds 79% of the shares. The remaining ownership is split between:

- An investor consortium (PFA Pension, PensionDanmark, PKA, AP Pension and AkademikerPension) – 17% combined
- PRAS A/S – 2%
- Foreningen Østifterne – 1%
- Industriens Fond – 0.34%

Ownership Structure



Source: Nykredit Markets

Distribution Channels

Nykredit Realkredit distributes its mortgage loans through several complementary channels. Mortgage products are offered directly through Nykredit's own retail bank network, its website, mobile banking solutions, and a central customer service centre. Nykredit also refers customers via its wholly owned real estate agency networks, Nybolig and Estate.

In addition, a key distribution channel is Totalkredit A/S, a wholly owned subsidiary of Nykredit Realkredit. Totalkredit has a strategic alliance with 40 local and regional banks across Denmark, enabling them to offer Totalkredit-branded mortgage loans through their own branch networks. All Totalkredit loans are funded by covered bonds issued by Nykredit Realkredit.

At the end of 2024, the Nykredit Realkredit Group had total mortgage loans of DKK 1,424bn (fair value), of which Totalkredit A/S accounted for DKK 722bn.

Key Financials

In 2024, Nykredit Realkredit A/S reported a profit before tax of DKK 12.8bn and a profit after tax of DKK 11.6bn, both up from DKK 12.0bn and DKK 10.8bn, respectively, in 2023. Net interest and fee income for 2024 reached DKK 5.4bn, compared to DKK 5.2bn in 2023.

Mortgage lending increased from DKK 1,392bn at the end of 2023 to DKK 1,498bn at year-end 2024 (fair value). Impairment charges for loans and advances were a net reversal of DKK 205m in 2024, compared to a net reversal of DKK 347m in 2023.

The Nykredit Realkredit Group reported total income of DKK 16.0bn in 2024, profit before tax of DKK 14.8bn, and net profit of DKK 11.7bn, all up from the previous year.

Key Figures

Nykredit Realkredit A/S

DKKbn	2024	2023	2022
Balance Sheet			
Total assets	1,686	1,574	1,493
Mortgage loans (Fair value)	1,498	1,392	1,330
Equity	105	101	97
Income Statement			
Net interest and fee income	5.4	5.2	4.6
Profit (loss) before tax	12.8	12.0	10.2
Profit (loss) after tax	11.6	10.8	9.4
Capital Ratios			
CET 1 capital ratio	16.10%	15.70%	15.60%
Total capital ratio	18.40%	18.20%	18.50%

Nykredit Realkredit Group

DKKbn	2024	2023	2022
Balance Sheet			
Total assets	1,773	1,682	1,600
Mortgage loans (Fair value)	1,425	1,355	1,292
Bank loans (ex. Repo lending)	103	94	87
Deposits	125	120	114
Equity	105	101	97
Income Statement			
Net interest and fee income	16.0	16.1	12.5
Profit (loss) before tax	14.8	14.1	11.5
Profit (loss) after tax	11.7	10.9	9.5
Capital Ratios			
CET 1 capital ratio	20.50%	20.40%	19.50%
Total capital ratio	23.40%	23.70%	23.30%

Source: Nykredit Realkredit A/S & Nykredit Markets

Funding Model
Nykredit Realkredit operates a strict match-funding model, creating a direct link between the borrower's choice of loan type and the bonds issued to fund that loan. As a result, Nykredit Realkredit is not exposed to interest rate or foreign exchange risk, and funding costs are passed directly on to borrowers.

Capital Centres
Nykredit Realkredit issues covered bonds from six legally segregated capital centres (D,E,G,H,I,and J). Each capital centre operates independently, with its own cover pool and series reserve fund.

Primary Issuance Capital Centres

- Capital Centre E (SDO): Opened in 2007, this centre primarily funds fixed-rate callable loans.
- Capital Centre H (SDO): Established in 2011 to fund adjustable-rate mortgages (ARMs) and floating-rate loans.

Both centres are EU CBD-compliant (European Covered Bonds—Premium) and now account for the majority of Nykredit Realkredit's outstanding covered bonds.

Legacy Capital Centre

- Capital Centre D (RO/GFRO): Historically the main issuance centre until 2008. It now holds only a small volume of legacy loans, as most bullet bonds and floaters have been refinanced into Capital Centre H. No new loans are originated, and the centre is gradually running off.

Specialised Capital Centres

- Capital Centres G and I (RO): Primarily used for the top tier of two-tier loans. Capital Centre G is used to fund adjustable-rate and floating-rate mortgages, while Capital Centre I is used to fund fixed-rate mortgages. Today two-tier loans are only used for commercial purposes and are no longer offered to private borrowers (see fact box: Two-Tier Loan Structure).
- Capital Centre J (SDO): Issues bullet bonds to fund public housing loans. These loans and bonds carry a full government guarantee and are all held by the Danish Central Bank. Since all bonds are sold to the Danish Central Bank, this capital centre is not described in more detail in this section.

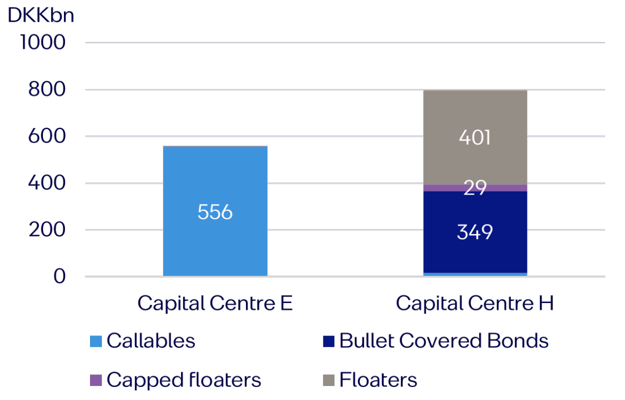
Two-Tier Loan Structure

In two-tier lending loans are split into two parts.
Base loan: Up to 45% LTV financed by SDOs.

Top loan: The portion above the 45% LTV and up to the 60% LTV threshold, financed by ROs, which are not subject to continuous LTV compliance.

Since 2014, two-tier lending has been limited to commercial and agricultural properties and is no longer offered to private borrowers.

Covered Bond Types in Capital Centre E and H



Source: Nykredit Markets

Capital Centre Key Figures Q1 2025

	D	E	G	H	I
Covered bonds (nom. DKKbn)	8.7	557	61	797	3.2
WAL covered bonds (years)	28.8	28	2.9	4.6	27.7
Fixed-rate callables (%)	12.3	99.8	0	2.2	100
ARMs (%)	0.4	0	20.6	43.8	0
Floating rate (%)	45.7	0.1	79.4	50.3	0
Capped floating rate (%)	41.6	0	0	3.7	0
Risk weighting CRD (%)	10/20	10	20	10	20
Eligible for central bank repo			Yes		
CBD/CRR-compliant			Yes / Yes		
Cover pool (nom. DKKbn)	13.6	579	82	825	6
OC ratio (%)	56.3	3.6	34	3.9	82.7
WAL cover pool (years)	28.4	28	24.8	27	27.7
Match-funded loans (%)	100	100	100	100	100
Avg. LTV of loans (%)	39	56	59	54	64
Residential mort. assets (%)	59.6	93.6	29.2	77.6	53.7
Commercial mort. assets (%)	40.4	6.4	70.8	22.4	46.3
Amortising/IO loans (%)	58/42	72/28	83/17	37/63	100/0

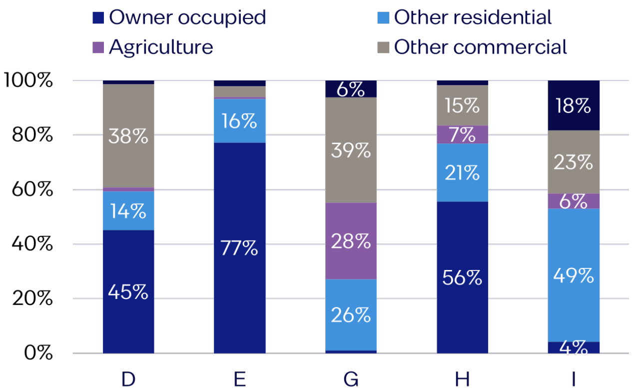
Source: Nykredit Markets

Capital Centre Composition and Geographical Distribution

The capital centres of Nykredit Realkredit are primarily backed by mortgages on residential and commercial properties. Lending is predominantly domestic, with Danish loans accounting for around 95% of the total portfolio and international lending making up the remaining 5%. Additional cover pool assets mainly consist of claims against credit institutions and government bonds.

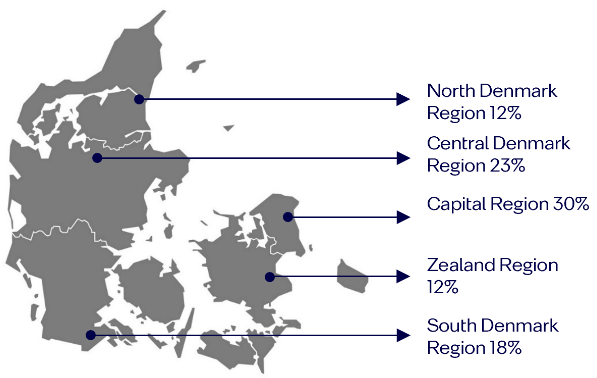
Compared to other Danish mortgage banks with a similarly high share of residential properties, Nykredit has a relatively low concentration of loans in the capital region.

Mortgage Assets by Capital Centres



Source: Nykredit Realkredit, Nykredit Markets

Geograpich Location of Mortgage Lending



Source: Nykredit Realkredit, Nykredit Markets

Asset Liability Management

The mortgage loans in Nykredit Realkredit's capital centres are either match-funded to maturity or funded by bonds with shorter maturities than the underlying loans, requiring periodic refinancing.

Match-funded to maturity

- Capital Centres E and I
- Comprise almost exclusively fixed-rate callable mortgage loans (Capital Centre E: 99.8%; Capital Centre I: 100%)
- These loans are fully match-funded to maturity.

Match-funded by bonds with shorter maturities than the loans

- Capital Centres H, G and D
- Comprise adjustable-rate and floating-rate mortgage loans that are refinanced over the term of the loan.
- Refinancing risk is almost entirely transferred to borrowers.
- Please refer to page 12 for further details on the refinancing process and associated risks.

Overcollateralisation (OC) and Loan-to-Value (LTV)
Nykredit Realkredit maintains OC levels above the statutory minimum of 2% for its two main Capital Centre E and H:

- Capital Centre E: 3.3% (statutory + 1.3% additional)
- Capital Centre H: 3.2% (statutory + 1.2% additional)

Further, issuers of SDOs and SDROs must ensure that cover assets continuously fulfil LTV requirements. In Nykredit's case, this concerns SDOs issued out of Capital Centres E and H.

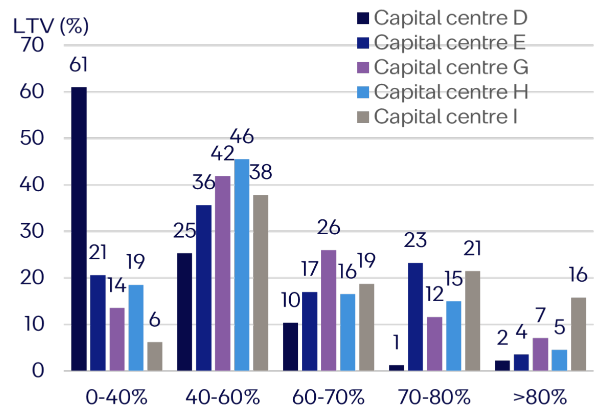
SDOs issued from Capital Centres E and H are subject to continuous LTV compliance. If individual loans exceed statutory LTV limits (80% for residential and 60% for commercial), supplementary collateral is provided—typically via Senior Secured Bonds (SSBs) or other non-covered instruments. At end-Q4 2024, average LTVs were 56% (E) and 54% (H), with most loans below 60%.

Capital Centres D, G, and I have higher OC ratios, reflecting their RO status. ROs are not subject to continuous LTV requirements, and higher OC levels serve as the primary credit enhancement for investors.

S&P Rating
All Nykredit Realkredit capital centres, apart from Capital Centre J (where all bonds are sold to the Danish Central Bank), are rated AAA with a stable outlook by S&P Global Ratings. Consequently, bonds issued from these capital centres carry a AAA rating.

Nykredit Realkredit itself is rated A+. This rating could be downgraded by up to four notches without the covered bonds necessarily losing their AAA rating, reflecting the strong protection provided by the capital centres' cover pools and structural features.

LTV Distribution, Current Property Value



Source: Nykredit Realkredit, Nykredit Markets

Capital Centre Ratings and OC

	D	E	G	H	I
Covered bonds	AAA	AAA	AAA	AAA	AAA
Available OC (%)	53.44	3.33	18.79	3.66	65.89
Unused notches of uplift	4	4	4	4	4
S&P OC in line with current rating (%)	15.95	2.50	15.94	2.50	34.85
Issuer: Nykredit Realkredit (long-term/short-term/outlook)			A+/A-1/Stable		

Source: S&P; Nykredit Markets

Realkredit Danmark

Business Overview

Realkredit Danmark is a specialised mortgage bank within the Danske Bank Group, Denmark's largest financial institution and an O-SII. Established in 1851 as Østifternes Kreditforening, it became part of the Danske Bank Group in 2001 following the merger of Danske Bank A/S and RealDanmark A/S.

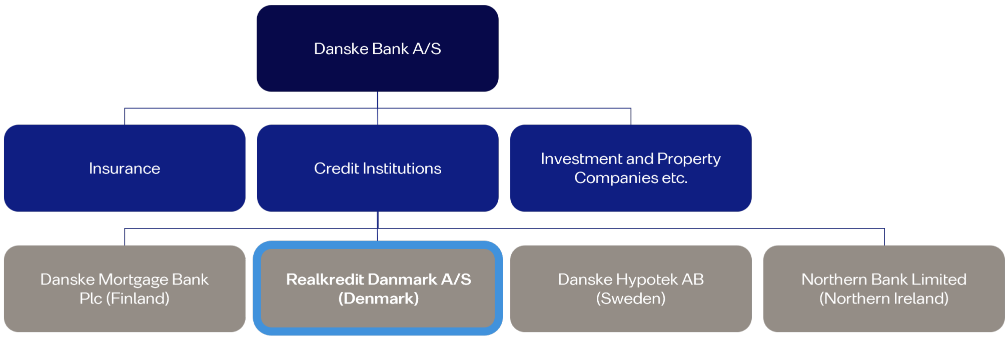
Today, Realkredit Danmarkis the second-largest mortgage bank in Denmark, with a market share of approximately 25%. As a specialised mortgage bank, it does not accept deposits but funds all mortgage lending exclusively through the issuance of covered bonds. Realkredit Danmark provides the majority of the Danske Bank Group's mortgage lending to personal and business customers in Denmark.

The Danske Bank Group, founded in 1871, is a leading Nordic financial group with activities across Northern Europe and the Baltic region, offering retail and corporate banking, asset management, and mortgage finance.

Ownership

Realkredit Danmark is 100% owned by Danske Bank A/S, Denmark's largest financial group with banking operations across eight countries. Danske Bank A/S is classified as an O-SII and is therefore subject to additional systemic capital buffers.

Ownership Structure



Source: Danske Bank Group 2024, Nykredit Markets

Distribution Channels

Realkredit Danmark's mortgage loans are primarily distributed through Danske Bank's branch network, as well as through Danske Bank's digital platforms, including its website and mobile banking app. In addition, mortgage loans are offered through Home, a wholly owned real estate agency subsidiary of Realkredit Danmark.

Key Financials
In 2024, Realkredit Danmark reported a profit before tax of DKK 5.9bn and a profit after tax of DKK 4.4bn, both practically unchanged from DKK 6.0bn and DKK 4.4bn, respectively, in 2023. Net interest and fee income for 2024 was DKK 6.5bn, up from DKK 6.2bn in 2023.

Impairment charges for loans and advances amounted to DKK 333m in 2024, compared to a net reversal of DKK 114m in 2023. The cost/income ratio improved to 13.8% in 2024, down from 15.3% in 2023.

Mortgage lending increased slightly during the year, reaching DKK 756bn at the end of 2024, compared to DKK 754bn in 2023 (fair value).

The parent company, Danske Bank Group, reported total income of DKK 56.4bn in 2024, profit before tax of DKK 31.2bn, and net profit of DKK 23.6bn, with all figures up from the previous year.

Key Figures

Realkredit Danmark

DKKbn	2024	2023	2022
Balance Sheet			
Total assets	827	816	782
Mortgage loans (Fair value)	756	754	724
Equity	55	50	49
Income Statement			
Net interest and fee income	6.5	6.2	6.1
Profit (loss) before tax	5.9	6.0	4.7
Profit (loss) after tax	4.4	4.4	3.6
Capital Ratios			
CET 1 capital ratio	31.90%	31.20%	28.70%
Total capital ratio	31.90%	31.60%	29.10%

Danske Bank Group

DKKbn	2024	2023	2022
Balance Sheet			
Total assets	3,716	3,729	3,746
Mortgage loans (Fair value)	755	753	724
Bank loans (ex. Repo lending)	919	920	1,081
Deposits	1,095	1,083	1,150
Equity	176	176	160
Income Statement			
Net interest and fee income	56.4	52.4	41.8
Profit (loss) before tax	31.2	26.7	-1.7
Profit (loss) after tax	23.6	21.3	-4.58
Capital Ratios			
CET 1 capital ratio	17.80%	18.80%	17.80%
Total capital ratio	22.40%	23.10%	22.10%

Source: Realkredit Danmark & Danske Bank Group

Funding Model

Realkredit Danmark operates a strict match-funding (pass-through) model, creating a direct link between the choice of loan type by the borrowers and the bonds issued to fund that loan. Consequently, Realkredit Danmark is not exposed to interest rate or foreign exchange risk, and funding costs are passed directly on to borrowers.

Capital Centres

Realkredit Danmark funds all mortgage lending through two active and legally segregated capital centres (S and T). Each capital centre operates independently, with its own cover pool and series reserve fund.

Capital Centre S (SDRO)

- Opened in 2007 following the implementation of the Capital Requirements Directive.
- Primarily funds fixed-rate callable mortgage loans.
- EU CBD-compliant (European Covered Bonds–Premium).

Capital Centre T (SDRO)

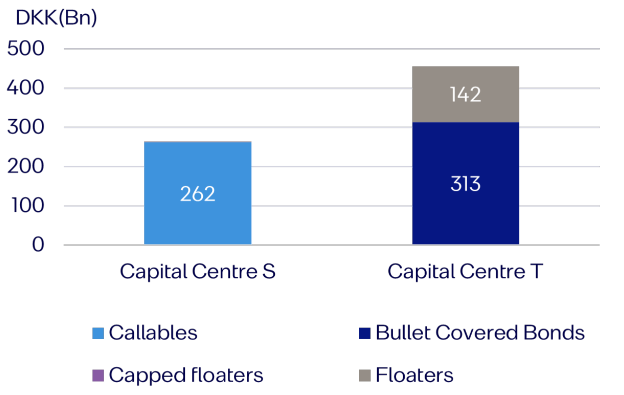
- Opened in 2011 to fund loans requiring refinancing.
- Exclusively funds adjustable-rate mortgages (ARMs) and floating-rate loans.
- EU CBD-compliant (European Covered Bonds-Premium).

Capital Centre A

- Opened in 2018 to fund public housing loans that are government guaranteed.
- All bonds issued from the capital centre are sold to the Danish Central Bank.
- Being less relevant to public investors, this capital centre is not described in more detail in this section.

Until 2008, funding was primarily issued out of the General Capital Centre, which has since been phased out for new lending.

Covered Bond Types in Capital Centre S and T



Source: Realkredit Danmark A/S, Nykredit Markets

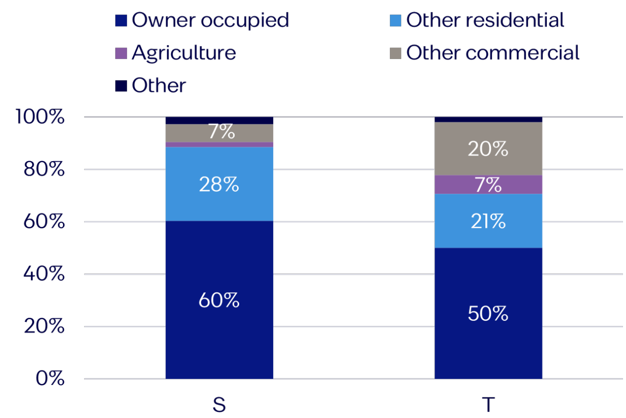
Capital Centre Key Figures

	S	T
Covered bonds (nom. DKKbn)	263.0	456.0
WAL covered bonds (years)	26.0	2.0
Fixed-rate callables (%)	99.6	0.0
ARMs (%)	0.0	68.8
Floating rate (%)	0.1	31.2
Capped floating rate (%)	0.4	0.0
Risk weighting CRD (%)	10/20	10
Eligible for central bank repo	Yes	
CBD/CRR-compliant	Yes / Yes	
Cover pool (nom. DKKbn)	282	489
OC ratio (%)	7.3	7.4
WAL cover pool (years)	23	21
Match-funded loans (%)	100	100
Avg. LTV of loans (%)	42.6	48.7
Residential mort. assets (%)	82	71
Commercial mort. assets (%)	12	29
Amortising/IO loans (%)	67/33	32/68

Source: Realkredit Danmark A/S

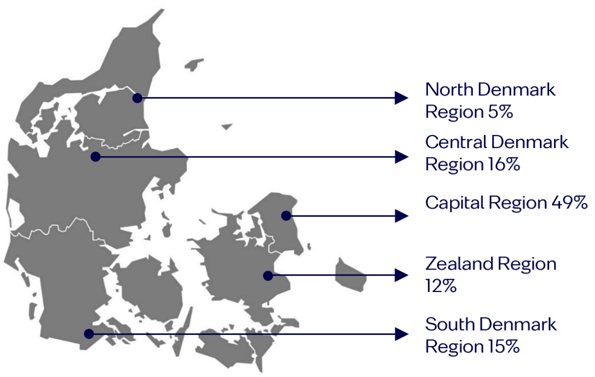
Capital Centre Composition and Geographical Distribution
Realkredit Danmark's capital centres are primarily backed by mortgages on residential properties with the remainder secured by commercial or agricultural properties. Lending is predominantly domestic, with only 2% of mortgages funding properties outside Denmark. There is a relatively high concentration of loans in the Capital Region, accounting for almost half of total lending, while the rest is broadly distributed across the country.

Mortgage Assets by Capital Centres



Source: Realkredit Danmark, Nykredit Markets

Geograpich Location of Mortgage Lending



Source: Realkredit Danmark, Nykredit Markets

Asset Liability Management
The mortgage loans in Realkredit Danmark's capital centres are either match-funded to maturity or match-funded by bonds with shorter maturities than the loans, requiring periodic refinancing.

Match-funded to maturity

- Capital Centre S.
- Comprises almost exclusively fixed-rate callable mortgage loans (99.6%).
- These loans are fully match-funded to maturity.

Match-funded by bonds with shorter maturities than the loans

- Capital Centre T.
- Comprises adjustable-rate and floating-rate mortgage loans that are refinanced periodically over the life of the loan.
- Refinancing risk is almost entirely transferred to borrowers.
- Please refer to page 12 for further details on the refinancing process and associated risks.

Overcollateralisation (OC) and Loan-to-Value (LTV)
Realkredit Danmark maintains OC levels significantly above the statutory minimum of 2%:

- Capital Centre S: 4.8% (statutory + 2.8% additional).
- Capital Centre T: 4.5% (statutory + 2.5% additional).

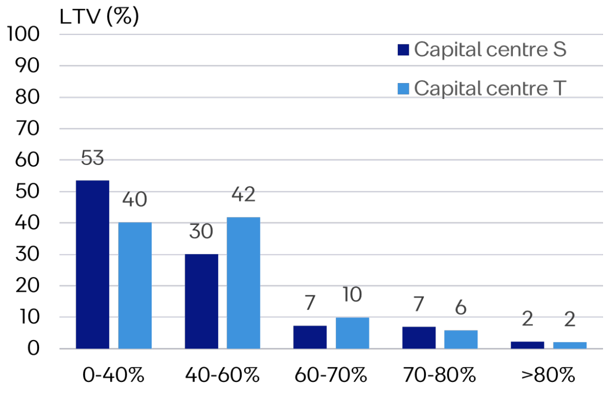
Bonds issued from both capital centres are SDROs and therefore subject to continuous LTV compliance. If individual loans exceed statutory LTV limits (80% for residential and 60% for commercial), supplementary collateral is provided – typically via Senior Secured Bonds (SSBs) or other non-covered instruments.

At end-Q4 2024, average LTVs were substantially below the statutory thresholds, at 26.5% for Capital Centre S and 44.8% for Capital Centre T, with the vast majority of loans below 60%.

S&P Rating
Covered bonds issued from Capital Centres S and T are rated AAA with a stable outlook by S&P Global Ratings.

Danske Bank A/S, the parent company of Realkredit Danmark A/S, is rated A+. This rating can be downgraded by up to four notches without the covered bonds necessarily losing their AAA rating, reflecting the strong protection provided by the cover pools and structural features.

LTV Distribution, Current Property Value



Source: Realkredit Danmark, Nykredit Markets

Capital Centre Ratings and OC

	S	T
Covered bonds	AAA	AAA
Available OC (%)	5.70	7.07
Unused notches of uplift	4	4
S&P OC in line with current rating (%)	3.9	6.2
Issuer: Realkredit Danmark A/S	Not disclosed	
Parent: Danske Bank A/S (long-term/short-term/outlook)	A+/A-1/Stable	

Source: S&P; Realkredit Danmark; Nykredit Markets

Nordea Realkredit

Business Overview

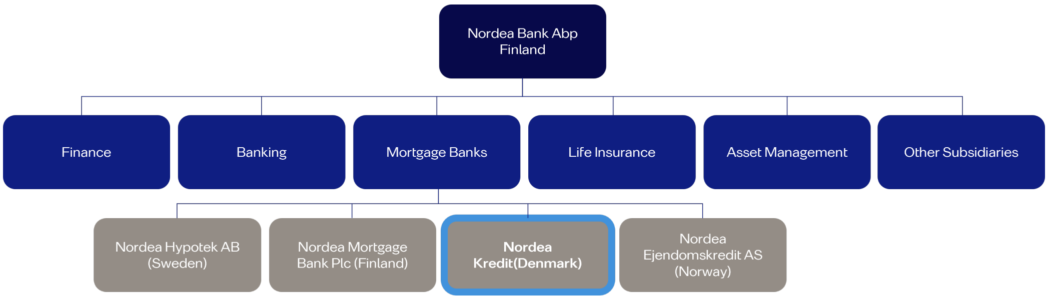
Nordea Kredit is a specialised mortgage bank owned by Nordea Bank Abp, the largest financial institution in the Nordic region and an O-SII. Established in 1993, Nordea Kredit is the third-largest mortgage bank in Denmark, with a market share of approximately 14%.

As a specialised mortgage bank, Nordea Kredit does not accept deposits but funds all mortgage lending exclusively through the issuance of covered bonds. It provides mortgage loans to Nordea Bank Abp's private and business customers in Denmark.

Ownership

Nordea Kredit is a wholly owned subsidiary of Nordea Bank Abp, which is headquartered in Finland and classified as an O-SII, subject to additional systemic capital buffers. Nordea Bank Abp operates across Northern Europe and the Baltics.

Ownership Structure



Source: Nordea Bank, Nykredit Markets

Distribution Channels

Nordea Kredit's mortgage loans are primarily distributed through Nordea Bank's branch network, as well as through Nordea Bank's digital platforms, including its website and mobile banking app. In addition, mortgage loans are offered through Danbolig, a real estate agency network owned by Nordea Bank Abp.

Key Financials
In 2024, Nordea Kredit reported a profit before tax of DKK 1.4bn and a profit after tax of DKK 1.1bn, both almost unchanged from DKK 1.5bn and DKK 1.1bn, respectively, in 2023. Net interest and fee income for 2024 was DKK 3.1bn, down from DKK 3.3bn in 2023.

Impairment charges for loans and advances amounted to DKK 86m in 2024, compared to DKK 19m in 2023. The cost/income ratio was 51.7% in 2024, slightly improved from 52% in 2023.

Mortgage lending remained stable during the year at approximately DKK 391bn (fair value).

The parent company, Nordea Bank Abp, reported total income of EUR 12.1bn in 2024, profit before tax of EUR 6.5bn, and net profit of EUR 5.1bn, all up from the previous year.

Key Figures

Nordea Kredit			
DKKbn	2024	2023	2022
Balance Sheet			
Total assets	437	430	426
Mortgage loans (Fair value)	391	391	386
Equity	22	22	22
Income Statement			
Net interest and fee income	3.1	3.3	2.8
Profit (loss) before tax	1.4	1.5	1.4
Profit (loss) after tax	1.1	1.1	1.1
Capital Ratios			
CET 1 capital ratio	20.10%	28.50%	28.40%
Total capital ratio	21.60%	30.70%	30.50%

Nordea			
EURm	2024	2023	2022
Balance Sheet			
Total assets	623	585	595
Bank loans (ex. Repo lending)	358	345	346
Deposits	232	210	217
Equity	32	31	31
Income Statement			
Net interest and fee income	12.1	11.7	9.7
Profit (loss) before tax	6.5	6.3	4.8
Profit (loss) after tax	5.1	4.9	3.6
Capital Ratios			
CET 1 capital ratio	15.80%	17.00%	16.40%
Total capital ratio	21.00%	22.20%	20.80%

Source: Nordea Kredit & Nordea

Funding Model
Nordea Kredit operates a strict match-funding (pass-through) model, creating a direct link between borrowers' choice of loan type and the bonds issued to fund that loan. Consequently, Nordea Kredit is not exposed to interest rate or foreign exchange risk, and funding costs are passed directly on to borrowers.

Capital Centres
Nordea Kredit funds its mortgage lending through two legally separated capital centres (1 and 2). Each capital centre operates independently, with its own cover pool and series reserve fund. Capital Centre 2 is the only active capital centre today, and all new mortgage lending is funded out of this centre, while Capital Centre 1 only holds a small volume of legacy loans, accounting for less than 0.5% of Nordea Kredit's mortgage lending, and is gradually being run off. Subsequently, the following sections focus mainly on Capital Centre 2.

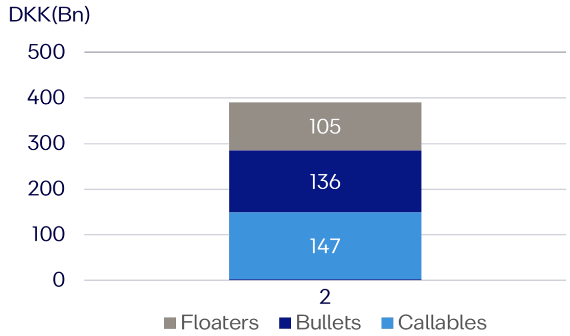
Capital Centre 1 (SDRO)

- Opened in 2008 following the implementation of the Capital Requirements Directive.
- Funds all new mortgage lending and is by far the largest capital centre.
- Funds both adjustable-rate, floating-rate and callable fixed-rate mortgage loans.
- At end-Q4 2024, outstanding bonds totalled DKK 422bn.
- EU CBD-compliant (European Covered Bonds–Premium).

Capital Centre 2 (RO)

- Used exclusive for legacy loans issued before 2008.
- Gradually running off, with no new lending issued from this centre.
- At end-Q4 2024, outstanding covered bonds totalled DKK 0.9

Covered Bond Types in Capital Centre 2



Source: Nordea Realkredit, Nykredit Markets

Capital Centre Key Figures

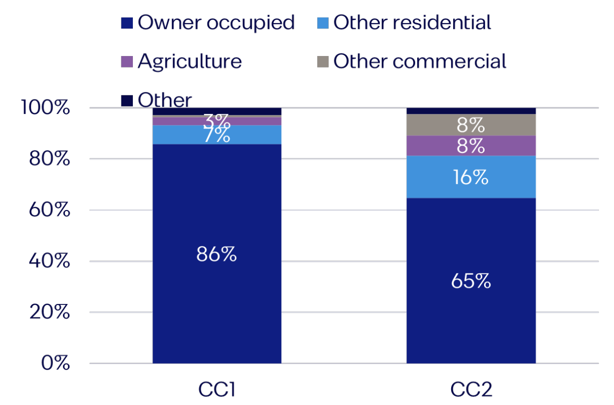
	1	2
Covered bonds (nom. DKKbn)	0.8	423.3
WAL covered bonds (years)	11.8	11.6
Fixed-rate callables (%)	66	37.8
ARMs (%)	0	35.1
Floating rate (%)	0	27
Capped floating rate (%)	34	0.1
Risk weighting CRD (%)	10	10
Eligible for central bank repo	Yes	
CBD/CRR-compliant	Yes / Yes	
Cover pool (nom. DKKbn)	1.9	456
OC ratio (%)	122.5	7.7
WAL cover pool (years)	3.4	14.1
Match-funded loans (%)	100	100
Avg. LTV of loans (%)	30.6	48.2
Residential mort. assets (%)	93.4	82.2
Commercial mort. assets (%)	6.6	17.8
Amortising/IO loans (%)	100/0	46/54

Source: Nordea Kredit

Capital Centre Composition and Geographical Distribution

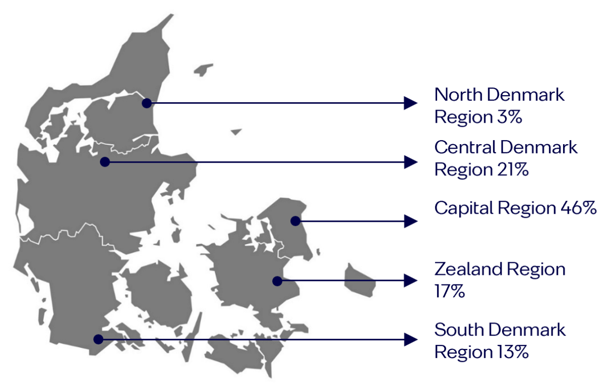
Capital Centre 1 is primarily backed by mortgages on residential properties, with the remainder secured by commercial and agricultural properties. All lending is on properties located in Denmark. There is a relatively high concentration of loans in the Capital Region, accounting for almost half of total lending, while the rest is broadly distributed across the country (see figure).

Mortgage Assets by Capital Centres



Source: Realkredit Danmark, Nykredit Markets

Geograpich Location of Mortgage Lending

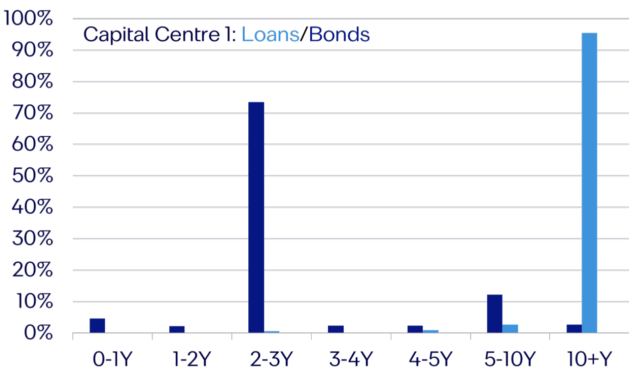


Source: Nordea Kredit, Nykredit Markets

Asset Liability Management

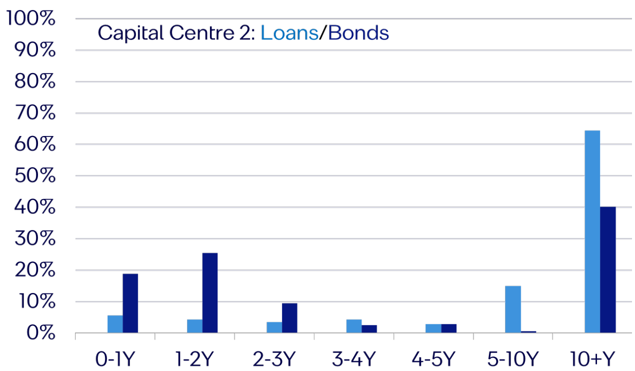
The adjustable-rate and floating-rate mortgages in Nordea Kredit's Capital Centre 1 are match-funded by bonds with shorter maturities than the mortgage loans, which are refinanced over the term of the loan. Meanwhile, the callable fixed-rate mortgages in Capital Centre 1 are match-funded to maturity. The amortisation of loans and the maturity profile of the covered bonds funding the loans can be observed in the figures.

Capital Centre 1 Maturity of Bonds and Loans



Source: Nordea Kredit, Nykredit Markets

Capital Centre 2 Maturity of Bonds and Loans



Source: Nordea Kredit, Nykredit Markets

Overcollateralisation (OC) and Loan-to-Value (LTV)
Nordea Kredit maintains OC levels significantly above the statutory minimum of 2%:

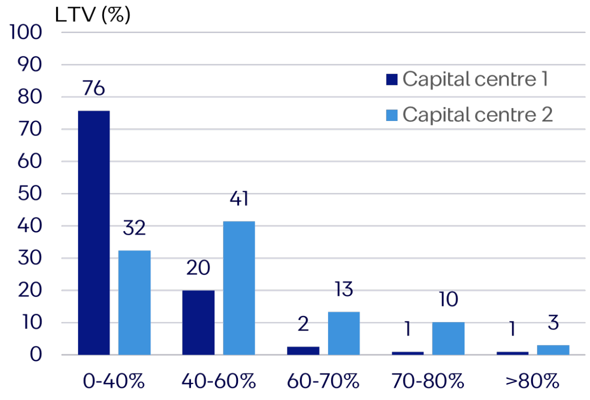
- Capital Centre 1: 8% (statutory + 6% additional).

As SDROs, bonds issued from Capital Centre 1 are subject to continuous LTV compliance. If individual loans exceed statutory LTV limits (80% for residential and 60% for commercial), supplementary collateral is provided – typically via Senior Secured Bonds (SSBs) or other non-covered instruments.

At end-Q4 2024, average LTVs in Capital Centre 1 were substantially below the statutory thresholds, at 49%, with the vast majority of loans below 60%.

S&P Rating
Covered bonds issued from Capital Centre 1 and 2 are rated AAA with a stable outlook by S&P Global Ratings. Nordea Bank Abp, the parent company, is rated A+. This rating can be downgraded by up to five notches without the covered bonds necessarily losing their AAA rating, reflecting the strong protection provided by the cover pool and structural features.

LTV Distribution, Current Property Value



Source: Nordea Kredit, Nykredit Markets

S&P Ratings, Q4/2024

	S	T
Covered bonds	AAA	AAA
Available OC (%)	98.00	13.04
Unused notches of uplift	5	5
S&P OC in line with current rating (%)	2.50	2.50
Issuer: Nordea Kredit	Not disclosed	
Parent: Nordea Bank Abp (long-term/short-term/outlook)	AA-/A-1+/Stable	

Source: S&P; Nordea Kredit

Jyske Realkredit

Business Overview

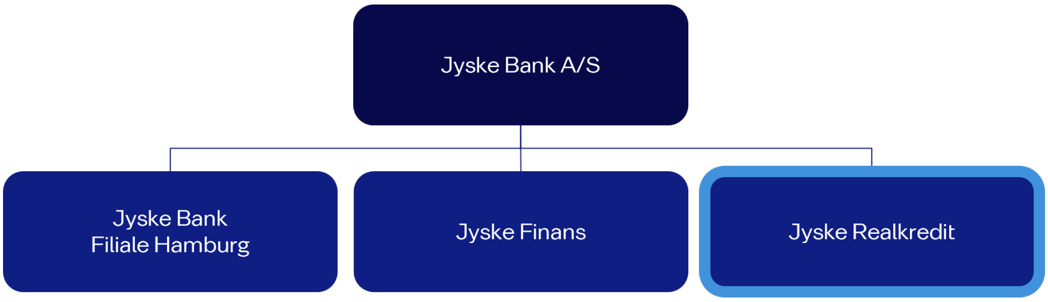
Jyske Realkredit is a specialised mortgage bank and a wholly owned subsidiary of Jyske Bank A/S, the third-largest Danish bank and classified as an O-SII. Originally established as BRFkredit in 1959, the company was merged into Jyske Bank in 2014 and renamed Jyske Realkredit in 2018, though BRFkredit remains its secondary name.

Jyske Realkredit is the fourth-largest mortgage bank in Denmark, with a market share of approximately 12%. As a specialised mortgage bank, Jyske Realkredit does not accept deposits but funds all mortgage lending exclusively through the issuance of covered bonds.

Ownership

Jyske Realkredit has been a wholly owned subsidiary of Jyske Bank A/S since 2014. Jyske Bank, which acquired Handelsbanken's Danish activities in 2022, is classified as an O-SII and subject to additional systemic capital buffers.

Ownership Structure



Source: Jyske Bank, Nykredit Markets

Distribution Channels

Jyske Realkredit's mortgage loans are primarily distributed through Jyske Bank's branch network, as well as through Jyske Bank's digital platforms, including its website and mobile banking app. In addition, Jyske Realkredit partners with the real estate agency networks Lokalbolig and Realmæglerne to refer customers and support mortgage loan origination.

Key Financials
In 2024, Jyske Realkredit reported a profit before tax of DKK 3.1bn and a profit after tax of DKK 2.3bn, both up from DKK 2.7bn and DKK 2.0bn, respectively, in 2023. Net interest and fee income for 2024 was DKK 3.4bn, up from DKK 2.8bn in 2023.

Impairment charges for loans and advances were a net reversal of DKK 17m in 2024, compared to a net reversal of DKK 12m in 2023. The cost/income ratio improved to 12% in 2024, down from 13.9% in 2023.

Mortgage lending increased from DKK 353bn at the end of 2023 to DKK 366bn at year-end 2024 (fair value).

The parent company, Jyske Bank Group, reported total income of DKK 12.1bn in 2024, profit before tax of DKK 7.2bn, and net profit of DKK 5.3bn, all figures down from the previous year.

Key Figures

Jyske Kredit			
DKKbn	2024	2023	2022
Balance Sheet			
Total assets	400	383	360
Mortgage loans (Fair value)	366	353	334
Equity	26	24	22
Income Statement			
Net interest and fee income	3.4	2.8	1.9
Profit (loss) before tax	3.1	2.7	1.7
Profit (loss) after tax	2.3	2.0	1.4
Capital Ratios			
CET 1 capital ratio	27.30%	27.50%	28.30%
Total capital ratio	27.30%	27.50%	28.30%

Jyske Bank Group			
DKKbn	2024	2023	2022
Balance Sheet			
Total assets	750	780	750
Mortgage loans (Fair value)	366	353	334
Bank loans (ex. Repo lending)	146	151	156
Deposits	190	199	189
Equity	46	43	37
Income Statement			
Net interest and fee income	12.1	12.2	8.4
Profit (loss) before tax	7.2	7.9	4.6
Profit (loss) after tax	5.3	5.9	3.8
Capital Ratios			
CET 1 capital ratio	17.60%	16.90%	15.20%
Total capital ratio	23.10%	21.00%	19.50%

Source: Jyske Bank Group

Funding Model
Jyske Realkredit primarily operates under the Danish match-funding (pass-through) principle, creating a close link between borrowers' choice of loan type and the bonds issued to fund the loans. However, not all lending is formally match-funded, as Jyske Realkredit issues EUR-denominated covered bonds under a joint funding agreement with Jyske Bank.

For loans not formally match-funded, all market risks are fully hedged with derivatives, ensuring that Jyske Realkredit is effectively not exposed to interest rate or foreign exchange risk. Funding costs are passed directly on to borrowers.

Capital Centres
Jyske Realkredit funds its mortgage lending through two legally separated capital centres (B and E). Each capital centre operates independently, with its own cover pool and series reserve fund. New issuance is mainly concentrated in Capital Centre E, and mortgage lending has, where possible, been refinanced from Capital Centre B to Capital Centre E.

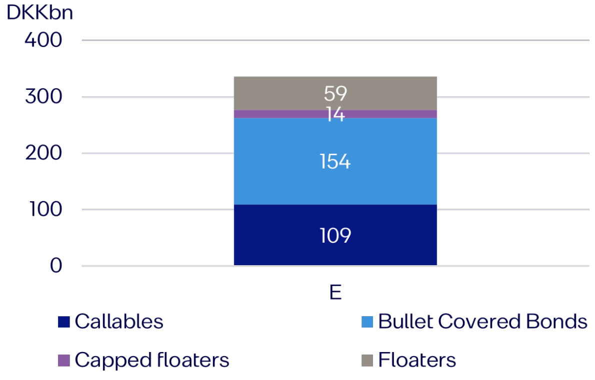
Capital Centre E (SDO)

- Opened in 2017 for all new mortgage lending.
- At end-Q4 2024, outstanding covered bonds totalled DKK 354.6bn.
- Funds both callable fixed-rate mortgages and adjustable-rate/floating-rate mortgages.
- EU CBD-compliant (European Covered Bonds-Premium).

Capital Centre B (RO)

- Primarily used for legacy loans and refinanced loans not transferred to Capital Centre E.
- At end-Q4 2024, outstanding covered bonds totalled DKK 11.7bn.

Covered Bond Types in Capital Centre E



Source: Jyske Kredit, Nykredit Markets

Capital Centre Key Figures

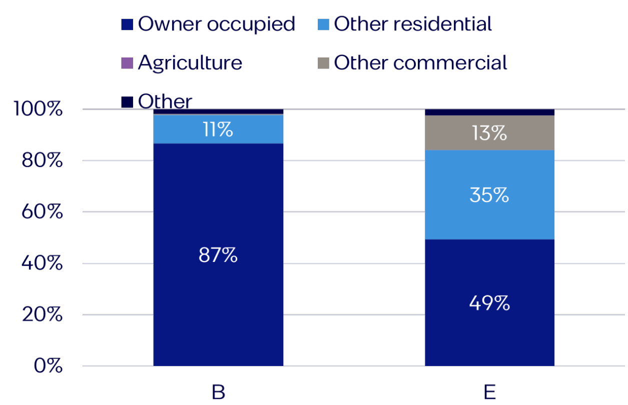
	B	E
Covered bonds (nom. DKKbn)	10.1	337
WAL covered bonds (years)	5.68	8.80
Fixed-rate (%)	2.6	32.4
ARMs (%)	61.1	45.7
Floating rate (%)	22.6	17.7
Capped floating rate (%)	13.5	4
Risk weighting CRD (%)	10/20	10
Eligible for central bank repo	Yes	
CBD/CRR-compliant	Yes / Yes	
Cover pool (nom. DKKbn)	11.1	361
OC ratio (%)	10.4	7.1
WAL cover pool (years)	21.23	24
Match-funded loans (%)	100	91
Avg. LTV of loans (%)	49.9	50
Residential mort. assets (%)	97.8	84.1
Commercial mort. assets (%)	2.2	15.9
Amortising/IO loans (%)	61/39	48/52

Source: Jyske Realkredit

Capital Centre Composition and Geographical Distribution
Jyske Realkredit's capital centres are primarily backed by mortgages on residential properties, with the remainder secured by commercial properties and subsidised housing. Lending is almost exclusively domestic, with only 0.6% of mortgages funding properties outside Denmark.

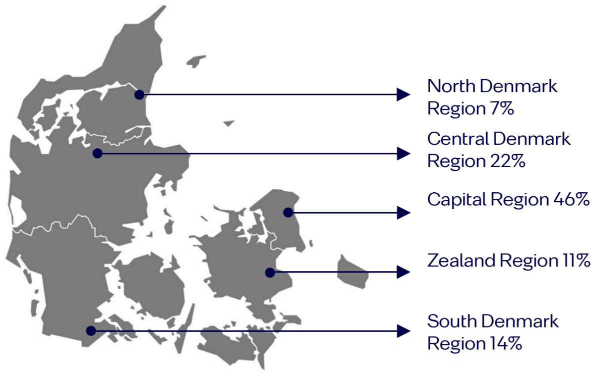
There is a relatively high concentration of loans in the Capital Region, accounting for almost half of total lending, while the remainder is broadly distributed across the country (see figure).

Mortgage Assets by Capital Centres



Source: Jyske Realkredit, Nykredit Markets

Geograpich Location of Mortgage Lending



Source: Jyske RealKredit, Nykredit Markets

Asset Liability Management
In Capital Centre E, callable fixed-rate mortgages are match-funded to maturity, while adjustable-rate and floating-rate mortgages are funded by bonds with shorter maturities than the loans and are refinanced periodically over the loan term. Capital Centre B is predominantly match-funded to maturity, though a share of the loans is funded by bonds with shorter maturities and refinanced over time.

Part of the funding in Capital Centre E consists of EUR-denominated bonds issued under the joint funding agreement with Jyske Bank. These loans are not formally match-funded, but the associated market risks are fully hedged with derivatives.

Overcollateralisation (OC) and Loan-to-Value (LTV)

Jyske Realkredit maintains OC levels above the statutory minimum requirements:

- Capital Centre E (SDO): 5% (statutory 2% + 3% additional).
- Capital Centre B (RO): 8.6%, reflecting the higher OC levels required for RO capital centres.

As SDOs, bonds issued from Capital Centre E are subject to continuous LTV compliance. If individual loans exceed statutory LTV limits (80% for residential and 60% for commercial), supplementary collateral is provided - typically via Senior Secured Bonds (SSBs) or other non-covered instruments.

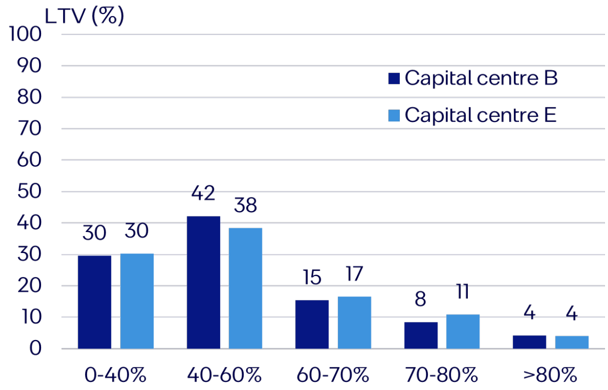
At end-Q4 2024, average LTVs were around 50% for Capital Centre E, with the majority of loans below 60%.

S&P Rating

Covered bonds issued from Capital Centres B and E are rated AAA with a stable outlook by S&P Global Ratings.

Jyske Realkredit's issuer credit rating can be downgraded by up to three notches without the covered bonds necessarily losing their AAA rating, reflecting the strong protection provided by the cover pools and structural features.

LTV Distribution, Current Property Value



Source: Jyske Realkredit, Nykredit Markets

S&P Ratings, Q4/2024

	B (RO)	E (SDO)
Covered bonds	AAA	AAA
Available OC (%)	22.30	6.47
Unused notches of uplift	3	3
S&P OC in line with current rating (%)	5.87	2.50
Issuer: Jyske Realkredit A/S (long-term/short-term/outlook)	A+/A-1/Stable	
Parent: Jyske Bank (long-term/short-term/outlook)	A+/A-1/Stable	

Source: S&P; Jyske Realkredit

DLR Kredit

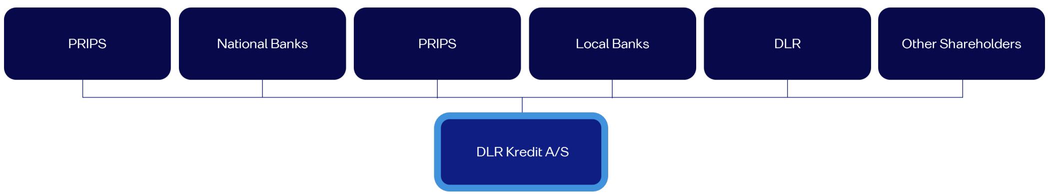
Business Overview
DLR Kredit is a specialised mortgage bank and a Danish O-SII. It is the fifth-largest mortgage bank in Denmark with a market share of approximately 6%. Founded in 1960, DLR Kredit initially focused on mortgage lending for agricultural properties but has since expanded its scope to include commercial, residential rental, and certain private residential properties. As a specialised mortgage bank, DLR Kredit does not accept deposits but funds all mortgage lending through the issuance of covered bonds.

Ownership
DLR Kredit A/S is primarily owned by local, regional, and national Danish banks, most of which are active loan distributors for DLR Kredit. As of end-2024, DLR Kredit had 46 shareholders, of which 42 also serve as active loan originators. Over recent years, the number of shareholders has declined slightly, reflecting sector consolidation.

Ownership as of end-2024 was distributed as follows:

- Members of Lokale Pengeinstitutter (Association of Local and Regional Banks): 50.6%
- Members of Landsdækkende Banker (National Banks): 14.7%
- PRAS A/S: 7.4%
- PRIPS2022 P/S (owned by 12 local banks): 3.7%
- Other shareholders: 15.6%
- DLR Kredit A/S (own shares): 8.1%

Ownership Structure



Source: DLR Kredit, Nykredit Markets

Distribution Channels
DLR Kredit's mortgage loans are distributed exclusively through the branch networks of its shareholder banks, which comprise local, regional, and national financial institutions across Denmark. DLR Kredit does not operate its own branches or digital sales channels; instead, it relies entirely on its banking partners to originate, process, and manage customer relationships for mortgage lending.

Key Financials
In 2024, DLR Kredit reported a profit before tax of DKK 1.7bn and a profit after tax of DKK 1.2bn, both slightly down from DKK 1.8bn and DKK 1.3bn, respectively, in 2023. Net interest and fee income for 2024 was DKK 1.9bn, unchanged from the previous year.

Impairment charges for loans and advances amounted to DKK 36m in 2024 (including DKK 5m in losses offset via partner and guarantee agreements), compared to a minor net reversal of DKK 1m in 2023.

The cost/income ratio was 21.3% in 2024, up from 17.2% in 2023.

Mortgage lending increased during the year, from DKK 182bn at the end of 2023 to DKK 194bn at year-end 2024 (fair value).

Key Figures

DKKbn	2024	2023	2022
Balance Sheet			
Total assets	207	193	180
Mortgage loans (fair value)	194	182	170
Equity	18	17	16
Income Statement			
Net interest and fee income	1.9	1.9	1.5
Profit (loss) before tax	1.7	1.8	0.9
Profit (loss) after tax	1.2	1.3	0.7
Capital Ratios			
CET 1 capital ratio	21.50%	22.20%	22.50%
Total capital ratio	23.70%	24.00%	24.30%

Source: DLR Kredit A/S

Funding Model
DLR Kredit operates a strict match-funding model, creating a direct link between each borrower's loan type and the covered bonds issued to fund it. As a result, DLR Kredit is not exposed to interest rate or foreign exchange risk, and funding costs are passed directly on to borrowers.

Credit risk is further mitigated through loss-controlling agreements with the originating shareholder banks. For every loan arranged, the originating bank provides an individual loss guarantee covering 6% of the outstanding balance for the full loan term. Any further losses are offset against commissions payable to the bank, significantly limiting DLR Kredit's exposure to credit risk.

Capital Centres
DLR Kredit funds its lending through two capital centres – Capital Centre B and the General Capital Centre – each operating independently with its own cover pool and series reserve fund. All new mortgage lending is funded out of Capital Centre B, while the General Capital Centre holds only a small volume of legacy loans, accounting for less than 0.5% of DLR Kredit's total mortgage lending, and is gradually being run off. Therefore, the following sections primarily focus on Capital Centre B.

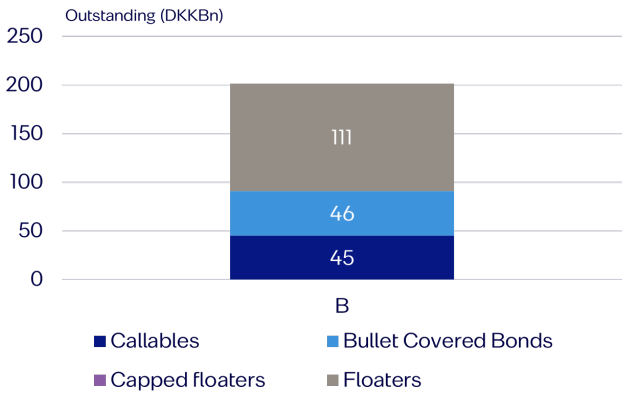
Capital Centre B (SDO)

- Funds all new mortgage lending and is by far the largest capital centre.
- Comprises both adjustable-rate, floating-rate, and fixed-rate callable mortgage loans.
- At end-Q4 2024, outstanding covered bonds totalled DKK 202.2bn (nominal value).
- EU CBD-compliant (European Covered Bonds-Premium).

General Capital Centre (RO)

- Used exclusively for legacy loans issued before 2008.
- Gradually running off, with no new lending issued from this centre.
- At end-Q4 2024, outstanding covered bonds totalled DKK 0.5bn (nominal value).

Covered Bond Types in Capital Centre B



Source: DLR Kredit A/S, Nykredit Markets

Capital Centre Key Figures

	General	B
Covered bonds (nom. DKKbn)	0.5	205.4
WAL covered bonds (years)	12.1	7.1
Fixed-rate (%)	28	22
ARMs (%)	0	23
Floating rate (%)	0	55
Capped floating rate (%)	72	0
Risk weighting CRD (%)	10	10
Eligible for central bank repo	Yes	
CBD/CRR-compliant	Yes / Yes	
Cover pool (nom. DKKbn)	0.6	227.1
OC ratio (%)	25.3	12.3
WAL cover pool (years)	1.2	20.6
Match-funded loans (%)	100	100
Avg. LTV of loans (%)	26	50
Residential mort. assets (%)	36.6	30
Commercial mort. assets (%)	63.4	70
Amortising/IO loans (%)	100/0	61/39

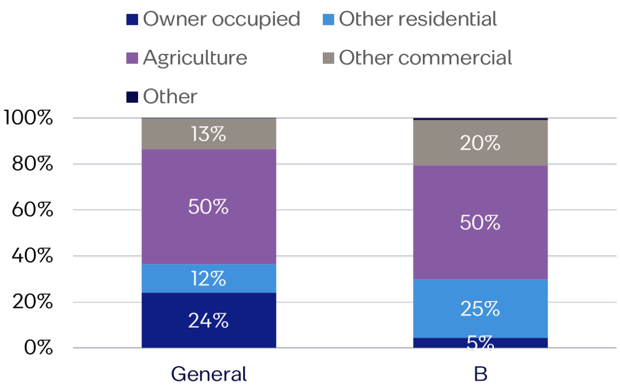
Source: DLR Kredit A/S

Capital Centre Composition and Geographical Distribution

DLR Kredit's primary capital centre is mainly backed by mortgages on agricultural properties, which account for approximately half of total lending. The remainder of the portfolio is secured by commercial, residential rental, and selected private residential properties. All lending is secured by properties located in Denmark.

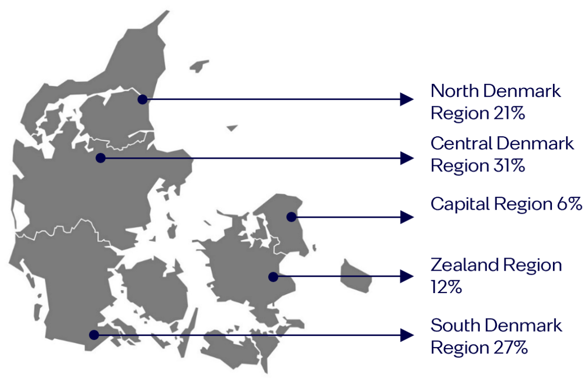
Compared to other Danish mortgage banks, DLR Kredit's lending is geographically concentrated outside the Capital Region, which accounts for only a small share of the portfolio. The majority of lending is distributed across rural and regional areas, with the largest shares in Central Denmark, North Denmark, and South Denmark (see figure).

Mortgage Assets by Capital Centres



Source: DLR Kredit, Nykredit Markets

Geograpich Location of Mortgage Lending



Source: DLR kredit, Nykredit Markets

Asset Liability Management

The majority of mortgages in DLR Kredit's Capital Centre B are floating-rate loans or adjustable-rate mortgages (ARMs), which are match-funded by bonds with shorter maturities than the loans and are periodically refinanced over the loan term. Only about a quarter of the portfolio consists of fixed-rate callable mortgages, which are match-funded to maturity. The amortisation profile of loans and the maturity structure of the covered bonds funding them can be seen in the figure.

Overcollateralisation (OC) and Loan-to-Value (LTV)

DLR Kredit maintains OC levels significantly above the statutory minimum of 2% for SDO capital centres:

- Capital Centre B: 12.1% (statutory + 10.1% additional)

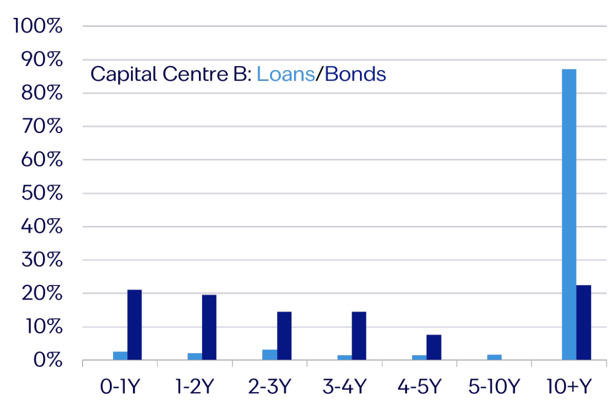
As an SDO issuer, bonds issued from Capital Centre B are subject to continuous LTV compliance. If individual loans exceed the statutory LTV limit (60% for agricultural and commercial properties), supplementary collateral is provided—typically via Senior Secured Bonds (SSBs) or other non-covered instruments.

At end-Q4 2024, the average LTV in Capital Centre B was 50%, with the vast majority of loans below the 60% regulatory threshold.

S&P Ratings, Q4/2024

Covered bonds issued from both of DLR Kredit's capital centres are rated AAA with a stable outlook by S&P Global Ratings. DLR Kredit itself holds an issuer rating of A-. The covered bond rating can withstand a two-notch downgrade of the issuer without losing its AAA status, reflecting the strong protection provided by the cover pools and structural safeguards.

Amortisation Profile of Loans & Maturity of Bonds



Source: DLR Kredit A/S, Nykredit Markets

Capital Centre Ratings

	General	B
Covered bonds	AAA	AAA
Unused notches of uplift	2	2
OC in line with current rating (%)	2.50	8.98
Issuer: DLR Kredit A/S (long-term/outlook/short-term)	A- / A-2 / stable	

Source: DLR Kredit A/S

DISCLOSURE
This material was produced by Fixed Income Research, which is part of Nykredit Bank A/S (”Nykredit Bank” or ”the Bank”). Nykredit Bank is a finan-cial undertaking subject to the supervision of the Danish Financial Supervisory Authority.

Nykredit Bank participates in market-making schemes for Danish government and mortgage bonds and can, in its capacity as market maker, hold positions in Danish government and mortgage bonds.

Over the previous 12-month period, Nykredit Bank or companies of the Nykredit Group may have been lead manager or co-lead manager of any publicly disclosed offering of Danish government or mortgage bonds. Further information is available on request.

Nykredit Bank or companies of the Nykredit Group are not involved in corporate finance activities or any other investment services or activities or ancillary services for companies referred to in the material.

This material contains information recommending or suggesting an investment strategy and was not produced by an independent analyst. Instead, it was produced by strategic analysts, whose recommendations are based on their experience or knowledge in the financial area. It was not pro-duced in accordance with regulation aiming to promote the independence of investment research and is therefore considered marketing material and not investment research. No prohibition applies to trading in any financial instruments referred to in the material prior to its dissemination.

Nykredit Bank and companies of the Nykredit Group have not entered into any agreement with the issuer on the production of this material. This material has not been presented, in full or in part, to the company.

This material was finalised and released for distribution for the first time on the date and time stated at the top of the material.

Financial models and methods used
Calculations and presentations are based on ordinary econometric and financial tools and methods as well as publicly available sources. Assess-ments of Danish callable mortgage bonds are modelled using a proprietary model consisting of a stochastic yield curve model and a statistical prepayment model calibrated to borrowers’ historical prepayment behaviour.

Recommendation and risk assessment structure for government and mortgage bonds (incl covered bonds)
Nykredit Bank typically focuses on isolating relative value in fixed income and derivatives markets. Therefore, the interest rate and/or volatility risks of the strategy are typically hedged through other bonds or derivatives (swaps, swaptions, caps, floors etc).

BUY: In our view, the bond pricing is fairly cheap relative to comparable alternatives in either the bond or the derivatives market. We expect that the bond will offer a higher return than any alternatives on a horizon of typically three months.

SELL: In our view, the bond pricing is fairly expensive relative to comparable alternatives in either the bond or the derivatives market. We expect that the bond will offer a lower return than any alternatives on a horizon of typically three months.

Risk warning
Any assessments and recommendations made in this material may involve substantial risk. Such risk, including a sensitivity analysis of the relevant assumptions, is stated in the material. All investors should consider the purpose of their investment and make their own decisions as regards any kind of investment in financial instruments referred to in this material.

Regular updates of the recommendation are not scheduled, and any updates will therefore be on an ad-hoc basis.

Unless otherwise stated, all price information in this material is as at the trading day prior to the date stated on the front page.

For a list of all Nykredit Bank’s government and mortgage bond recommendations in the last 12 months, including specific information on the indi-vidual recommendation, please see here.

Nykredit Bank has significant financial interests in relation to Nykredit Realkredit A/S in the form of general banking services and investments in bonds issued by Nykredit Realkredit A/S.

Nykredit Bank is a wholly-owned subsidiary of Nykredit Realkredit A/S. The material may contain a recommendation to buy bonds issued by Nykredit Realkredit A/S. This entails a conflict of interest between Nykredit Bank and customers, as Nykredit Bank has a particular interest in selling bonds issued by companies of the Nykredit Group.

Information about Nykredit Bank
Nykredit Bank has adopted internal rules to prevent and avoid conflicts of interest in the preparation of research and to ensure effective communi-cation barriers. Analysts at Nykredit Bank are obliged to refer any communication that may affect the objectivity and independence of investment research to the Head of Research and the Compliance unit. Employees of Nykredit Bank must at all times be alert to any potential or actual con-flicts of interest between Nykredit Bank and customers, between customers, and between an employee on the one hand and Nykredit Bank or customers on the other, and must endeavour to avoid conflicts of interest. Nykredit Bank has adopted a conflicts of interest policy on the identification, management and disclosure of conflicts of interest in connection with securities trading and related services provided by Nykredit Bank for customers. If becoming aware of circumstances that may constitute a conflict of interest, Nykredit Bank's employees are obliged to disclose such information to their line manager and to the Compliance unit, which will then determine how to proceed.

Fixed Income Research in Nykredit Markets operates independently of the units Debt Capital Markets & Sustainability and Financial Institutions Group and is organised independently of, and does not report to, any other business units of the Nykredit Group. Employees are remunerated partly based on Nykredit Bank's overall performance, which includes income from investment banking transactions, but do not receive bonuses or other remuneration directly related to specific corporate finance or debt capital transactions. Persons involved in the production of the material do not receive remuneration related to investment bank transactions conducted by companies of the Nykredit Group.

Distribution of recommendations
The table below shows the distribution of Nykredit Bank's direct investment recommendations in investment research on government and mortgage bonds in the most recent quarter. No significant investment firm services have been provided to issuers in the period. Current distribution of direct investment recommendations:

Recommendations	
Buy	50%
Sell	50%

Note: Distribution of recommendations as of 05.09.2025.
Source: Nykredit Markets

DISCLAIMER
This material was produced by Nykredit Bank for the personal information of the investors to whom the Bank has distributed the material. The material is based on information available to the public and own calculations based on such information.

Nykredit Bank does not accept any liability for the correctness, accuracy or completeness of the information in the material. Recommendations are not to be considered as offers to buy or sell the financial instruments in question, and Nykredit accepts no liability for transactions based on infor-mation presented in the material.

Information on previous returns, simulated previous returns or future returns presented in the material cannot be used as a reliable indicator of future returns, and returns may be negative. Information on price developments presented in the material cannot be used as a reliable indicator of future price developments, and price developments may be negative. If the material contains information on a specific tax treatment, investors should bear in mind that the tax treatment depends on the investors' individual situation and may change in future. If the material contains infor-mation based on gross returns, such returns may be reduced by fees, commissions and other costs.

Nykredit Bank and/or other companies of the Nykredit Group may buy, sell or hold positions in securities referred to in the material, and these companies may be involved in corporate finance activities or other activities for companies referred to in the material.

Special rules on crisis management in banks (bail-in): Special rules apply to crisis management in banks. The rules prevent the use of taxpayers' money in times of crisis, meaning that banks will not be bailed out by rescue packages paid by the public. Instead, losses will be borne by the shareholders and bondholders of crisis-stricken banks. This is called ”bail-in”.

It may be difficult for investors to predict the implications of the complex rules, and a crisis may hit very suddenly. If you invest in bank shares or securities issued by a bank, be aware of the special risk of a write-down or a complete loss of your investment. A potential or current banking crisis will also have a huge impact on the liquidity of your investments.

Nykredit Bank A/S – Sundkrogsgade 25 – DK-2150 Nordhavn – Tel +45 44 55 10 00 – Fax +45 33 12 04 34