

Updated
17 May 2021

Nykredit Q1/2021 credit update and issuance plan

Q1/2021 results – highlights

- Pre-tax profit of DKK 2.9bn significantly higher than expected.
- Higher profit driven by higher income, significantly lower impairment provisions and positive value adjustments on legacy derivatives.
- Full year profit guidance raised by DKK 1.25bn to DKK 7.25 - 7.75bn.
- Asset quality remained strong reflected in impairment charges of less than 1 bps or DKK 91m.
- Virtually no actual loan losses related to covid-19.
- Strong capitalisation with CET1 ratio of 20.0%.

Results Q1/2021 DKKm	Nykredit Group	Of which Nykredit Bank
Income	4,223	1,351
Costs	1,448	687
Impairment charges	91	(12)
Business profit	2,684	676
Legacy derivatives	237	237
Profit before tax	2,920	913

Key figures end-Q1/2021

Total assets	1,660,983
REA	403,574
CET1 ratio	20.0%
Total capital ratio	22.9%
Cost:income ratio	34.3%
Impairment ratio (bps)	0
ROE pa	10.9%
ROAC* pa	14.5%

*Based on a CET1 ratio of 16%.

Asset quality and covid-19 impact

95% of Nykredit's lending consists of mortgage loans secured on real estate, and the remaining 5% is bank loans.

Loan growth in both mortgage and bank lending continued in Q1/2021. Arrears and other credit metrics remained very benign and impairment provisions dropped to less than 1 bps. Write-offs continued to be at a very low level.

Nykredit has made total impairment provisions of DKK 2.1bn or 14 bps for potential loan losses in relation to covid-19. Virtually no actual loan losses related to covid-19 had been recorded. Approx 8% of Nykredit's loan portfolio is considered to

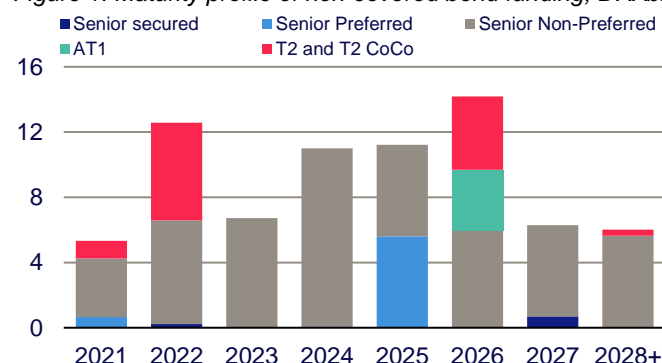
be at high risk of impact from the pandemic. Approx 94% of lending to these sectors is secured by mortgages on real estate.

Issuance schedule

The Nykredit Group must meet a requirement of holding at least 8% of TLOF in a bail-inable format by end-2021. This requirement is forecast to amount to approx. DKK 150bn by end-2021 which is in line with the current stock of bail-inable liabilities.

Nykredit expects to issue DKK 0-5bn of bail-inable instruments during the remainder of 2021.

Figure 1: Maturity profile of non-covered bond funding, DKKbn



Commercial Paper

Nykredit Bank issues ECPs on a daily basis in all major currencies and with maturities between of 1 and 12 months. At end-Q1/2021, the Bank's outstanding amount of ECPs was DKK 1.8bn.

ESG

Nykredit has integrated sustainability in its overall strategy. We have launched several green products and services for our customers in 2020, including loans to finance electric and hybrid cars and energy renovation of homes. Our Green Bond Framework has been broadened to allow funding of assets other than mortgage loans.

About Nykredit

Nykredit is Denmark’s largest credit provider, offering costumers full-service banking solutions with a predominant focus on prime mortgage lending.

Due to its status as the leading mortgage lender with a market share of 44% of total Danish mortgage lending, Nykredit is a Danish Other Systemically Important Institution (O-SII). By law, all mortgage lending must be funded by issuance of covered bonds, and Nykredit is Europe’s largest issuer of covered bonds backed by mortgages. At end-Q1/2021 the Nykredit Group had an outstanding amount of covered bonds of DKK 1,363bn.

Covered bonds are issued on a daily basis to fund mortgage lending. The bonds are sold via a group of primary dealers in Denmark, including Nykredit Markets.

The Nykredit Group offers a wide range of other banking services via Nykredit Bank. The Bank offers asset management services and activities relating to debt capital markets and fixed income products.




Group structure

Nykredit is a financial mutual, and 79% of the Group is owned by Forenet Kredit, an association of customers. 17% of the Group is owned by a group of five Danish pension funds, while the remaining 4% is owned by other shareholders.

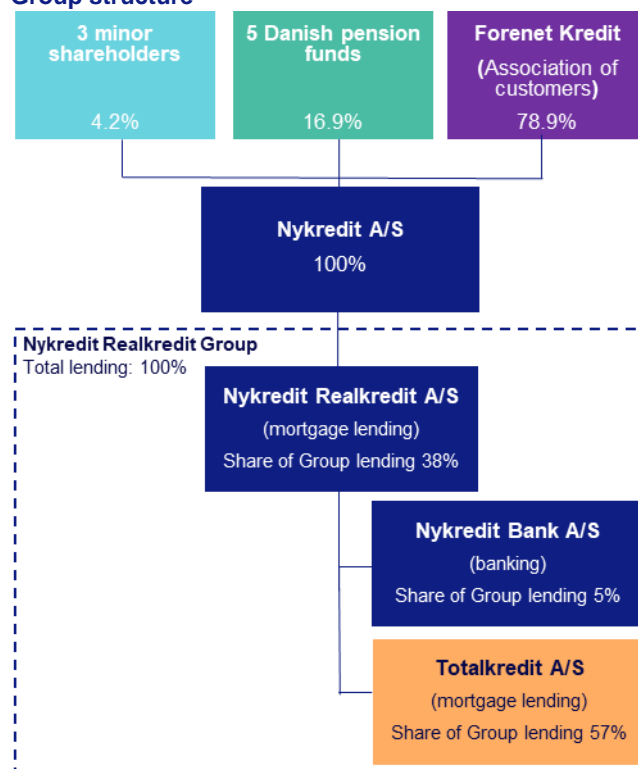
Nykredit Realkredit, a mortgage lender, is the operational parent company. Nykredit Realkredit is the issuer of covered bonds as well as other debt and capital instruments. Commercial paper is issued by Nykredit Bank.

Nykredit Bank is a core subsidiary of Nykredit Realkredit, and the credit ratings of Nykredit Bank are therefore aligned with the ratings of its parent.

Credit ratings	Long term	Short term
S&P Global	A+	A-1
FitchRatings	A	F1

ESG ratings	Score	Range
MSCI 	A	AAA to CCC
SUSTAINALYTICS 	16.4	0 to 100
CDP 	A-	A+ to D-

Group structure

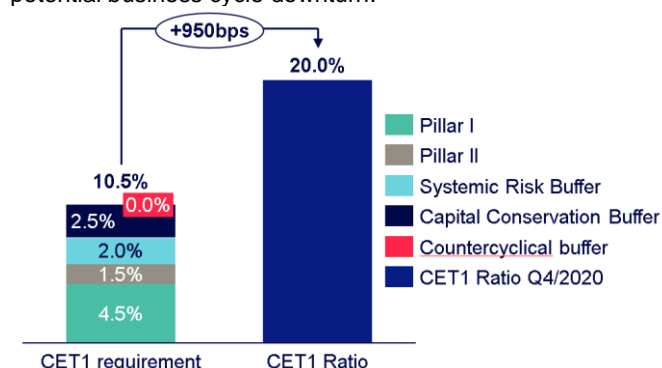


Capital position

The CET1 ratio amounts to 20.0% at end-Q1/2021, which is some 400 bps above Nykredit’s capital policy target.

In March 2021 Nykredit paid dividends for 2020 equal to 40% of net profits.

Nykredit has already reserved CET1 capital for Basel IV and a potential business cycle downturn.



Disclaimer

More information

Q1 Interim Report 2021 can be found [here](#), and the latest investor presentation is available [here](#).

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