

Nykredit Q1/2022 credit update and issuance plan

Q1/2022 results – highlights

- Highly satisfactory pre-tax profit of DKK 2.9bn.
- Results were positively impacted by underlying business growth, characterised by high mortgage activities and rising lending, and a net reversal of impairment charges for loans and advances.
- Full year profit guidance raised by DKK 1bn to DKK 8.5 - 9.5bn.
- Asset quality remained strong reflected in net reversal of impairment charges of DKK 162m.
- Strong capitalisation with CET1 ratio of 18.9%.

Results Q1/2022 DKKm	Nykredit Group	Of which Nykredit Bank
Income	3,959	1,441
Costs	1,548	769
Impairment charges	(162)	46
Business profit	2,573	626
Legacy derivatives	329	329
Profit before tax	2,902	954

Key figures end-Q1/2022

Total assets	1,637,059
REA	437,121
CET1 ratio	18.9%
Total capital ratio	21.7%
Cost:income ratio	39.1%
Impairment ratio (bps)	(1)
ROE pa	11.1%
ROAC* pa	14.5%

*Based on a CET1 ratio of 16%.

Asset quality and impact of covid-19 and war in Ukraine

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 Q1/2022. Arrears and other credit metrics remained very benign and impairment provisions was a net reversal.

Write-offs continued to be at a very low level.

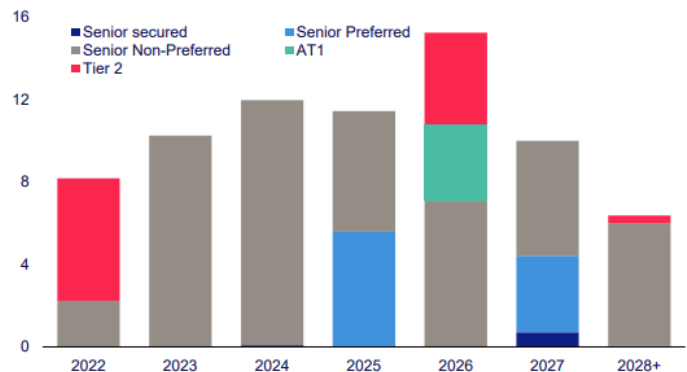
Impairment charges for loans and advances are expected at a more normalised level in 2022 compared with the extraordinarily low level in 2021. Provisions for covid-19-induced losses have been reduced and supplemented by provisions for consequential impacts arising from the war in Ukraine.

Issuance schedule

The Nykredit Group is required to hold at least 8% of TLOF in a bail-inable format. The 8% requirement is fulfilled and the amount of outstanding bail-inable instruments is expected to remain broadly stable. Nykredit issued about DKK 3.7 billion-worth of senior preferred debt and about DKK 2.5 billion-worth of senior non-preferred debt.

Nykredit expects to issue around DKK 10 billion-worth of capital market funding in the remaining part of 2022.

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-Q1/2022, the Bank's outstanding amount of ECPs was DKK 5.2bn.

ESG

Nykredit has integrated sustainability in its overall strategy. We have launched several green products and services most recently a green construction loan for energy renovation and new building, digital climate impact reporting tools for SMEs and farmers and 16 investment funds achieved the Nordic Swan Ecolabel. Further, we offer green bonds for financing of green assets. Our Green Bond Framework defines which assets are eligible for financing using green bonds.

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-Q1/2022 the Nykredit Group had an outstanding amount of covered bonds of DKK 1,323bn.

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.

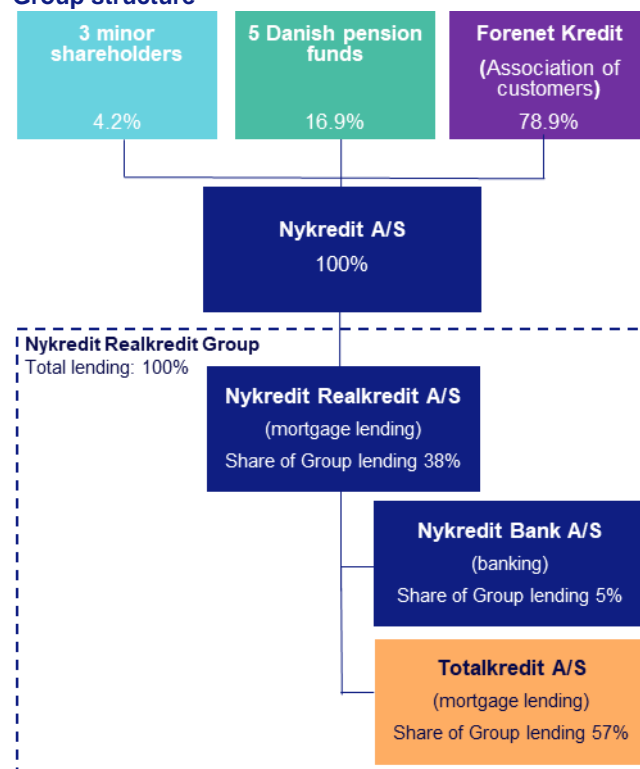
Nykredit Realkredit, a mortgage lender, is the operational parent company. Nykredit Realkredit is the issuer of covered bonds as well as other debt and capital instruments. Commercial paper is issued by Nykredit Bank.

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
MSCI 	AA
SUSTAINALYTICS 	Low Risk
CDP 	A-

Group structure

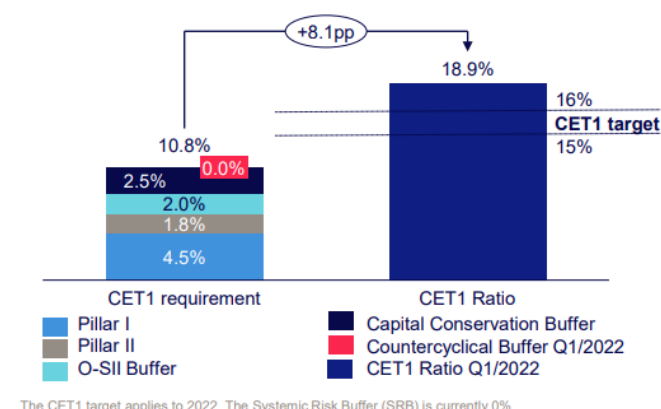


Capital position

The CET1 ratio amounts to 18,9% at end-Q1/2022, which is some 300 bps above Nykredit’s capital policy target.

In March 2022 distributed dividend of DKK 4.35 bn for 2021 to our shareholders.

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



More information

Q1 Interim Report 2022 can be found [here](#), and the latest investor presentation is available [here](#).

Morten Bækmand Nielsen
Head of Investor Relations

Hanne Søgaard Foss
Investor Relations Manager

Joachim Borg Hjalager
Investor Relations Manager

Tel. +45 44 55 15 21

Tel. +45 44 55 12 36

Tel. +45 44 55 15 02

investor_relations@nykredit.dk

www.nykredit.com/ir

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