

Nykredit credit update and issuance plan for 2021

FY2020 results – highlights

- Pre-tax profit of DKK 6.8bn. It exceeds our initial guidance of DKK 6.25bn - 6.75bn.
- Asset quality remained strong. Impairment charges amounted to 15 bps, of which 14 bps are provisions for covid-19 impact.
- Virtually no actual loan losses related to covid-19
- ESG rating from MSCI upgraded to A.
- Several green products and services launched. Green Bond Framework updated and CDP score raised to A-.
- Nykredit formed a new insurance partnership with its partner banks and Danish insurer Codan.
- Strong capitalisation with CET1 ratio of 20.2%.

Results FY2020 DKKm	Nykredit Group	Of which Nykredit Bank
Income	14,569	5,063
Costs	5,773	2,727
Impairment charges	2,272	579
Business profit	6,524	1,757
Legacy derivatives	258	258
Profit before tax	6,780	2,015

Key figures end-Q4/2020

Total assets	1,665,759
REA	400,620
CET1 ratio	20.2%
Total capital ratio	22.9%
Cost:income ratio	39.6%
Impairment ratio (bps)	15
ROE pa	6.6%
ROAC* pa	8.6%

*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.

The loan portfolio developed positively in 2020, and individual impairments remained low. Arrears ratios were declining for some portfolios and were stable for others. Write-offs were also low.

Underlying impairment provisions amounted to 1 bps for the year vs 7 bps in 2019.

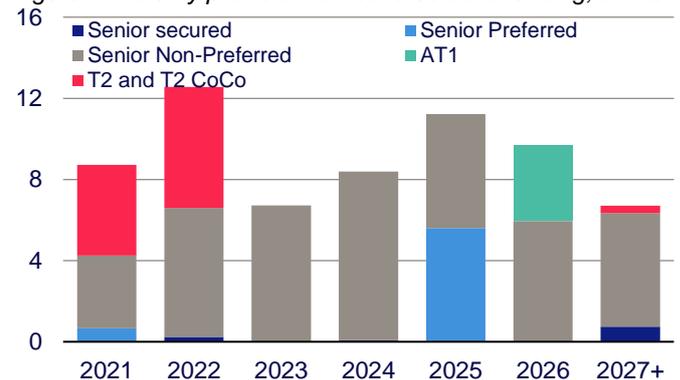
Nykredit has made impairment provisions of DKK 2.1bn (14 bps) for potential loan losses in relation to covid-19. Virtually no actual loan losses related to covid-19 had been recorded. Approx 9% of Nykredit's loan portfolio is considered to be at high risk of impact from the pandemic. Approx 94% of lending to these sectors is secured by mortgages on real estate.

Issuance schedule

The Nykredit Group must meet a requirement of holding 8% of TLOF in a bail-inable format by end-2021. This requirement is forecast to amount to approx. DKK 150bn by end-2021 compared to a current stock of bail-inable liabilities of DKK 146bn.

Nykredit expects to issue approx. DKK 15bn of bail-inable instruments in 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-2020, the Bank's outstanding amount of ECPs was DKK 4.9bn.

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, and in December 2020 our CDP score was lifted by one notch to A-. MSCI has lifted Nykredit's ESG rating from BBB to A.

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-2020 the Nykredit Group had an outstanding amount of covered bonds of DKK 1,366bn.

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.

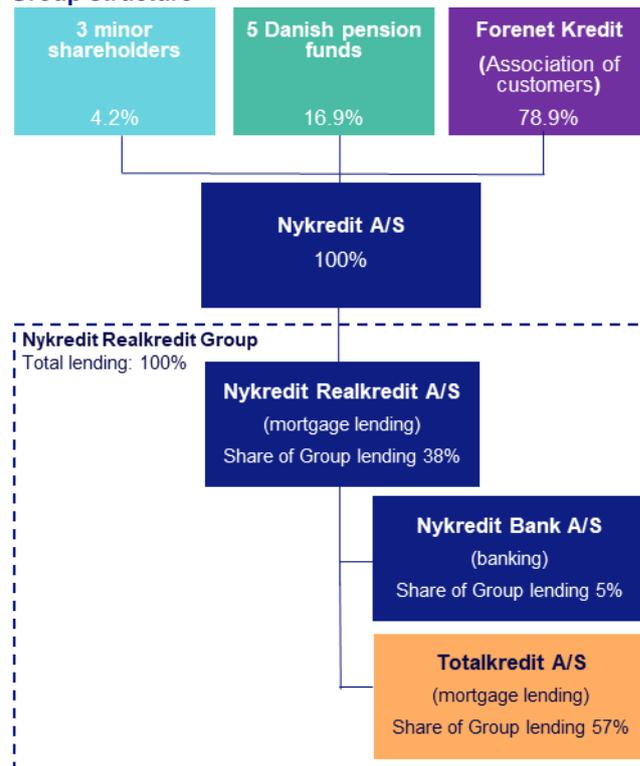
Nykredit Realkredit, a mortgage lender, is the operational parent company. Nykredit Realkredit is the issuer of covered bonds as well as other debt and capital instruments. Commercial paper is issued by Nykredit Bank.

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	16.5	0 to 100
CDP	A-	A+ to D-

Group structure

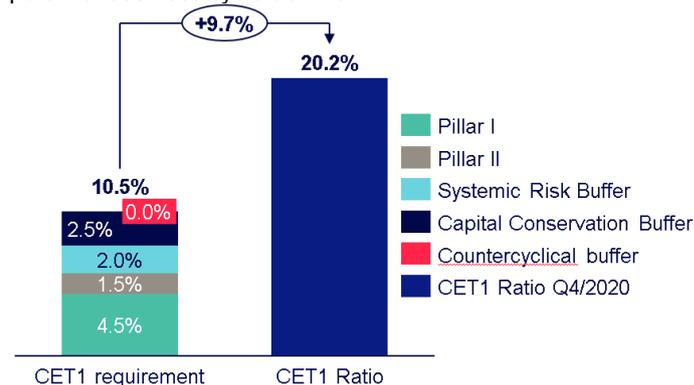


Capital position

The CET1 ratio amounts to 20.2% et end-2020, which is some 400 bps above Nykredit’s capital policy target.

Nykredit will pay dividends for 2020 equal to 40% of net profits. Dividends of DKK 3.6bn for 2019 have not been paid as per recommendation by the Danish FSA to all Danish banks.

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



More information

Annual Report 2020 can be found [here](#), and the latest investor presentation is available [here](#).

Morten Bækmand Nielsen
Head of Investor Relations
Tel. +45 44 55 12 21

Hanne Søgaard Foss
Investor Relations Manager
Tel. +45 44 55 12 36

investor_relations@nykredit.dk

www.nykredit.com/ir

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