



Nykredit Group

H1 2024 Earnings call

14 August 2024

Numbers relate to the Nykredit Group

Nykredit

Agenda

- #1 Highlights of H1 2024
Michael Rasmussen, Group Chief Executive
- #2 Financial performance, credit and funding plans
David Hellemann, CFO
- #3 Q&A

A portrait of Michael Rasmussen, a middle-aged man with short blonde hair and glasses, wearing a blue checkered suit jacket, a light blue shirt, and a dark green tie. He is standing in front of a blurred office background with large windows. A dark blue semi-transparent box is overlaid on the bottom left of the image.

Highlights of H1 2024

Michael Rasmussen, Group Chief Executive
#1

Highlights of H1 2024



Very satisfactory results for H1 2024

- Nykredit's best half-year financial results ever with a profit after tax of DKK 6.5bn
- Strong growth in core income driven by high wealth management income, banking fee income and volume growth
- High trading and investment income as well as positive net interest from equity



Strong market position

- Continued growth and increasing market shares across mortgage and bank lending, primarily driven by large corporates
- Continued growth in Wealth Management reflecting increasing market share in retail funds



Strong capitalisation and credit quality

- Credit quality remains strong despite higher interest rates and inflation
- Proposed extraordinary dividend of DKK 2.2bn due to Nykredit's strong capital position
- CET1 ratio of 19.9%, which is 400bp above the capital policy target

Very satisfactory results for H1 2024

ROE of 13.2%

DKKm	H1 2022	H1 2023	H1 2024
Core income ¹	7,738	8,507	8,708
Trading and investment income	-41	813	1,625
Costs	-3,094	-3,213	-3,325
Impairment charges ²	-226	-115	-84
Business profit	4,344	6,898	8,021
Profit after tax	4,057	5,391	6,495
Return on equity after tax, % pa	8.9%	11.4%	13.2%
Cost/income ratio	42.9%	32.1%	29.5%

¹ NII, NFI and Wealth Management income

² A negative number indicates a gain

Guidance for Profit after tax 2024

Guidance in the Annual report 2024
DKK 9.5-10.5bn

19 April 2024, guidance revised upwards
DKK 10.5-11.5bn




Continued volume growth and increasing income diversification

- Strong business performance with volume growth driven by:
 - Mortgage lending to Corporates & Institutions
 - Growth in bank lending driven by large corporates and retail customers
 - Continued growth in Assets under Management driven by inflow of new funds and positive value adjustments

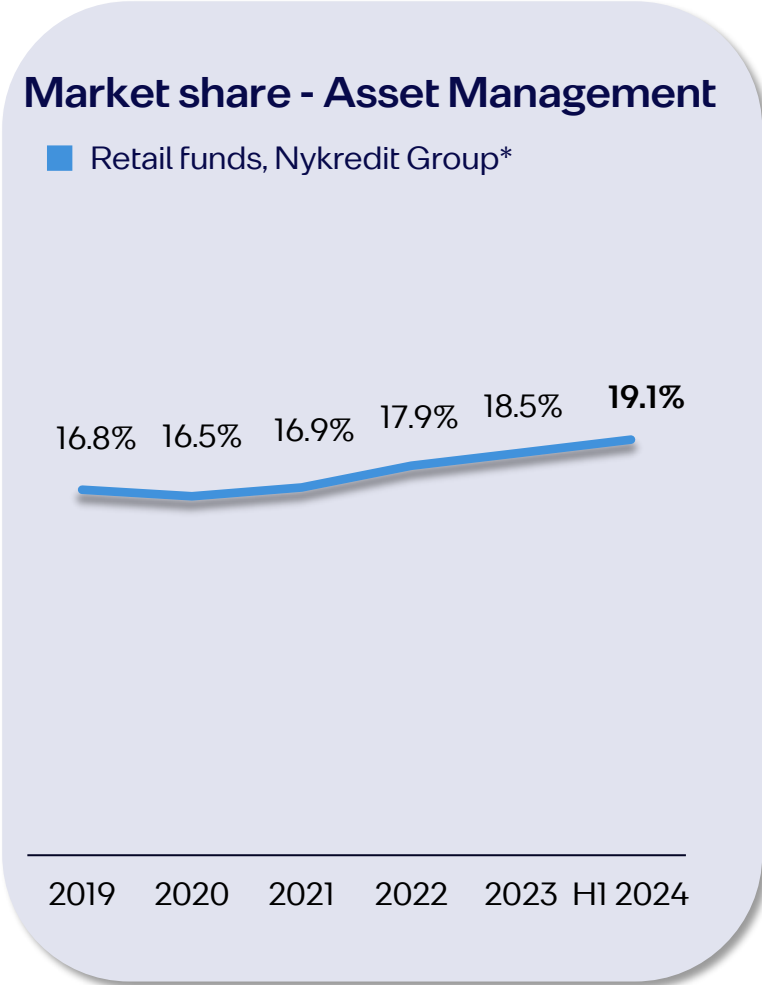
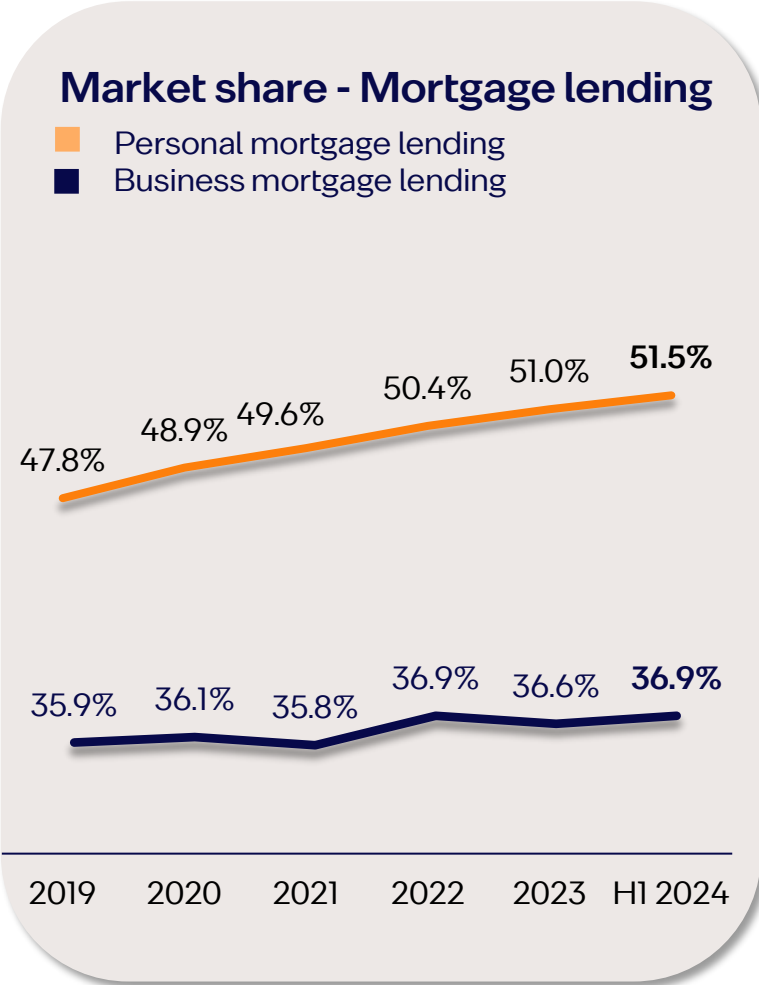
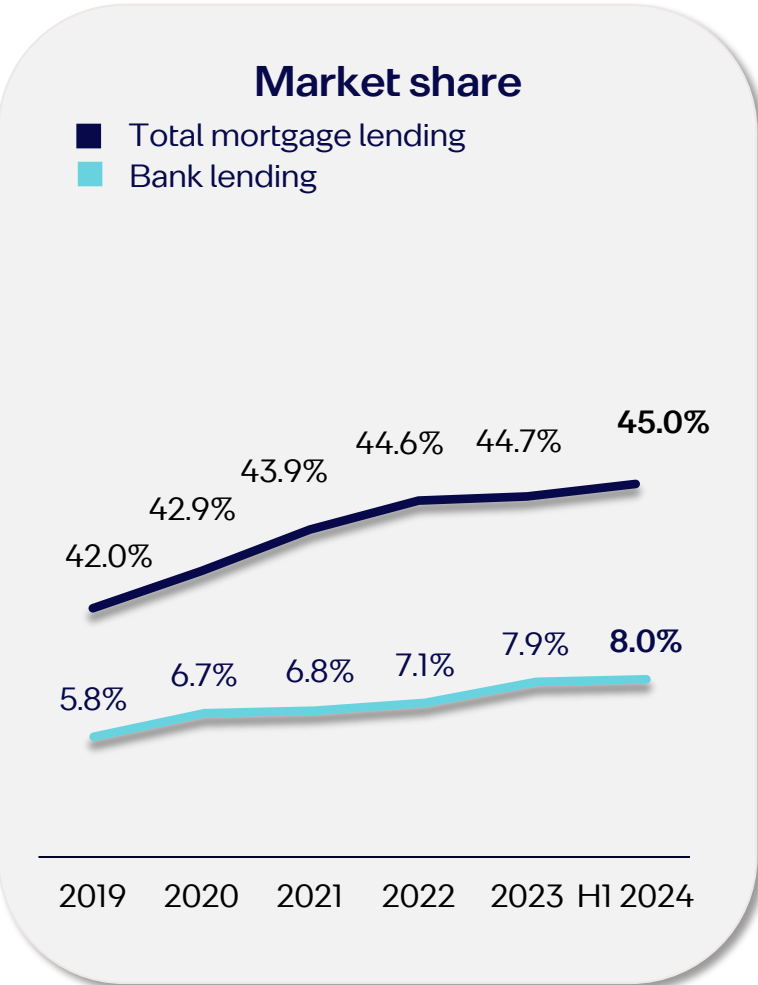
Core income composition



Volume growth in all business areas

	H1 2024 vs H1 2023	Q2 2024 vs Q1 2024
 Mortgage lending	+2% +22bn ↑	+0.8% +11bn ↑
 Bank lending	+6% +5bn ↑	+3.1% +3bn ↑
 Assets under Management	+15% +65bn ↑	+2.0% +10bn ↑

Nykredit strengthened its position across the board



*) Source: The Danish Investment Association

As the first Nordic bank, Nykredit achieves SBTi approval of climate targets



Nykredit has a strong commitment to contribute to the green transition, and targets are important tools

Nykredit is the first major lender and SIFI in Scandinavia whose **climate targets** have been **endorsed by the SBTi**



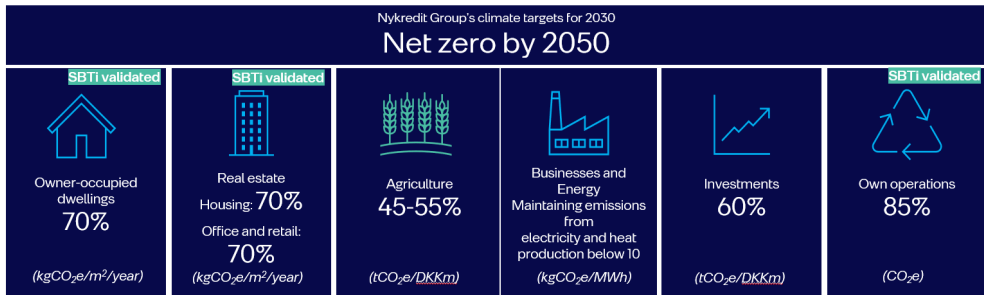
Nykredit has launched a wide range of products and tools to help our customers to reduce their carbon footprint ...

... and we make progress in reducing emissions to meet the ambitious 2030 climate targets



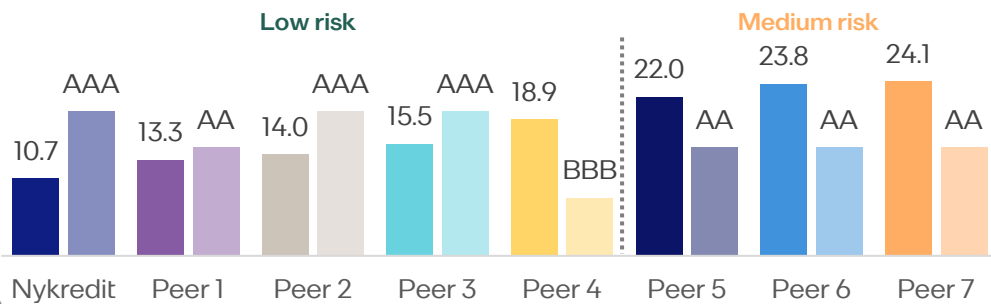
Nykredit maintained its position among the **best rated** banks in the Nordics

Progress in delivering Net Zero in 2050



Among the best rated banks in the Nordics

Sustainalytics and MSCI ESG ratings for Nordic banks, ranked by Sustainalytics ESG risk rating



1) EPSI September 2023. Peers include Danske Bank, Nordea, Jyske Bank, Spar Nord and Sydbank

Nykredit

Limited impact from recent financial market volatility



Strong Danish economy

- Unemployment remains low
- Strong housing market
- Inflation has come down



Personal loan portfolio is robust

- Personal customers are financially robust with large savings and low LTVs
- Mortgage arrears are low and stable



Business lending is robust

- LTV levels remain low
- Some sectors are affected by higher interest rates and supply chain challenges



Limited market and liquidity risks

- Limited market and liquidity risks due to largely match-funded balance sheet
- Market risk primarily from spread risk on short-dated covered bonds and strategic bank equities





Financial performance, credit and funding plans

David Hellemann, CFO

#2

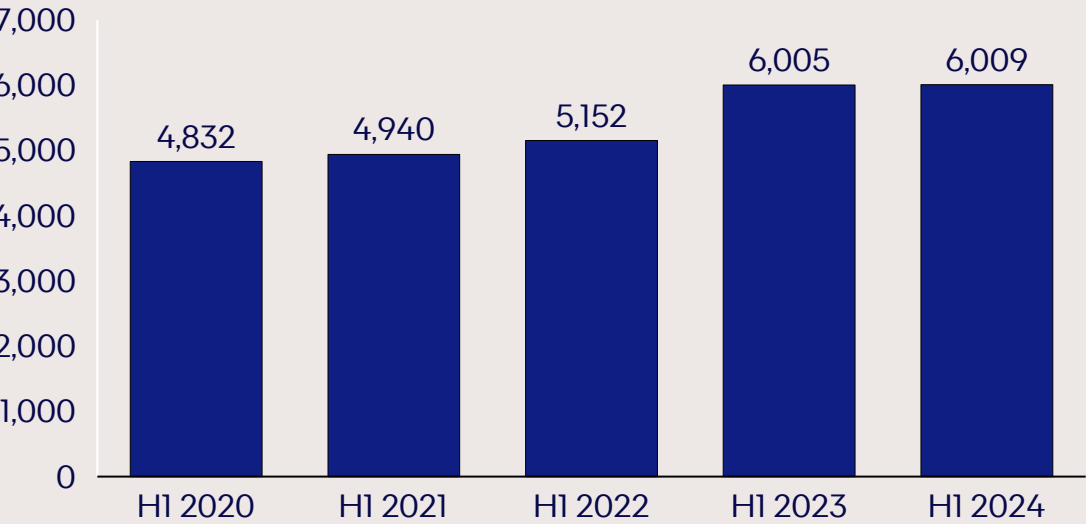
Group income statement

DKKm	H1 2023	H1 2024	Change	
Net interest income	6,005	6,009	0%	Positively impacted by volume growth but offset by margin compression on mortgage lending and deposits
Net fee income	1,306	1,361	4%	Increased due to higher banking activity and funding income. However, lower mortgage activity impacted NFI negatively
Wealth management income	1,197	1,339	12%	Increased due to higher AuM driven by positive value adjustments and inflow of new funds
Customer benefits and capitalisation costs	676	929	37%	Positively impacted by interest on equity which offsets interest expenses on bail-inable debt
Trading and investment portfolio	813	1,625	100%	Increased due to positive value adjustments of strategic bank equities
Total income	9,996	11,262	13%	
Costs	3,213	3,325	3%	Up, driven by increasing costs of payroll, performance bonuses and one-off costs in relation to relocation to new headquarters
Impairment charges	-115	-84	-27%	Reversal of impairment charges in H1 2024, as underlying credit quality remains strong
Legacy derivatives	32	127		Positive value adjustments due to higher interest rates
Profit before tax	6,930	8,149	18%	
Profit after tax	5,391	6,495	20%	Full-year guidance revised upwards in April to DKK 10.5-11.5bn

Net Interest Income unchanged as volume growth offsets margin compression

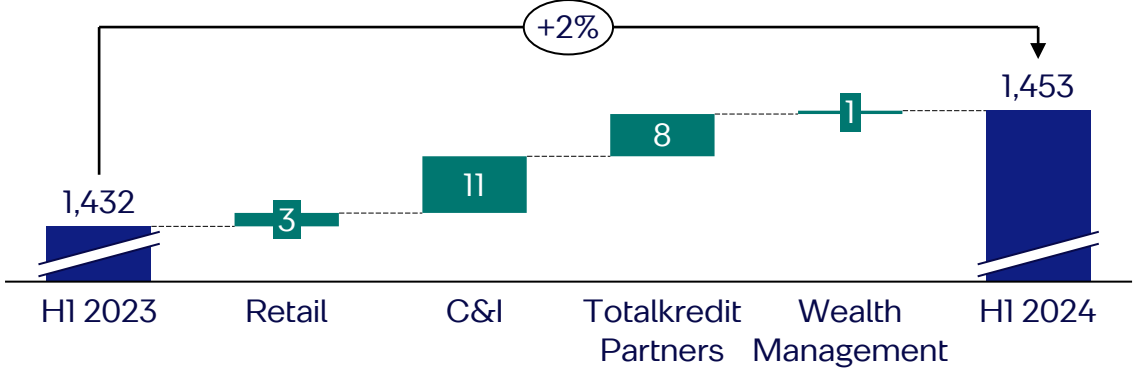
- Average margins on the mortgage loan portfolio declined due to lower LTVs
- NII positively impacted by growing deposit volumes despite lower deposit margins
- Nykredit's NII sensitivity is lower than that of peers as mortgage lending with stable margins makes up 93% of Nykredit's loan portfolio

Net Interest Income, DKKm

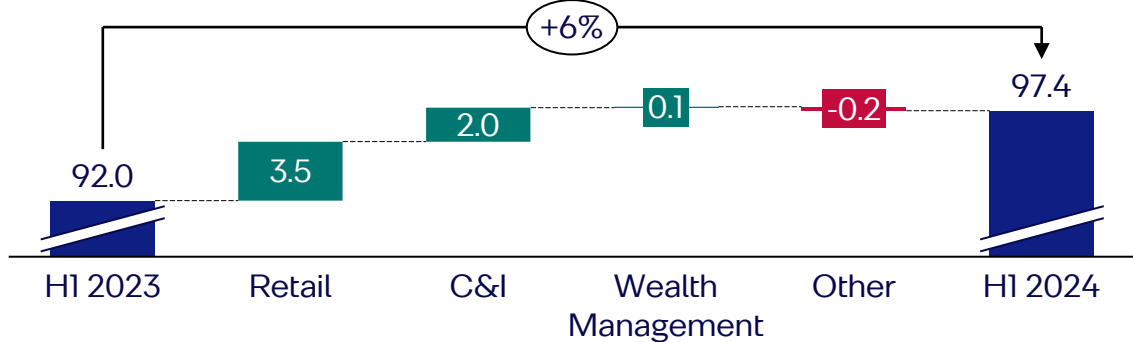


* Note: Nominal values

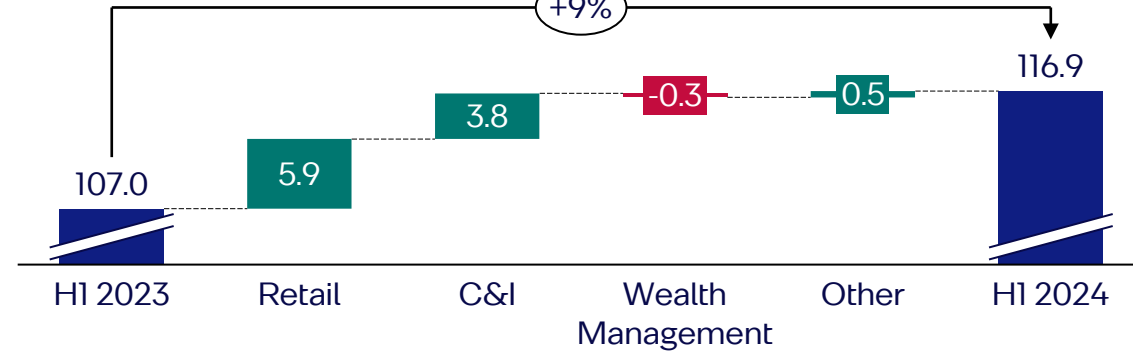
Mortgage lending, DKKbn*



Bank lending, DKKbn*



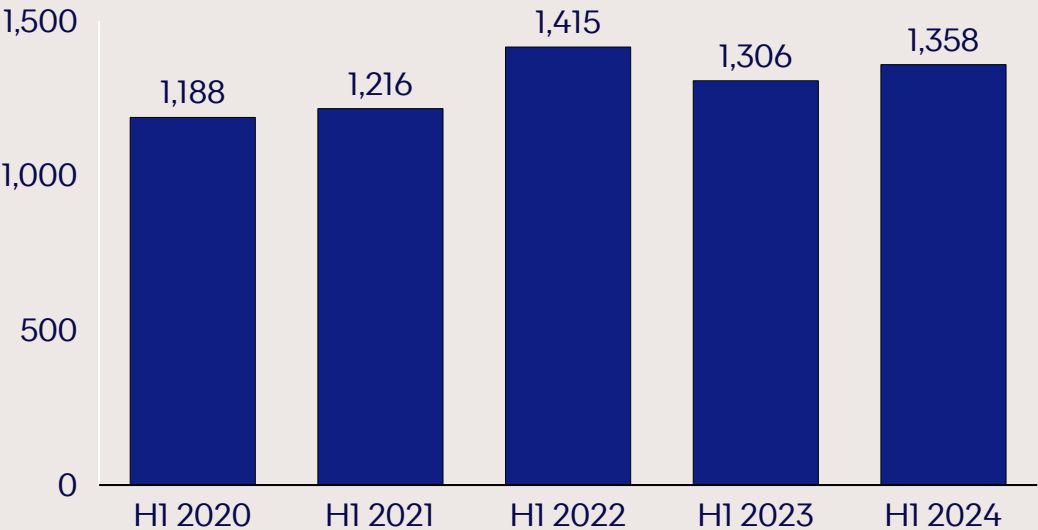
Deposits, DKKbn*



4% growth in Net Fee Income despite lower mortgage activity

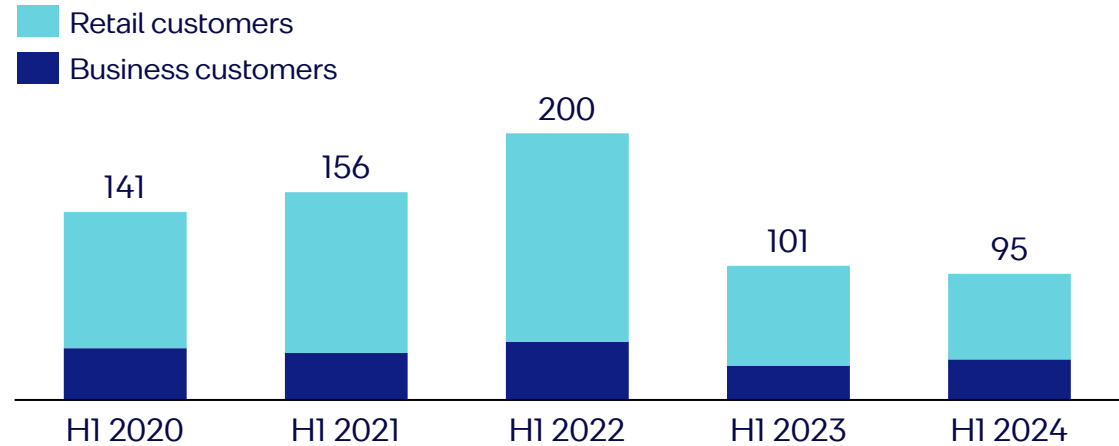
- NFI positively impacted by high banking activity and funding income
- NFI negatively affected by lower mortgage lending and refinancing activity in H1 2024

Net Fee Income, DKKm

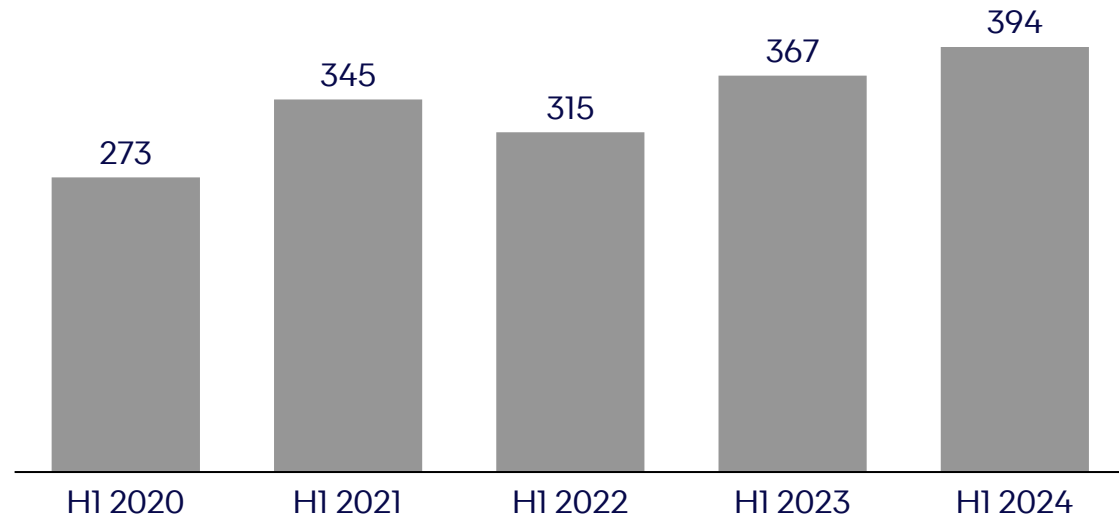


* Note: Nominal values

Gross new mortgage lending, DKKbn *



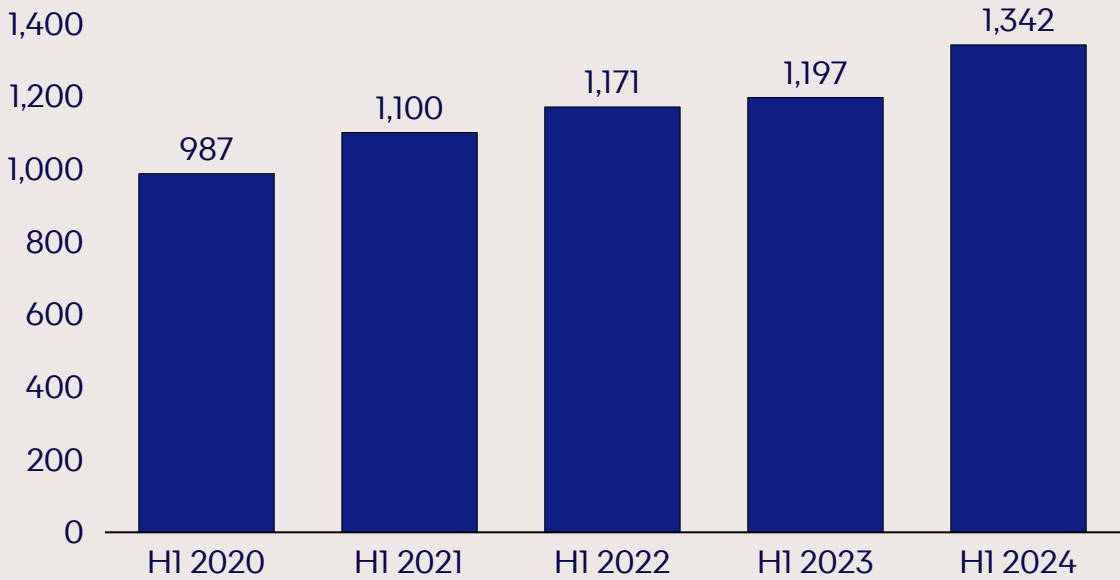
Net Fee Income from banking activities, DKKm



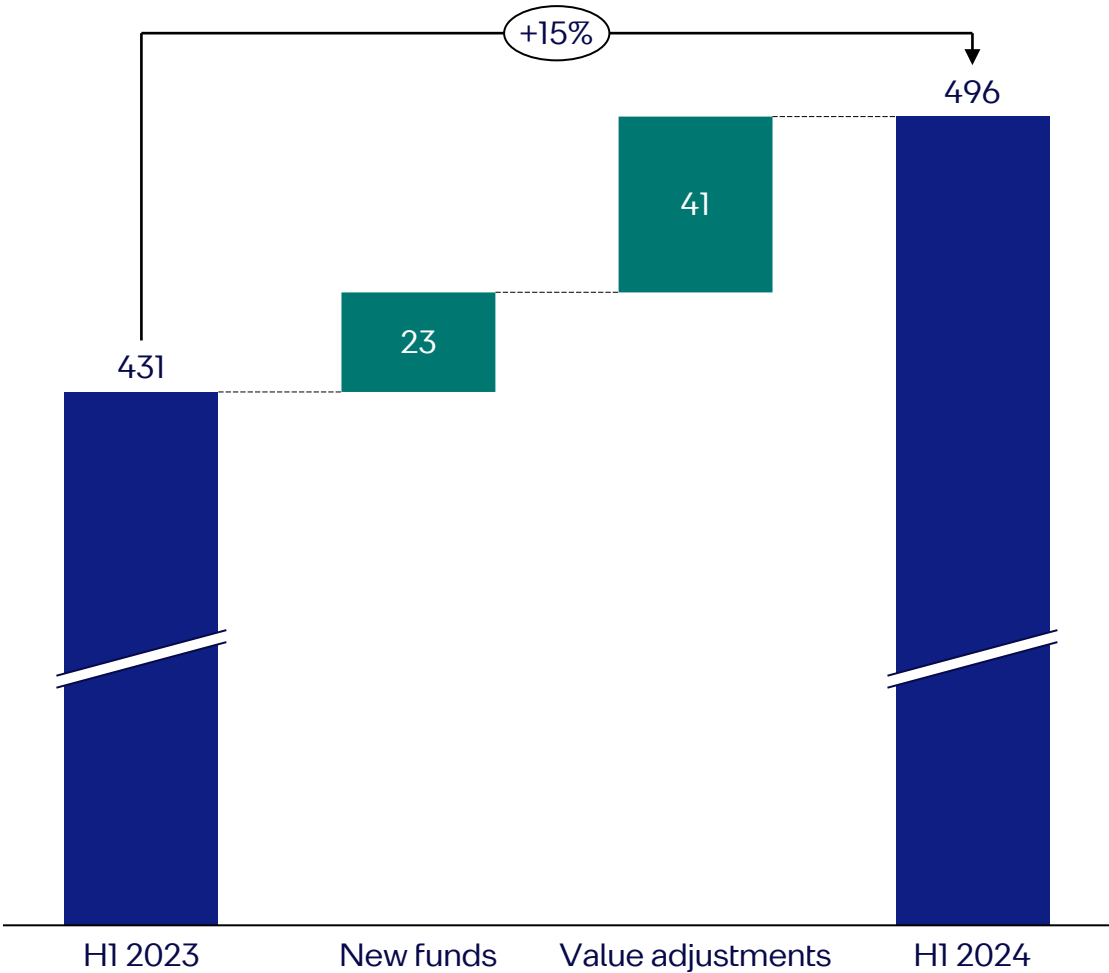
15% growth in AuM drives Wealth Management Income up 12%

- 12% income increase driven by growth in average volumes
 - AuM up 15% since H1 2023 – of which 10% derives from positive value adjustments and 5% from inflow of new funds

Wealth Management Income, DKKm

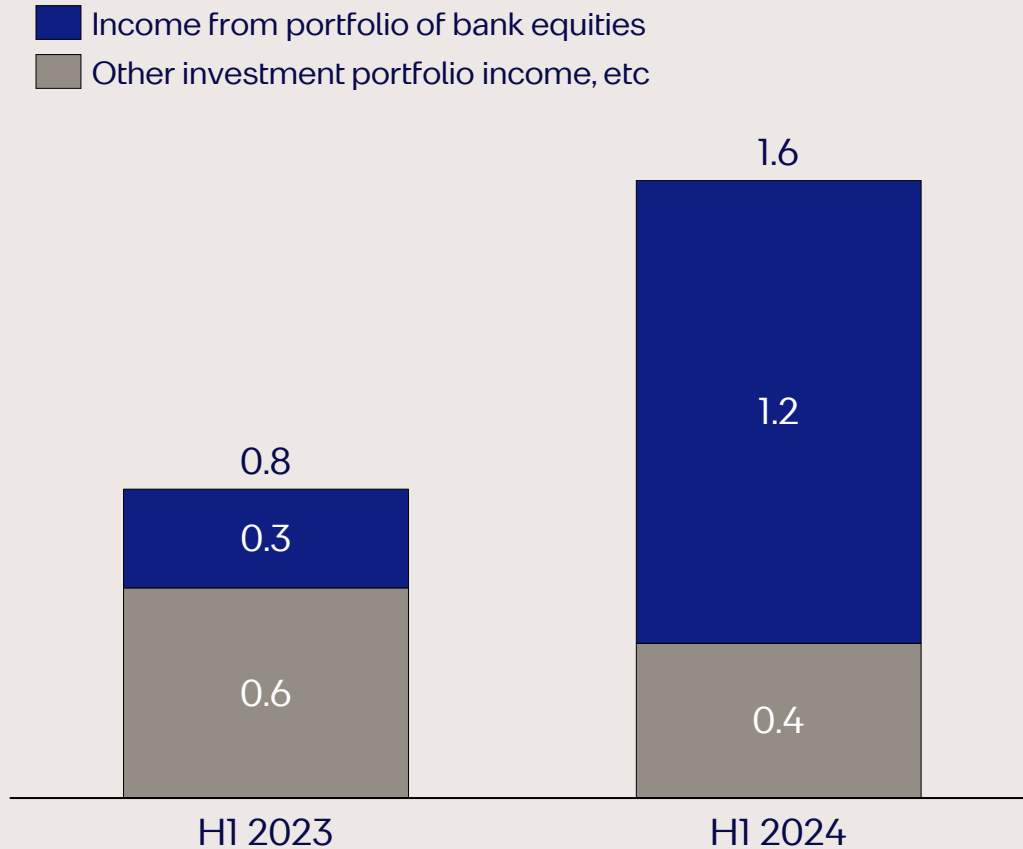


Assets under Management, DKKbn



Very strong trading and investment income

Trading and investment portfolio income, DKKbn



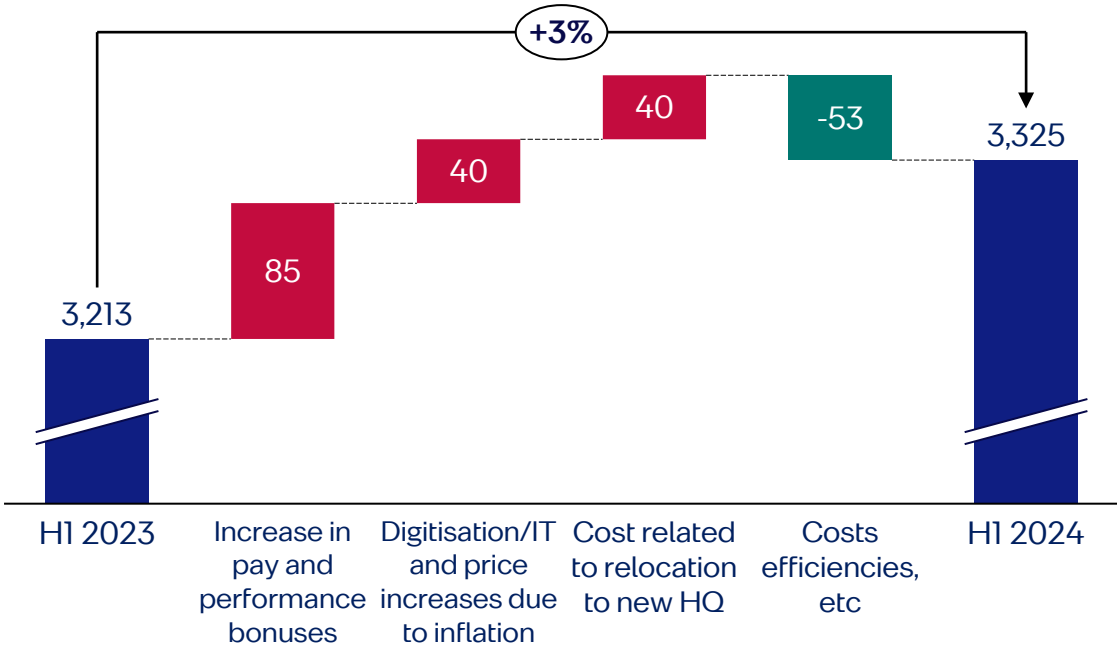
- Trading and investment portfolio income of DKK 1.6bn in H1 2024
- Higher income from the portfolio of strategic bank equities driven by positive value adjustments
- Other trading and investment portfolio income declined
 - Primarily driven by negative value adjustments on swaps as well as lower trading income compared to H1 2023

Strict cost management and cost income ratio of 29.5%

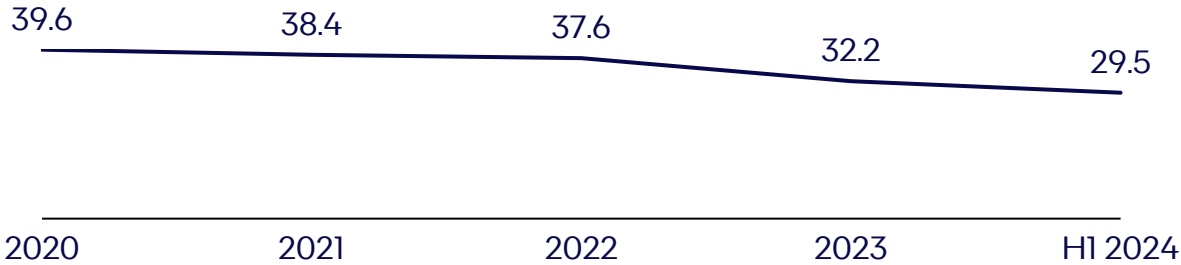
- Costs are up 3% or DKK 112m compared to H1 2023
- Strict cost management and an ability to adapt to lower activity levels
 - Costs excluding one-off costs are up 2% despite pay increases of approx 5%*
- The main driver was an increase in pay and performance bonuses amounting to DKK 85m
- The average number of full-time employees declined by 110 to 3,867 due to lower activity and efficiency initiatives
- Cost/income ratio of 29.5%, which is well below Nykredit's target of 40%

*) in the standard collective agreement, the agreed wage increases of July 2023 were 4.75%

Change in costs from H1 2023 to H1 2024, DKKm



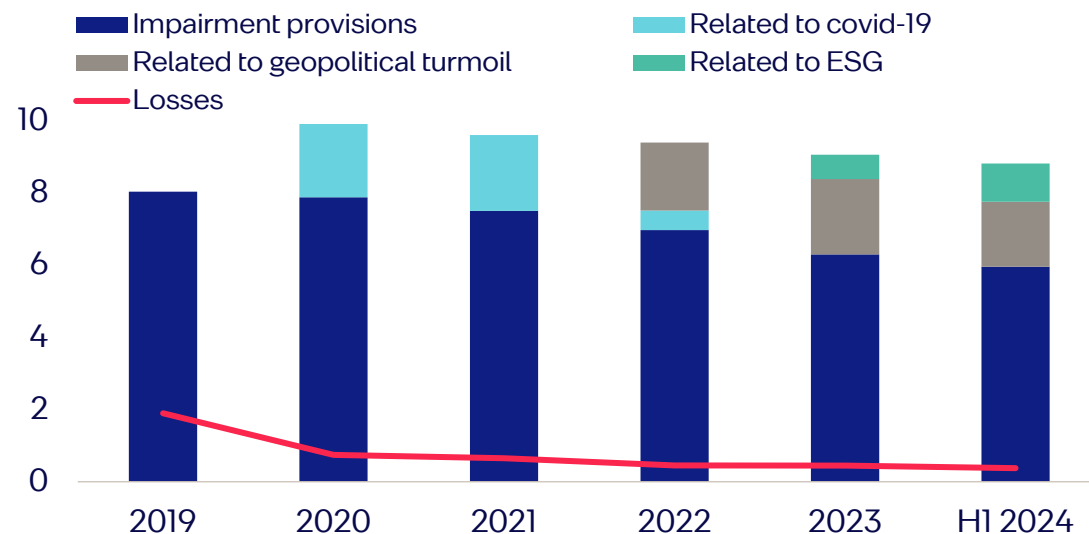
Cost/income ratio, %



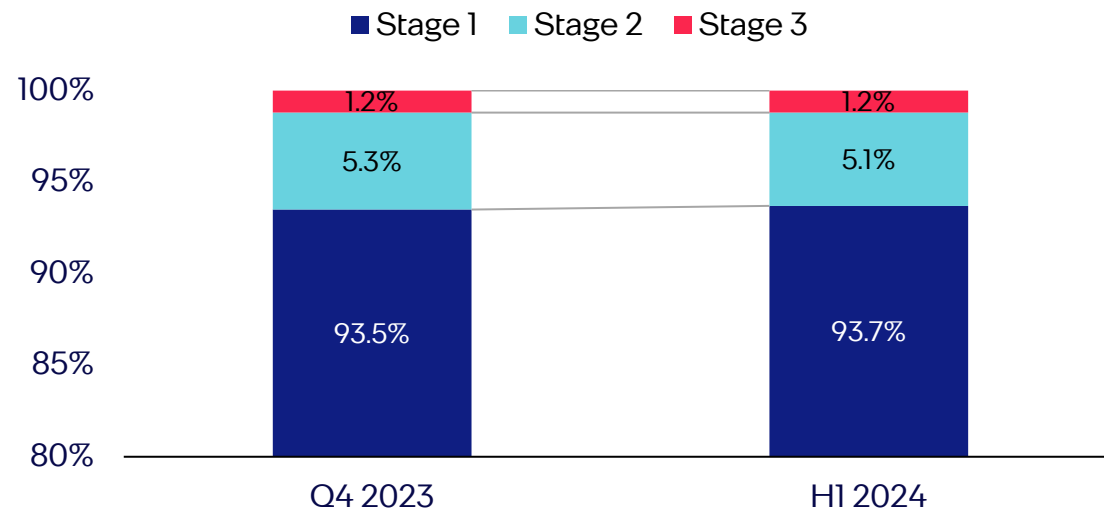
Strong buffer for potential headwind

- Virtually no losses incurred in the past four years
- Declining level of impairment provisions due to favourable economic conditions and improved credit quality
- Total loan impairment provisions amounted to DKK 8.8bn at end-H1 2024, down from DKK 9.1bn at end-2023
- Provisions of DKK 1.8bn for potential losses from geopolitical uncertainty
- Strong focus on particularly exposed sectors and customers to ensure that signs of weakness are addressed in the credit process
- In H1 2024, provisions related to transitional risks from ESG were raised to DKK 1.1bn
- Stable distribution of loan portfolio across stages – of which 94% in stage 1



Nykredit Group's total loan impairment provisions, DKKbn



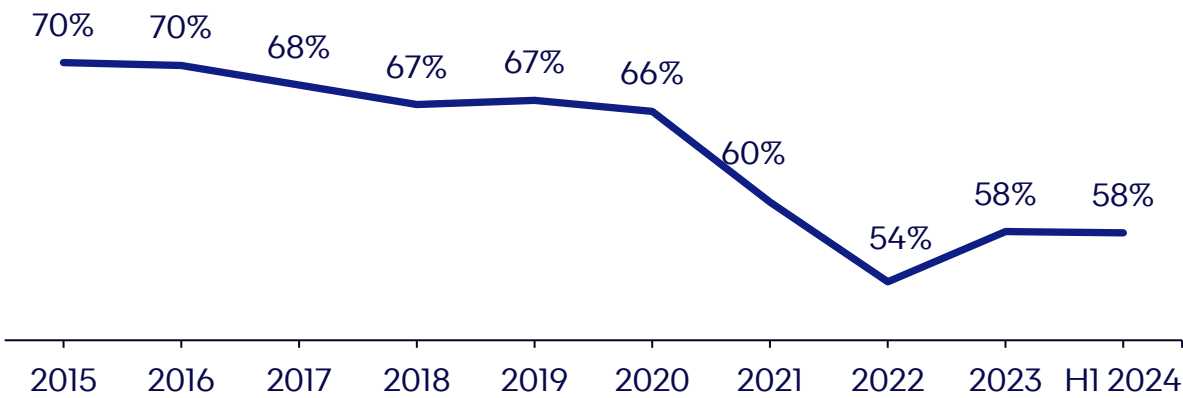
Nykredit Group's loan portfolio by stages



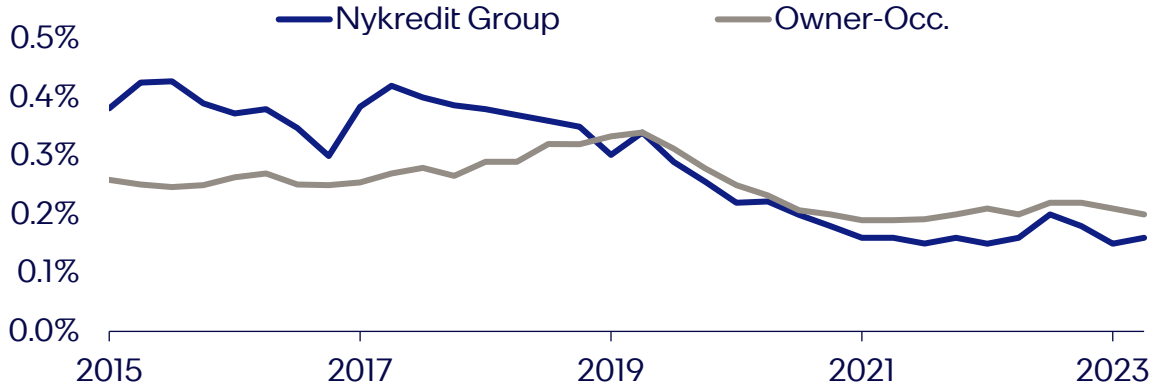
Personal loan portfolio is robust

-  Credit quality of our personal customers is generally high
-  LTV remains low, arrears are historically low and forced sales are few despite higher interest rates
-  Purchasing power is being regained due to strong income growth and inflation levels below 2%
-  Unemployment remains very low at 2.9%
-  The Danish housing market has performed surprisingly well, and market activity is gradually recovering

Average LTV for private residential properties



75-day mortgage arrears at latest due date



Business loan portfolio is resilient

But some industries are particularly exposed



The resilient Danish economy and strong competitiveness benefit Danish businesses

The creditworthiness of the portfolio remains high despite higher interest rates



The portfolio is well-diversified across sectors, the largest sectors being rental properties and agriculture



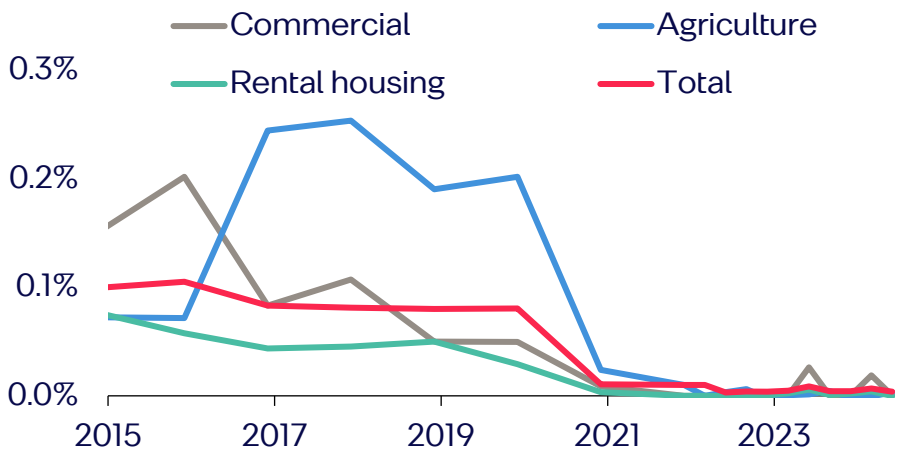
Attention to sectors affected by high interest rate sensitivity and inflation

5% of total lending is within high-attention sectors such as construction and sub-segments within agriculture – of which 64% is secured by mortgages

Average business sector LTVs

	2015	H1 2024
Private rental	67%	55%
Office and retail	56%	49%
Industry and trades	49%	49%
Agriculture	58%	55%

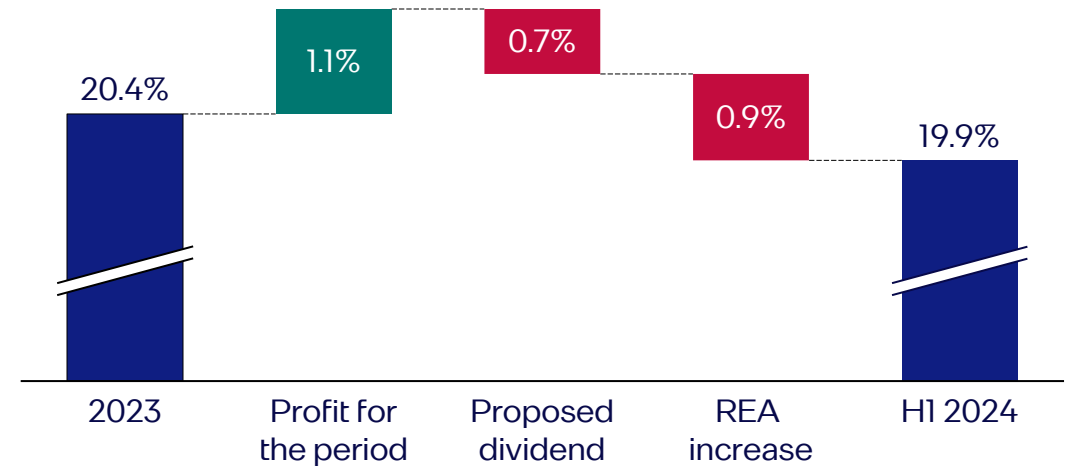
Incurred losses on mortgage lending as a % of debt



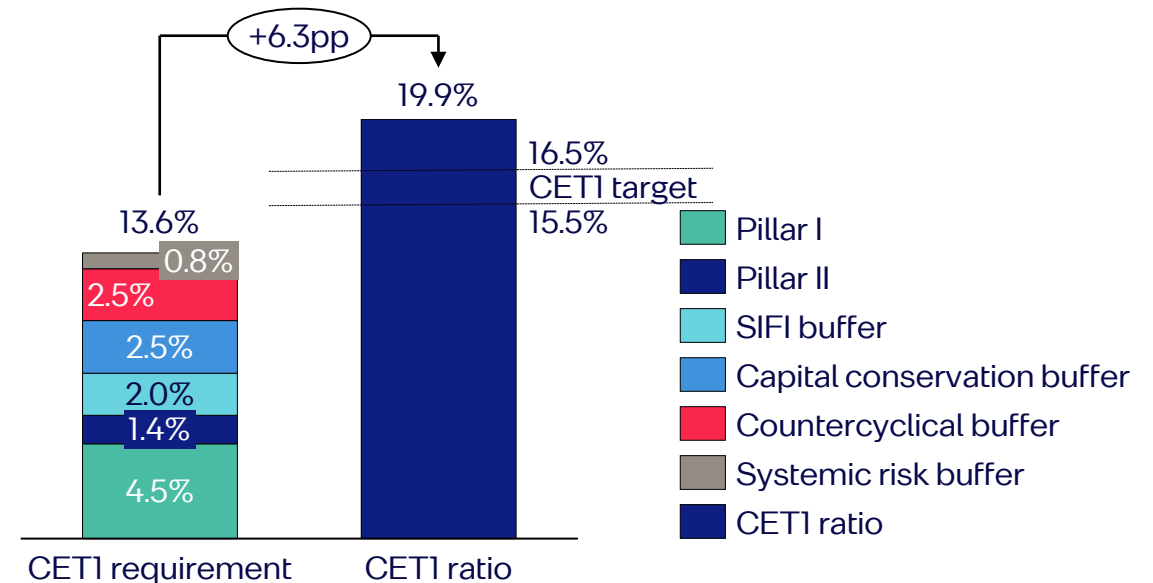
Strong capitalisation

- As a result of Nykredit's continued strong capitalisation and stable earnings, extraordinary dividend of DKK 2.2bn will be recommended in August 2024
- The CET1 capital ratio of 19.9% has declined slightly from the level at end-2023, as the increase in risk exposure amounts was offset by profit for the period
- The CET1 capital ratio is some 400bp above the policy target
- As of 30 June 2024, the Systemic Risk Buffer for exposures to real estate companies was activated which increased the CET1 requirement by approx 0.8%
- Nykredit's capital policy target includes a buffer for a severe macro stress

CET1 capital ratio



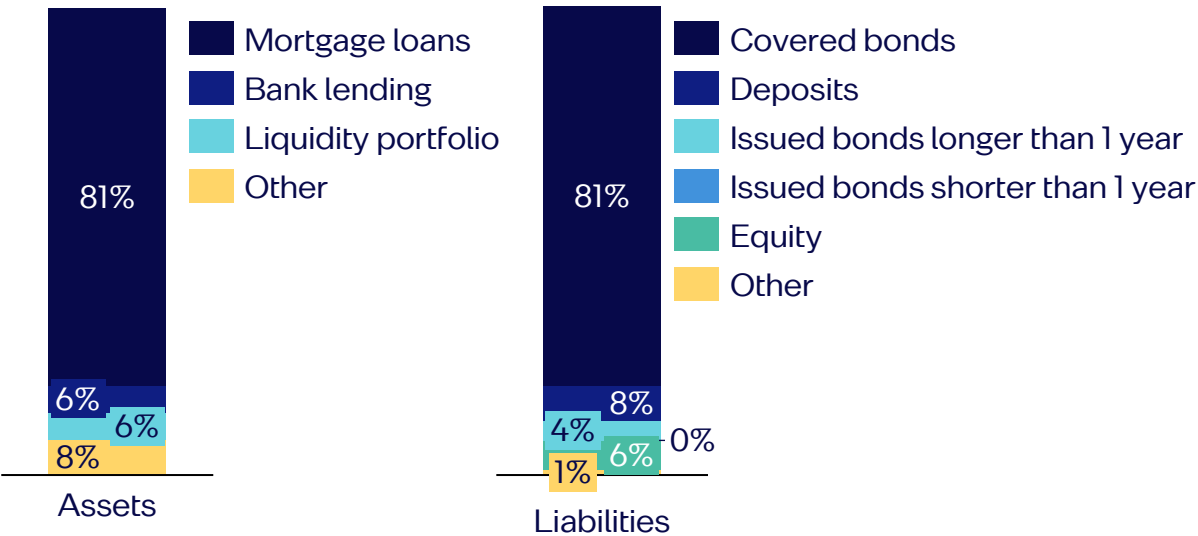
CET1 capital requirement and ratio



Low liquidity and market risk

- Nykredit’s balance sheet is largely fully matched due to the pass-through mortgage structure in Denmark
- This eliminates interest rate risk and foreign exchange risk
- Remaining assets are primarily funded by stable long-term liabilities, equity and deposits
- Nykredit has a resilient deposit base
 - Stable deposits from primarily full-service retail customers amount to approx 60%
 - Approx 50% of deposits are covered by the deposit guarantee scheme
- Nykredit has substantial liquidity reserves as illustrated by the liquidity coverage ratios
- Market risk primarily from holdings in strategic bank equities and shorter-dated Danish covered bonds
 - Outright interest rate risk is low

Nykredit’s balance sheet is largely matched



Nykredit’s Liquidity Coverage Ratios, %

	H1 2024	2023
Nykredit Group	308	310
Nykredit Bank	215	191

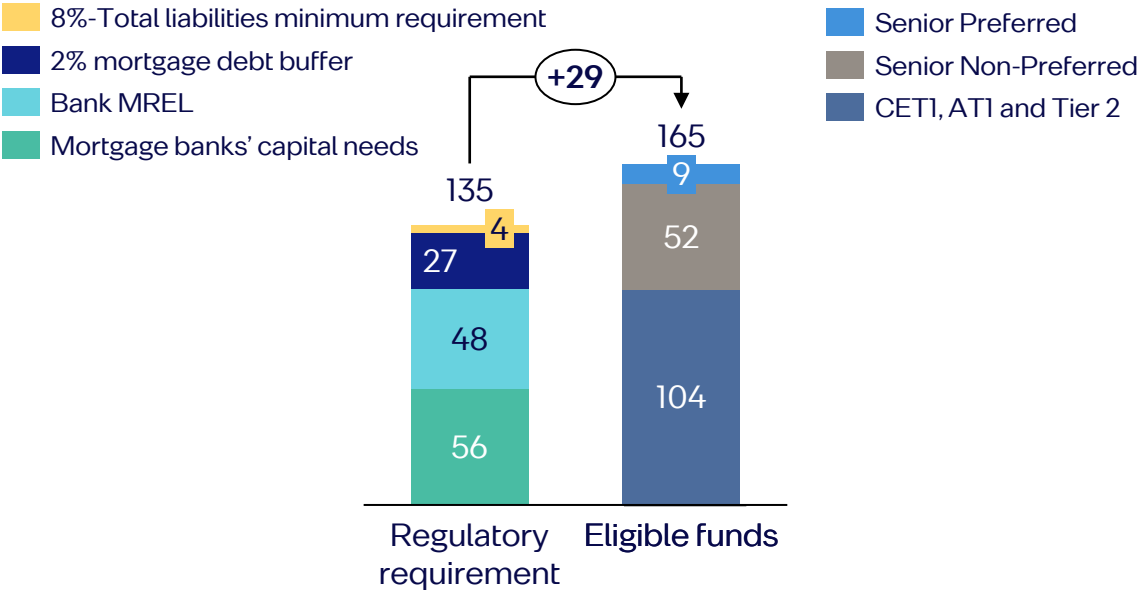
Nykredit’s Net Stable Funding Ratio, %

	H1 2024	2023
Nykredit Group	156	147

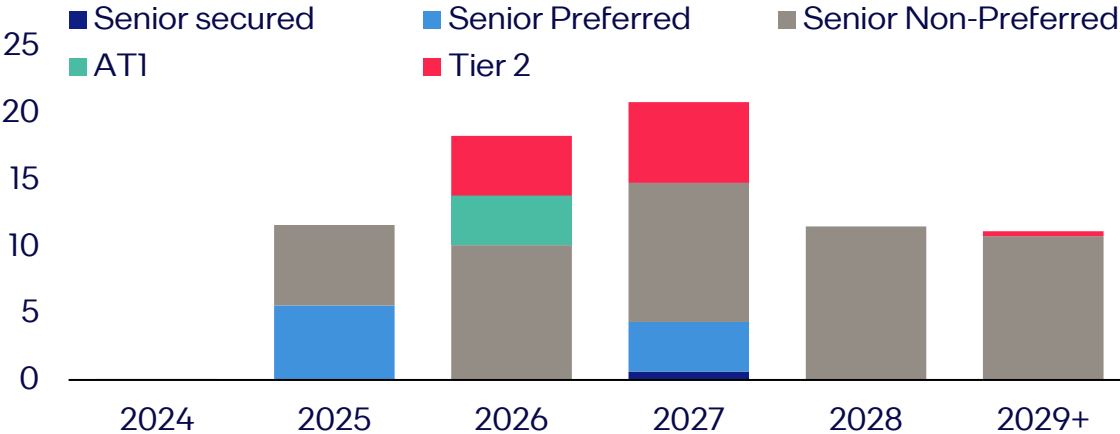
Fully compliant with the regulatory requirement

- Funding needs driven by refinancing
- Nykredit's funding needs (excluding covered bonds) are the requirement to have sufficient regulatory bail-inable instruments
- The sum of the debt buffer of 2% of mortgage lending, the capital requirement in the mortgage banks and MREL requirement in Nykredit Bank must amount to at least 8% of total liabilities
- Nykredit is fully compliant with the 8% requirement
 - Eligible funds in excess of the regulatory requirement amount to DKK 29bn
- Nykredit has issued DKK 11bn in 2024 in SNP format
- Nykredit expects to issue up to DKK 5bn in senior debt in the remaining part of 2024

Regulatory requirement for bail-inable instruments and eligible funds



Nykredit Group maturity profile, DKKbn



Key takeaways

Strong results

- Highly satisfactory profit after tax of DKK 6.5bn resulting in ROE of 13.2%

Market shares

- Increasing market share on mortgage and bank lending as well as Wealth Management in first half of 2024

Credit quality

- Customers remain financially robust despite geopolitical uncertainty and higher interest rates reflected in a net reversal of impairment charges amounting to DKK 84m

Costs

- Cost/income ratio of 29.5%

Guidance for 2024

- Guidance for profit after tax for 2024 of DKK 10.5-11.5bn is maintained
- Proposed extraordinary dividend of DKK 2.2bn due to Nykredit's strong capital position



Q&A

#3

Nykredit



Appendix

Q2 vs Q1: Income down 13% driven by lower trading and investment income

- Overall income down 13% Q/Q
 - Net interest income unchanged
 - Net fee income down 13%, driven by funding income as well as lower activity in the second quarter of 2024
 - Wealth management income up 1% due to higher income from Asset Management
 - Trading and investment portfolio income down due to lower value adjustments on the portfolio of strategic bank equities
- Costs up 2% driven by pay and performance bonuses
- Impairment charges were a reversal of DKK 31m
- Business profit of DKK 3,603m compared with DKK 4,418m in Q1/2024
- Legacy derivatives were a gain of DKK 76m due to higher interest rates
- Profit after tax of DKK 2,951m compared with DKK 3,544m in Q1/2024

Business results Q2/2024 vs Q1/2024

DKKm	Q1/2024	Q2/2024	Index
Income	6,012	5,250	87
- Net interest income	3,011	2,998	100
- Net fee income	728	630	87
- Wealth management income	668	673	101
- Net interest from capitalisation	597	609	102
- Net interest income from customer benefit programmes	-135	-142	105
- Trading, investment portfolio and other income	1,143	482	42
Costs	1,647	1,678	102
Business profit before impairment charges	4,365	3,573	82
Impairment charges	53	31	57
Business profit	4,418	3,603	82
Legacy derivatives	52	76	147
Profit before tax	4,470	3,679	82
Tax	926	727	79
Profit after tax	3,544	2,951	83

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