

Nykredit Group

Q3/2017 Earnings call

Michael Rasmussen, CEO

David Hellemann, CFO

7 November 2017
Copenhagen

Numbers relate to
Nykredit A/S



Nykredit's majority shareholder has received a purchase offer

Structure of the proposed transaction

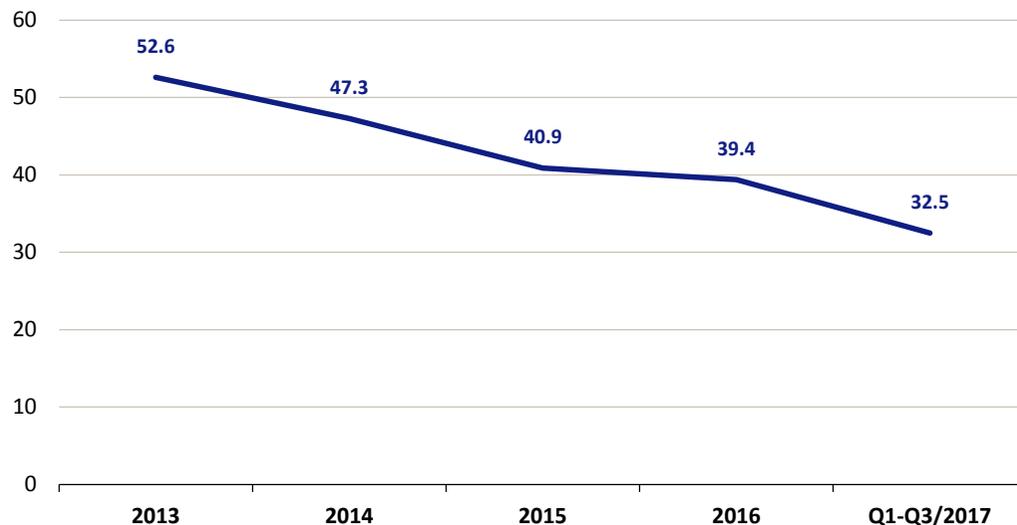
- Forenet Kredit has concluded a conditional agreement to sell 10.9% of the shares in Nykredit A/S for DKK 7.5bn
- The offer is given by PFA, PensionDanmark, PKA, AP Pension and MP Pension and values Nykredit A/S at DKK 68.8bn
- The investors also offer to purchase most shares currently owned by Industriens Fond and Østifterne f.m.b.a.
- If all offers are accepted Forenet Kredit will own 78.9% of Nykredit A/S while the new investors will own 16.9%
- PRAS A/S maintains its 2.25% ownership and Industriens Fond and Østifterne f.m.b.a. combined will own 1.95%
- The investors undertake to contribute capital to Nykredit in future, should the need arise
- Forenet Kredit will keep DKK 7.2bn of the proceed as a capital buffer
- The Board of Directors of Forenet Kredit, Nykredit A/S and Nykredit's Group Executive Board all recommend the Committee of Representatives to accept the offer
- The process of preparing Nykredit A/S for an IPO will be discontinued

Highlights of Q1-Q3/2017 – very satisfactory results

Key messages

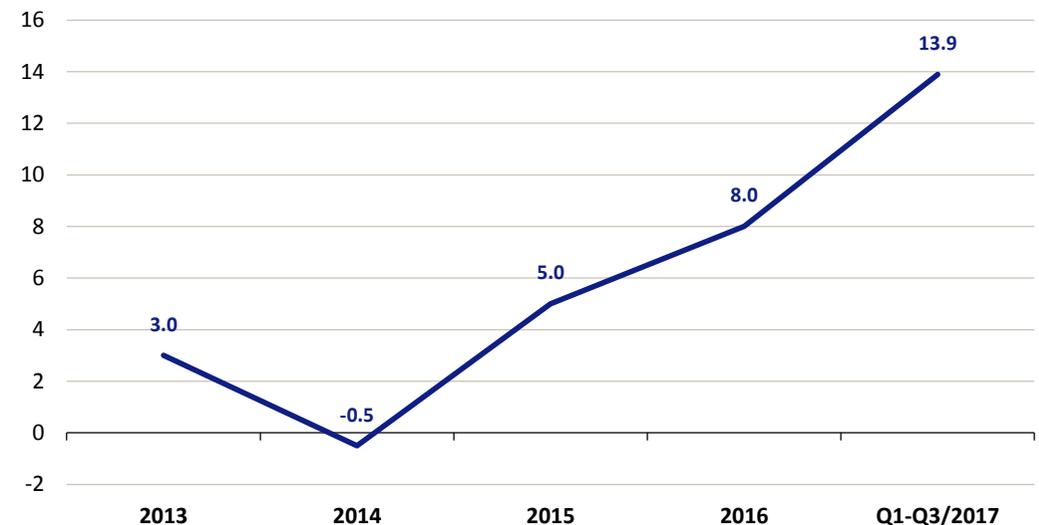
- A very satisfactory result and the best Q1-Q3 result ever for Nykredit
- Mortgage lending volumes in Totalkredit increasing 4% underlining our partner banks strong distribution power
- Bank lending growing 4%
- Satisfactory inflow of full-service bank customers and Assets under Management
- Nykredit named Best Private Bank in Denmark by The Banker
- Benign business cycle reflected positively in credit quality and loan losses

Group operational cost:income ratio



¹ Annualised profit (loss) before tax including interest on AT1 divided by average equity for the period
Source: Nykredit Group Q1-Q3/2017 report

ROE after tax¹, %

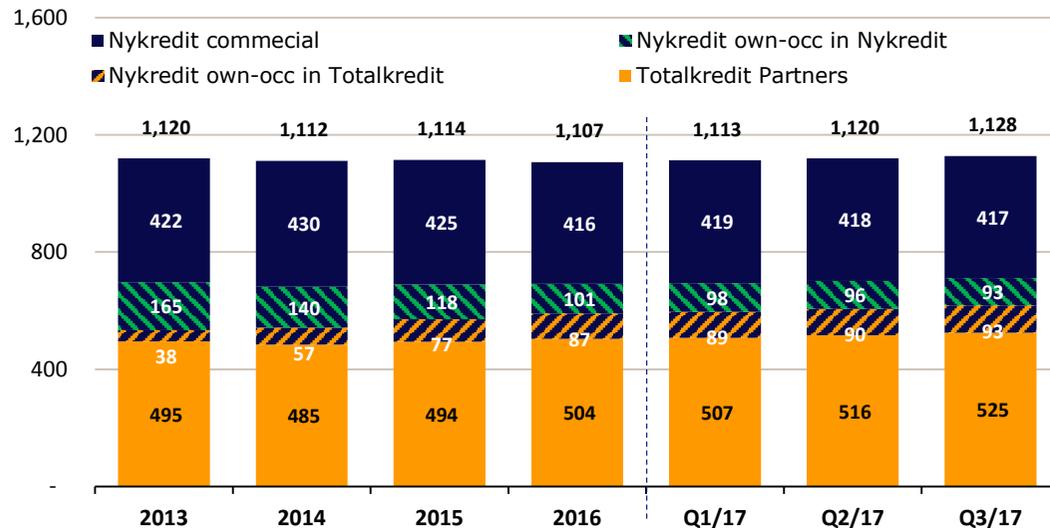


Growth in mortgage and bank lending

Business volumes

- Total mortgage portfolio growing 2% since year the beginning of 2017 but mortgage loan demand remains muted
- Totalkredit's lending grew by DKK 21bn compared with end-2016 despite run-off of legacy partner portfolios
- Partner banks showing the strength of distribution network
- Mortgage margin income growing 5.6% since Q3/2016
- Secured homeowner loans are gaining in popularity
- Bank lending increased 4% since year-end 2016

Mortgage lending portfolio, nominal DKKbn



Source: Nykredit Group Q1-Q3/2017 report, MFI statistics

Market share

Mortgage lending	2016	Q3/2017
Nykredit Group	41.2%	41.1%
Totalkredit owner-occupied	38.6%	39.5%
Nykredit Group commercial	36.7%	36.1%

Bank lending	2016	Q3/2017
Personal	3.1%	3.3%
Business	6.7%	6.7%
Other	7.1%	11.5%
Total	4.7%	6.6%

Revised guidance for full year

Guidance

- Previous 2017 guidance was on “Profit from core business” of DKK 7-8bn
- New income statement structure changes guidance to “Business profit”
- Business profit guidance revised to DKK 9.5 to 10bn
 - At end Q2/2017 business profit would have been forecast at around DKK 8-9bn

KundeKroner

- Nykredit has started paying KundeKroner to mortgage customers in Totalkredit equal to 10bps of the mortgage loan
- DKK 150m paid out in Q3/2017 – no P/L effect
- KundeKroner has been prolonged until Q2/2019
- If the sale of shares to the pension funds are completed Nykredit will expand the KundeKroner concept
 - Higher payments to Totalkredit’s personal customers
 - Business mortgage customers to be included on similar terms
 - Payment until end-2019

Strong business results

Business results

- Business profit of DKK 8.0bn - up 45% compared to Q1-Q3/2016
 - Income 15% higher – improvements across all 5 income lines
 - Operating costs declined 3% - Cost/Income ratio 32.5%
 - Impairment charges showed an income of DKK 0.6bn due to strong credit fundamentals and write backs
- Profit after tax of DKK 7.6bn compared to DKK 3.4bn
- Return on equity 13.9% after tax

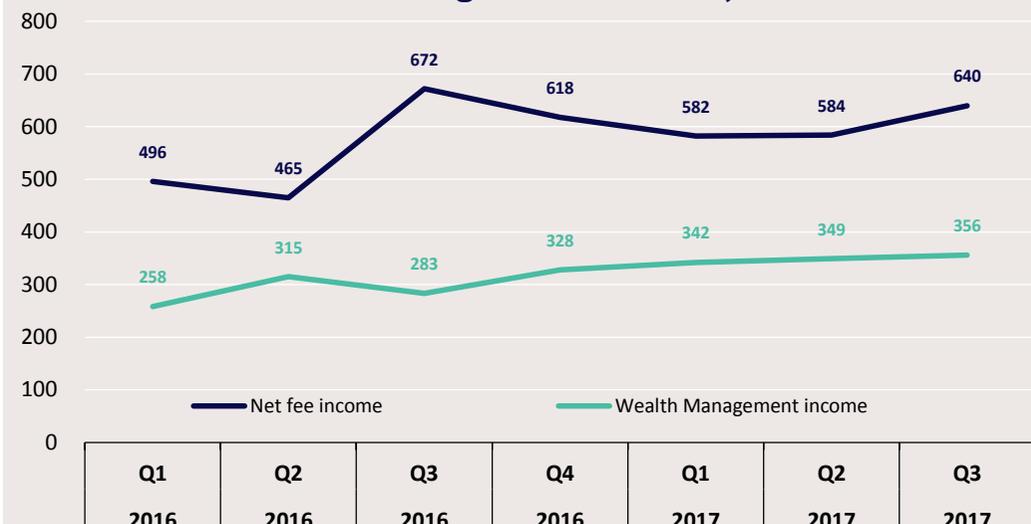
DKKm	Q1-Q3//2016	Q1-Q3/2017	Index
Income	9,623	11,048	115
Costs	3,707	3,590	97
Business profit before impairment charges	5,916	7,459	126
Impairment charges	385	-550	-
Business profit	5,531	8,009	145
Legacy derivatives	-1,185	1,488	-
Profit before tax	4,346	9,497	218
Tax	906	1,942	-
Profit	3,440	7,555	220

New income statement increases transparency

Net interest income, DKKm



Net fee and Wealth Management income, DKKm



Net interest - capitalisation, DKKm



Trading, investment portfolio and other income, DKKm



Source: Nykredit Group Q1-Q3/2017 report. Annual arrears data.

Costs declining and impairments charges add to profit

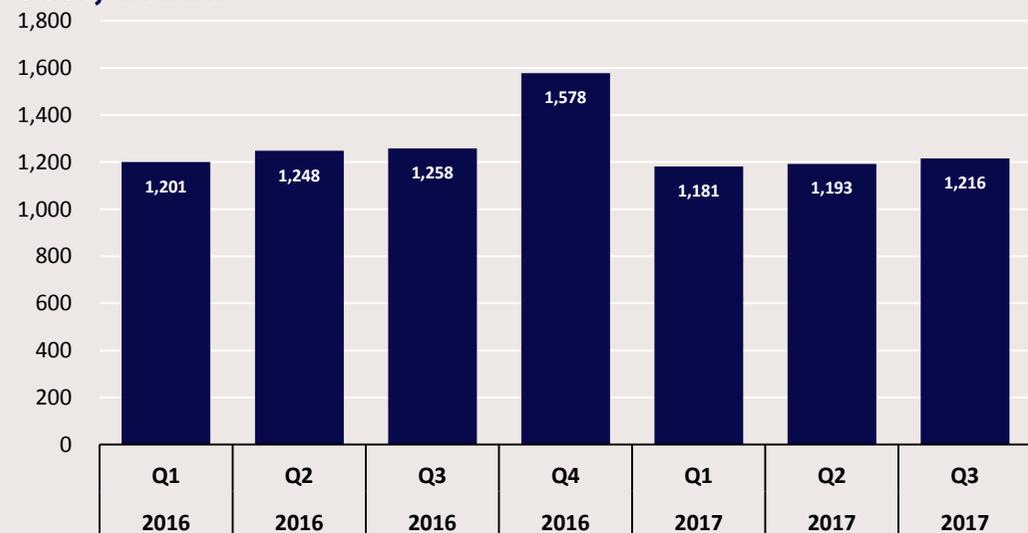
Income, DKKm



Impairment charges, DKKm



Cost, DKKm



Business profit, DKKm

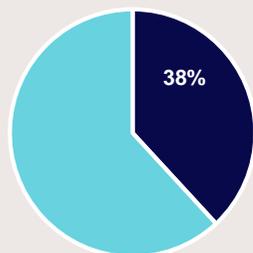


Source: Nykredit Group Q1-Q3/2017 report. Annual arrears data.

Healthy development in Retail and Wholesale business units

Retail

Share of Group business profit

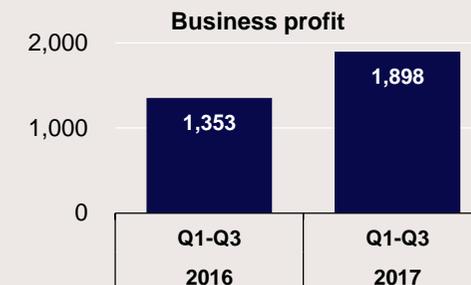
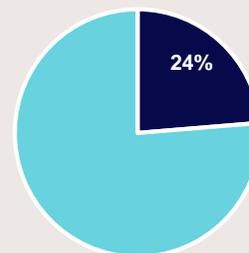


- Income up by 12% compared to Q1-Q3/2016
- Inflow of full service customers
- Bank lending up 6% and mortgage lending down 2%
- Credit quality improving

Retail (Personal and Business), DKKm	FY-2016	Q1-Q3/2017	Index
Mortgage lending	420,527	412,280	98
Bank lending	28,347	30,128	106
Secured home loans	2,824	4,862	172
Deposits	43,037	44,962	104

Wholesale

Share of Group business profit



- Income up by 18% compared to Q1-Q3/2016
- Good demand for both bank and mortgage financing as well
- Bank lending up 2% and mortgage lending up 3%
- Credit quality improving

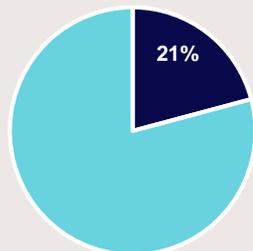
Wholesale (CIB and Markets), DKKm	FY-2016	Q1-Q3/2017	Index
Mortgage lending	176,405	181,076	103
Bank lending	21,554	22,047	102
Secured home loans	-	-	-
Deposits	12,207	10,797	88

Source: Nykredit Group Q1-Q3/2017 report

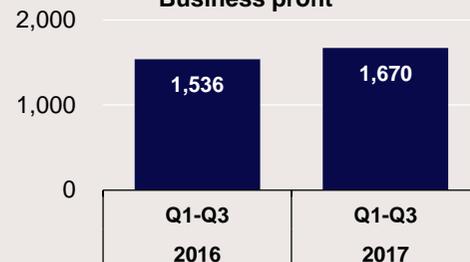
Growth in Totalkredit and Wealth Management business units

Totalkredit Partners

Share of Group business profit



Business profit

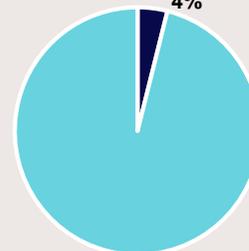


- Income up by 13% compared to Q1-Q3/2016
- Totalkredit is gaining market share as mortgage loan portfolio grows 3%
- 61% growth in secured home loans
- Credit quality remains strong reflecting Danish households finances

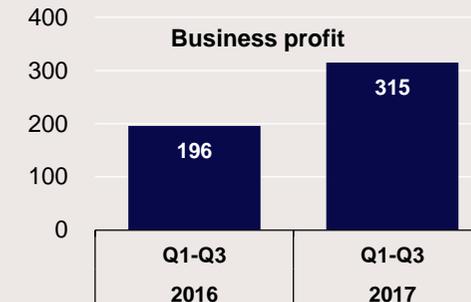
Totalkredit Partners, DKKm	FY-2016	Q1-Q3/2017	Index
Mortgage lending	499,427	513,772	103
Bank lending	-	-	-
Secured home loans	5,765	9,259	161
Deposits	-	-	-

Wealth Management

Share of Group business profit



Business profit



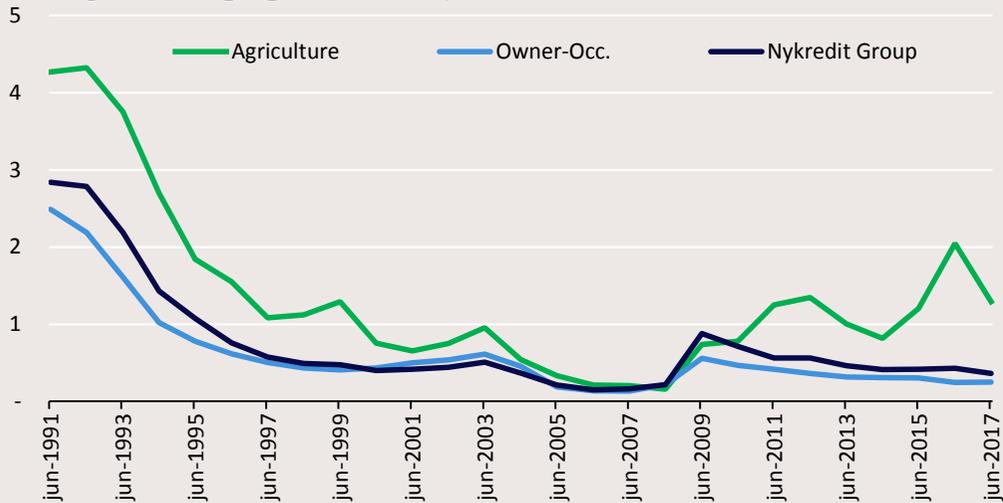
- Income up by 28% compared to Q1-Q3/2016
- AuM grew by 15% primarily driven by inflow of new funds
- Satisfactory inflow of new customers to Private Banking Elite
- Good growth in lending to Private Banking customer

Wealth Management, DKKm	FY-2016	Q1-Q3/2017	Index
Mortgage lending	5,268	6,771	129
Bank lending	2,353	2,661	113
Secured home loans	344	706	205
Deposits	9,522	11,482	121
Assets under Administration	786,549	809,811	103
Assets under Management	136,515	157,391	115

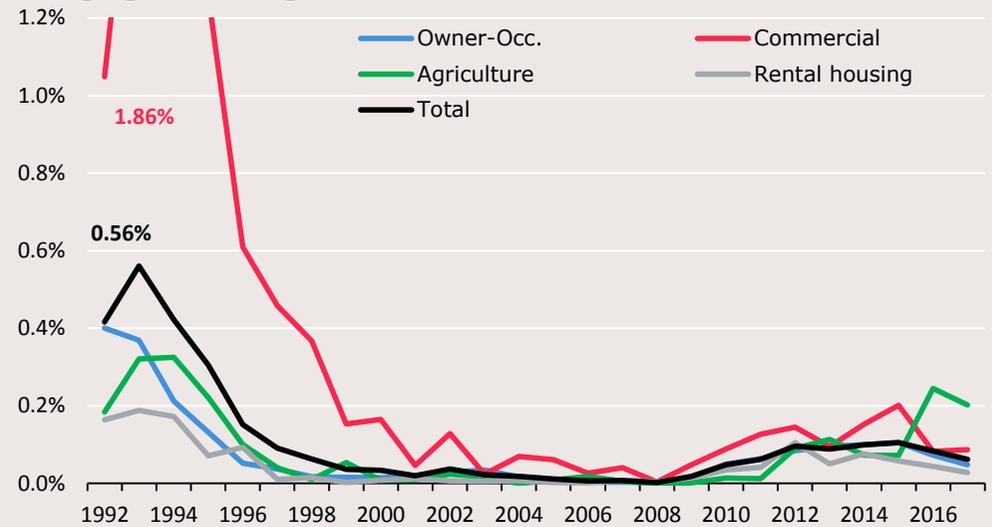
Source: Nykredit Group Q1-Q3/2017 report

Credit quality remains strong and improving

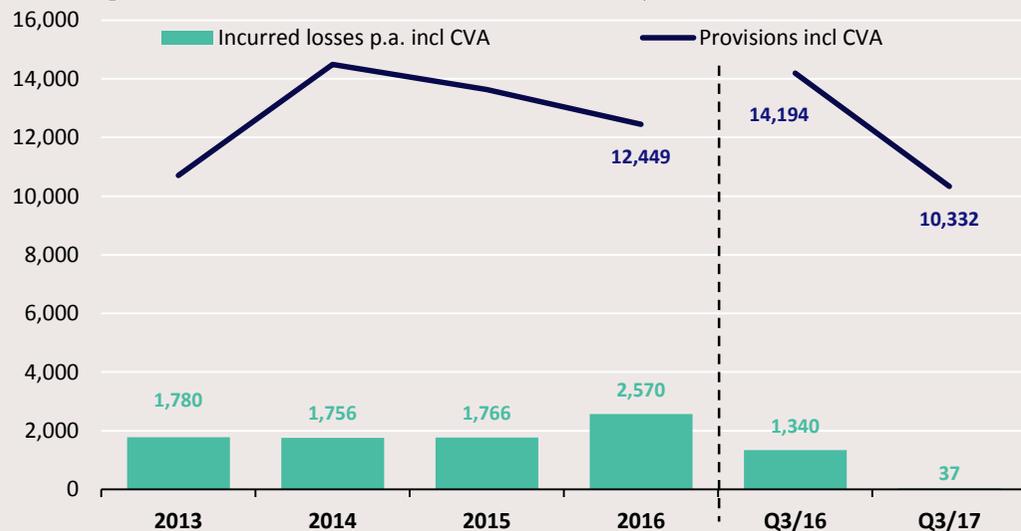
75 days mortgage arrears, %



Mortgage lending: Incurred losses as a % of debt



Total provisions and incurred losses, DKKm



Credit metrics

Per cent	2013	2014	2015	2016	Q3/2017
Impairment losses					
- Mortgage lending	0.21	0.19	0.09	0.07	-0.03
- Bank lending	0.29	0.22	-0.12	-0.15	-0.31
Nykredit Group					
- Non-performing loans	2.47	2.47	2.56	2.47	2.15
- Cover ratio*	29.0	31.5	28.7	28.9	28.1
Acquired properties, stock	322	238	159	114	80

* Reserves for impaired loans / impaired loans

Source: Nykredit Group Q1-Q3/2017 report and Fact Book

Another quarter of strong capital generation

Capital

- REA increasing compared to Q3/2016 due to implementation of IRB models
- REA down from Q2 to Q3 as LTVs are increasing
- CET1 ratio amounts to 21.4% equal to organic capital generation of 260 bps YTD
 - Q3 not included in CET1 due to accounting rules
- No current plans to issue AT1 og Tier 2 capital
- Capital requirements still expected to increase in the medium term due to new regulation

Group facts

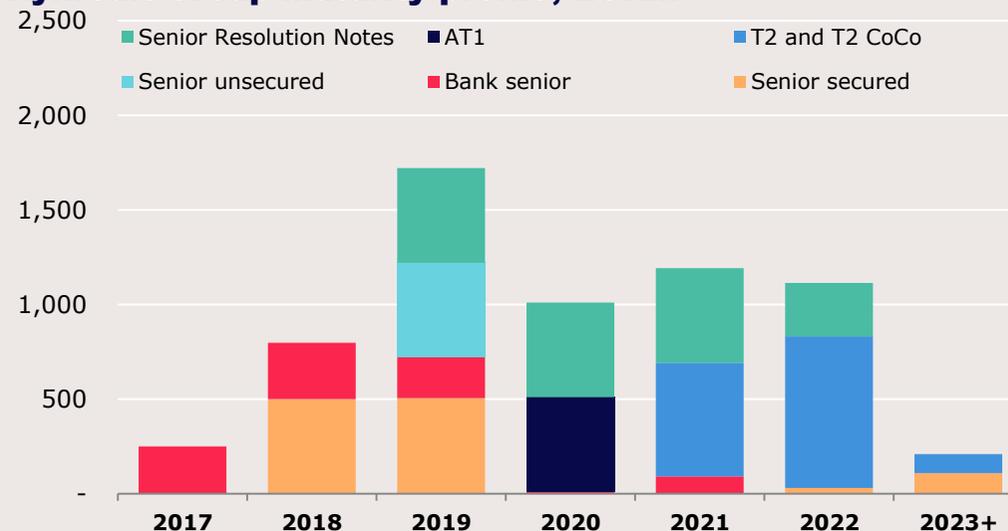
	Q2/2017	Q3/2017
Risk Exposure Amount (REA)	337.1bn	332.4bn
CET1	70.7bn	71.3bn
CET1 ratio	20.9%	21.4%
Total capital ratio	23.9%	24.4%
Leverage ratio	5.4%	5.3%
Pillar I	8.0	8.0
Pillar II	2.1	2.2
Solvency requirements	10.1	10.2

Funding plans

- Nykredit issued its first syndicated EUR covered bond in September
 - EUR 500m covered bond FRN with 5 years maturity
- We do not expect to issue more Senior Resolution Notes for the remainder of 2017
- Refinancing auctions of covered bonds in late November

Source: Nykredit Group Q1-Q3/2017 report.
 Note: Maturity profile excludes covered bonds.

Nykredit Group maturity profile, EURm



Concluding remarks

Q1-Q3/2017 results

- Another strong quarter for Nykredit – best Q1-Q3 result ever
- Result helped by strong tailwind and large positive one-offs
- Cost reduced by 3% since last year and focus on cost restraint is maintained

2017 guidance

- New presentation format for P/L
- Previous guidance of DKK 7-8bn on Profit from core business
- New guidance of DKK 9.5-10.0bn on Business profit which is DKK 1bn higher than previous guidance like-for-like

Nykredit Group financial ratios



	2013	2014	2015	2016	Q3/2017
Net interest income					
- as % of lending and deposits	0.62	0.69	0.69	0.71	0.73
Profit (loss) for the period					
- as % pa of average equity	3.0	-0.5	5.0	8.0	13.9
Profit (loss) before tax for the period					
- as % pa of average equity	3.4	-0.3	7.4	10.1	17.5
Business profit for the period					
- as % pa of average equity	4.6	5.6	10.3	11.3	14.7
Total assets, DKKbn	1,417.4	1,457.3	1,383.8	1,400.6	1,399.5
Risk Exposure Amount (REA), DKKbn	346.3	358.7	310.3	348.4	332.4
Leverage ratio, %	-	-	-	5.0	5.3
S&P RAC ratio (June 2017), %					12.6
- Nykredit Realkredit Group					
Distance to MDA, not fully loaded, DKKbn	-	-	-	-	44.2
Distance to MDA, fully loaded, DKKbn	-	-	-	-	37.5
Available Distributable Items (ADI), DKKbn	-	-	-	-	35.4
Total capital ratio, %	18.9	17.2	20.7	21.9	24.4
CET1 capital ratio, %	15.8	15.4	19.4	18.8	21.4

For the purpose of return on equity, the Additional Tier 1 (AT1) capital raised in Q3/2016 is treated as a financial obligation for accounting purposes, and the dividends for the period thereon for accounting purposes are included as interest expenses on subordinated debt in the profit for the year

Source: Nykredit Q1-Q3/2017 Reports and Fact Book

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