

DISCLOSURE

Investment research

This material is produced by analysts in Nykredit Markets's research functions and is considered investment research.

Recommendation and risk assessment structure for government bonds and bonds issued by financial institutions, including covered bonds

Bond recommendations

The investment research of Fixed Income & Derivatives Research generally focuses on isolating relative value in bond and derivatives markets. Therefore, the interest rate and/or volatility risk of the strategy is generally hedged through other bonds or derivatives (swaps, swaptions, caps, floors, etc). In contrast to outright recommendations, our investment research often includes both a buy and a sell recommendation.

BUY: In our view, the bond is fairly inexpensive relative to comparable alternatives in either the bond or derivatives markets. We expect that the bond will offer a higher return than alternatives on a horizon of usually three months.

SELL: In our view, the bond is fairly expensive relative to comparable alternatives in either bond or derivatives markets. We expect that the bond will offer a lower return than alternatives on a horizon of usually three months.

Recommendation on portfolio allocation

The recommendations of Fixed Income & Derivatives Research are based on a portfolio investor (long-only investor) in government bonds and bonds issued by financial institutions.

Overweight: In our view, the return on the bond segment will be higher than the return on the total Danish bond market (Danish government bonds and bonds issued by financial institutions) in the next three months.

NEUTRAL: In our view, the return on the bond segment will be in line with the return on the total Danish bond market (Danish government bonds and bonds issued by financial institutions) in the next three months.

Underweight: In our view, the return on the bond segment will be lower than the return on the total Danish bond market (Danish government bonds and bonds issued by financial institutions) in the next three months.

Distribution of recommendations

The distribution of the direct investment recommendations from Fixed Income & Derivatives Research within the past quarter is seen from Table 1 and Table 2, respectively. Proportion I is the distribution of our recommendations which sums to 100%. Proportion II is the share of issuers within each category above, for which Nykredit Bank A/S has carried out major investment bank transactions in the past 12 months.

Historical returns and price developments

To the extent that this material contains information on price developments and/or returns, reference is made to [historical returns and price developments](#) at nykredit.dk, which provides information on price development and returns for the past five years (or the life of the instrument concerned, if less than five years) of the financial instruments for which Fixed Income & Derivatives Research has made direct investment recommendations.

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Financial models and methods applied

Calculations and presentations are based on ordinary econometric and financial tools and methods as well as publicly available sources. Assessments of Danish callable mortgage bonds are modelled using a proprietary model consisting of a stochastic yield structure model and a statistical refinancing model calibrated to borrowers' historical prepayment behaviour. Unless otherwise specified, prices stated in this publication prevailed at 15:40 CET on the trade day before the date on the front page.

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Assessments and recommendations, if any, made in this publication may involve substantial risks. Such risk, including a sensitivity analysis based on relevant assumptions, is described in this publication. All investors should consider the purpose of their investment and make their own decisions as regards any kind of investment in financial instruments mentioned in this material.

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