

DISCLOSURE

This research is non-independent research prepared by Fixed Income & Nordic Research in Nykredit Markets. Non-independent research is a marketing communication and does not constitute independent, objective investment research and is thus not subject to the legal requirements applicable to independent investment research. Therefore, it is not subject to any prohibition on dealing ahead of the dissemination of the marketing communication.

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

Bond recommendations

The research of Fixed Income & Nordic 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 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 the 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 the alternatives on a horizon of usually three months.

Recommendations on portfolio allocation

The recommendations of Fixed Income & Nordic Research are based on a portfolio investor (long-only investor) in government bonds and bonds issued by financial institutions. Click on the following link to see a [list of all recommendations on financial instruments or issuers disseminated](#) by Fixed Income & Nordic Research in Nykredit Markets over the past 12 months.

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 & Nordic Research within the past quarter is shown in Table 1 and Table 2. Proportion I is the distribution of our recommendations and it therefore 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.

Table 1: Recommendations – fixed income	Proportion I	Proportion II
Buy	50	0
Sell	50	0

Table 2: Recommendations – portfolio allocation	Proportion I	Proportion II
Overweight	0	0
Neutral	0	0
Underweight	0	0

Source: Nykredit Markets

Historical returns and price developments

To the extent that this material contains information on historical prices and/or returns, reference is made to [historical returns and prices](#) at nykredit.dk, which provides information on price developments 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 & Nordic Research has made direct investment recommendations.

Information about Nykredit

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A/S, Nykredit Realkredit A.S., Sparekassen Djursland, Sparekassen Sjælland-Fyn A/S, Sparekassen, Vendsyssel, STG Global Finance B.V., Unicredit, Vestjysk Bank A/S.

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This investment research was finished and released for distribution for the first time on the date stated on the front page.

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. The models have been approved by the Danish Financial Supervisory Authority.

Unless otherwise specified, prices stated in this research prevailed at 15:40 CET on the trade day before the date stated on the front page.

Risk warning

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 research. 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 research.

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