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Nykredit Realkredit A/S

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Nykredit Realkredit A/S

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A+/Stable/A-1
Resolution Counterparty Rating
AA-/--/A-1+

SACP: a- → **Support: +2** → **Additional factors: 0**

Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+/Stable/A-1
Resolution counterparty rating
AA-/A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Leading mortgage bank in Denmark, which has a wealthy and competitive economy.	Concentration in the Danish mortgage market.
Highly collateralized nature of the loan book and good asset quality.	Reliance on wholesale funding.
Strong earnings, supporting both stable risk-adjusted capital (RAC) and a substantial additional loss-absorbing capacity (ALAC) buffer.	

We expect Nykredit Realkredit (Nykredit) to uphold its solid position as Denmark's premier provider of mortgage financing and its largest lender by domestic volume. We believe that Nykredit will uphold its position as the main provider of mortgage financing in Denmark and as the largest lender by domestic volume, with a market share of about 44.6% by year-end 2022. While mortgage lending in Denmark will remain at its core, we believe that the bank will increase its market share in investment products throughout 2024. Loan asset growth stems mainly from business customers as well as from its subsidiary's (Totalkredit) partnership with domestic banks but thanks to Nykredit's partnership with Sparinvest, positive net inflows of assets under management (AUM) have grown by 4% in 2022. In spite of negative mark-to-market effects leading to an overall AUM decline of 7%, AUM amounted to a total of Danish krone (DKK) 406 billion (€54.6 billion) by the end of 2022.

Stable retained earnings will continue to support strong risk-adjusted capitalization and market-leading pricing programs. We project the group's risk-adjusted capital ratio to remain in the range of 13.5%-14% over the next 18-24 months, compared with 13.3% at year-end 2022. Capitalization will remain a rating strength, despite Nykredit's resumption of dividend payments of about 50% of profit. That said, we anticipate that its majority shareholder Forenet Kredit will continue to reinject a large part of the proceeds (around 70%-80%) to fund Nykredit's market-leading discount programs, like "KundeKroner," "ErhvervsKroner," and "GrønneFordele."

The granular and highly collateralized retail mortgage portfolio should sustain its asset quality over the medium term, despite downside risks and weaker operating conditions. Despite the Danish economy's dampened medium-term growth prospects, Nykredit's asset quality will remain sound and slightly better than that of its domestic peers in Denmark. We believe credit losses at Nykredit will likely remain low, thanks to its sound risk management and conservative underwriting standards. We expect nonperforming assets to remain stable at a low 1.0%-1.2% of gross loans over our rating horizon of 2023-2025.

Healthy mortgage loans formed over 80% of total assets as of Dec. 31, 2022, with 95% of exposures in Denmark and only 5% in Sweden, Germany, and other European countries. With the rise in interest rates, refinancing activities remained high, leading customers to reduce their mortgage debt. Overall, the loan-to-value (LTV) ratio for the entire mortgage loan book was at a sound level of about 51.0% as of Dec. 31, 2022, down from 55.8% at year-end 2021 and showing high and prudent collateralization. We believe that the bank will continue to benefit from rising interest rates, but limited credit growth, elevated costs, and continued competitive pressure in the Danish banking sector could hold earnings back.

We anticipate support from the well-functioning covered bond market in Denmark and reduced reliance on short-term funding. We expect Nykredit's funding and liquidity measures to remain prudent over our rating horizon. Its funding needs have reduced in 2022 due to an interest rate-driven decrease in its balance sheet. The bank's stable funding ratio was about 95% as of the same date (2021: 96.5%). These ratios remain weaker than those of Nykredit's international peers, but we also take the supporting characteristics of the robust Danish covered bond market into account. In our view, the bank maintains a prudent matched funding profile, based on the Danish balance principle that reduces Danish mortgage-credit institutions' refinancing risk. The balance principle has also contributed to reducing the bank's reliance on short-term wholesale funding, thereby strengthening its funding profile. Furthermore, we regard Nykredit's liquidity as adequate, based on ample buffers of good-quality liquid assets that support the bank's reliance on wholesale funding. Nykredit's ratio of broad liquid assets as a share of short-term funding was 0.8x on Dec. 31, 2022 (2021: 0.8x).

The long-term issuer credit rating on Nykredit includes two notches of ALAC uplift. We anticipate that Nykredit's ALAC will remain well above 6% of our risk-weighted assets (RWA) threshold over the next two years, allowing us to maintain two notches of uplift for ALAC support in our long-term issuer credit rating. The bank's ALAC buffer amounted to 8.8% of RWA as of Dec. 31, 2022.

Outlook

The stable outlook reflects our expectation that stable funding and liquidity, strong capitalization and earnings capacity, and a substantial ALAC buffer will support the ratings on Nykredit and its subsidiary Nykredit Bank A/S over the next two years.

Downside scenario

We could lower the long-term ratings if Nykredit's asset quality and earnings came under greater pressure than we expect. This could materialize if lower earnings retention resulted in a significant decrease in the bank's RAC below 10%. Similarly, we could lower our long-term ratings if ALAC falls below 6%, reducing the protection that this buffer provides to senior unsecured creditors.

Upside scenario

We consider an upgrade a remote possibility at this point.

Key Metrics

Nykredit Realkredit A/S--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	13.5	5.5	2.4-2.5	0.7-0.7	1.9-2.0
Growth in customer loans	2.4	-5.3	1.9-2.0	2.9-3.1	2.9-3.1
Growth in total assets	0.5	-4.4	2.0-2.1	3.2-3.3	3.2-3.3
Net interest income/average earning assets (NIM)	0.7	0.8	0.8-0.9	0.8-0.9	0.8-0.9
Cost to income ratio	36.9	35.6	35.4-36.1	35.9-36.6	35.9-36.6
Return on average common equity	10	10.3	8.3-8.8	8.1-8.5	8.0-8.4
Return on assets	0.5	0.6	0.5-0.6	0.5-0.6	0.5-0.6
New loan loss provisions/average customer loans	0	0	0.0-0.1	0.0-0.0	0.0-0.0
Gross nonperforming assets/customer loans	1.5	1.2	1.1-1.3	1.1-1.2	1.1-1.2
Net charge-offs/average customer loans	0	0	0.0-0.0	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	13.2	13.3	13.2-13.9	13.3-14.1	13.5-14.3

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' Since Nykredit Operates Predominantly In Denmark

We use our Banking Industry Country Risk Assessment's economic and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Denmark is 'bbb+', based on an economic risk score of '2' and an industry risk score of '4'. Our economic and industry risk trends for the Danish banking sector remain stable.

Our assessment of low economic risks for Denmark reflects our view that Danish banks benefit from operating in a high-income, open economy, with mature political and institutional settings that promote fiscal discipline and growth-stimulating policies. We expect Danish economy's GDP to stagnate in 2023, from a 3.8% growth in 2022, before recovering to about 1.7% on average over 2024-2026. Significant plunges in private consumption, external demand from major trading partners, and lower investments due to high levels of inflation and higher interest rates will drive economic slowdown. We project the difficult operating environment will likely increase credit losses to manageable levels, mostly for non-mortgage credit exposure toward small and midsize enterprises (SMEs).

That said, we acknowledge that Denmark's private sector debt, although declining, remains one of the highest in the EU. The government has provided several initiatives to curtail household debt, such as incentivizing fixed-rate mortgages, amortization on high LTV ratios, thresholds on debt-to-income ratios, and tax measures. In 2024, the Danish government will introduce a new valuation system that will serve as the basis for calculating property tax. Therefore, we believe private sector debt and households' vulnerability will remain broadly stable and support the banking sector's stability as housing prices have started to decline due to higher interest rates.

Our industry risk assessment incorporates our expectation that Danish banks' profitability will improve somewhat due to increased net interest income. It will, however, remain below that of Nordic peers, due to significant investments in IT and compliance, and competitive pressure in retail mortgages and corporate lending. We expect Danish banks' return on equity (ROE) to improve to 9.0%-9.5% in 2023-2024, from 8.6% in 2021 and a pandemic-affected 4.8% in 2020.

We note the sector's reliance on functioning wholesale markets, which is higher than peers', but acknowledge the continuing stability of the Danish covered bond market. The regulatory environment in Denmark is in line with that of other EU countries. This balances a generally robust track record of macroprudential policies and conservative bank supervision with the national anti-money-laundering (AML) governance shortcomings highlighted in Danske Bank's Estonia case. However, local banks and regulators have progressed in strengthening the country's overall AML framework. We expect this focus to continue, considering significant public attention and overall political consensus.

Business Position: Denmark's Premier Mortgage Provider With Stable Returns

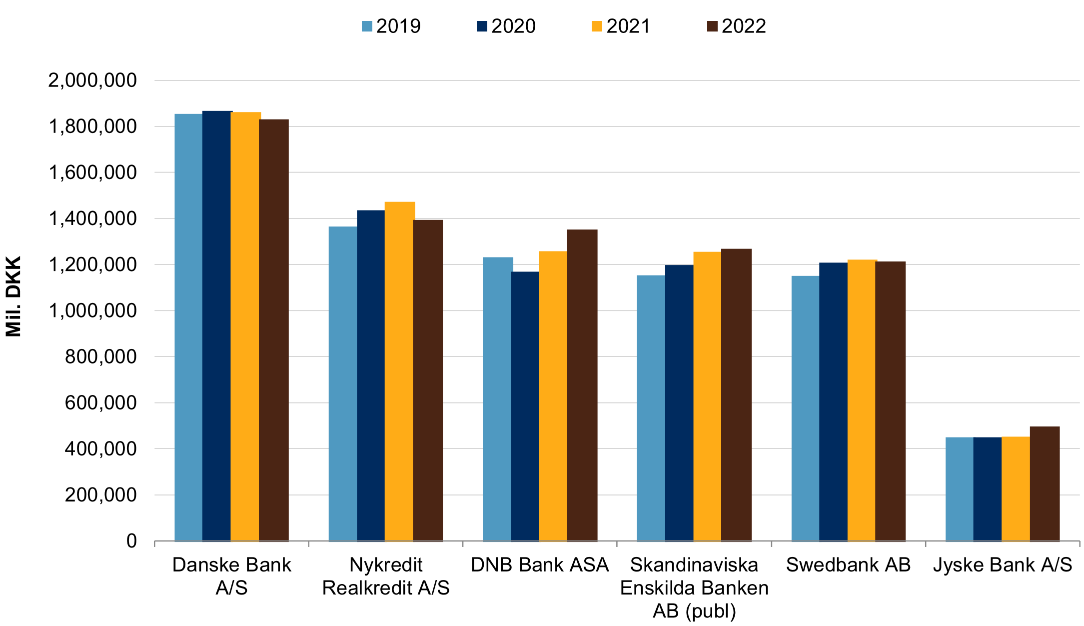
Our assessment of Nykredit's business position reflects our expectation that the group will maintain its dominant position in the Danish mortgage market, with resilient earnings and an increasing, but still partial, business diversification. The group's primary focus is mortgage lending in Denmark, while commercial banking services, where Nykredit Bank has a market share of roughly 7.1%, are limited.

Nykredit plans to achieve further diversification by providing its retail clients with a full-service offering via Nykredit Bank, which is the fifth-largest commercial bank in Denmark. It can, thus, compete more directly with larger banking groups like Danske Bank, Nordea Bank, and Jyske Bank. The group is strengthening its wealth management services as a strategic priority, which will continue to improve its revenue diversification through 2024. Nykredit acquired 75% of the shares in Sparinvest in 2019 and, as of year-end 2022, had more than DKK400 billion (€53.8 billion) in AUM, ranking among the three largest asset managers in Denmark. The fee income from wealth management as a share of fee and commission income decreased to 49% in 2022, from 53% in 2021. On the whole, however, we expect fee income from wealth management as a share of fee and commission income to increase to around 55%-60% in 2024, owing to Nykredit's strategic focus on wealth management.

Nykredit is Denmark's premier provider of mortgage financing and its largest lender by domestic volume (see chart 1). It reported total assets of DKK1.6 trillion (€215 billion) as of year-end 2022. The bank's share of the domestic lending market varies by segment but in mortgage lending, its main segment, it has a market share of about 44.6%. Furthermore, it is the country's second-largest financial services group. Due to Totalkredit's cooperation with domestic banks, Nykredit will remain the market leader in Danish mortgages.

Chart 1

Stable volume growth for the leading Danish mortgage provider
Gross customer loans

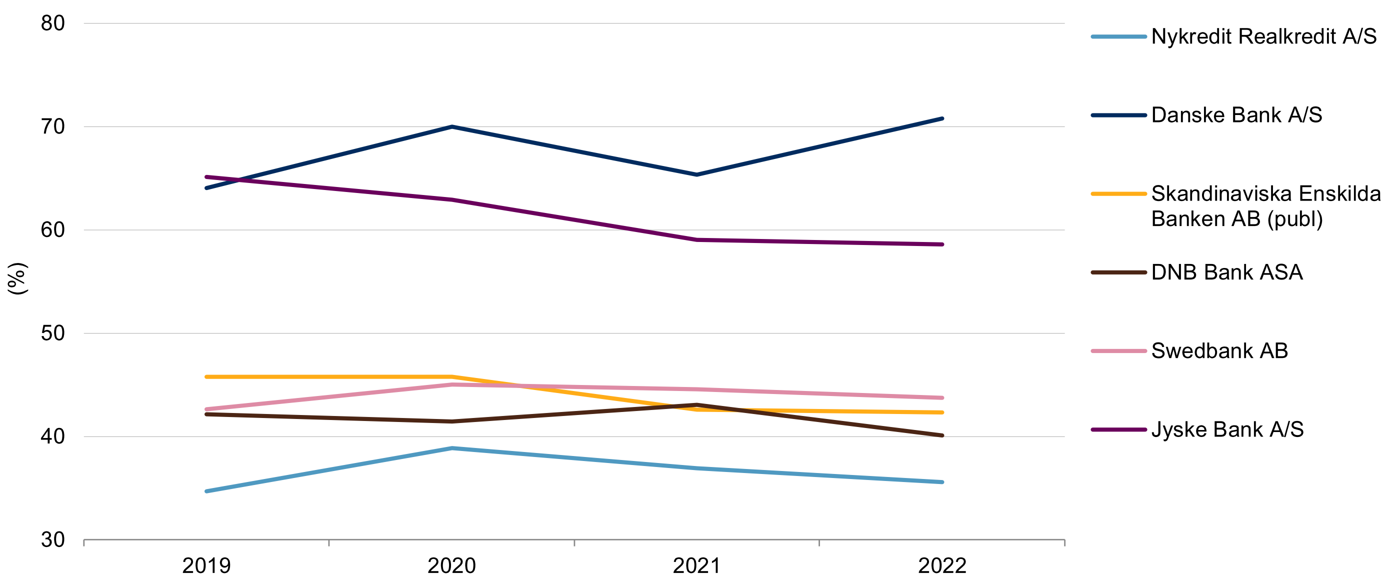


DKK--Danish krone. Source: S&P Global Ratings.

Nykredit benefits from Totalkredit's partnership with domestic banks, which allowed it to seize a material share of new mortgage lending in 2022. The cooperation also enables a cost-efficient business model with low distribution costs, which is reflected in the group's low cost-to-income ratio (see chart 2). Strong development in net interest income as well as stable net fee income along with high-cost efficiency has led to a decrease in the cost-to-income ratio in 2022. We believe the increasing IT collaboration within the Totalkredit partnership will tighten the bonds between members and strengthen the group's position in the mortgage market over the next two years.

Chart 2

Nykredit's cost efficiency ratio continues to outperform Nordic peers'
Cost-to-income ratio



The data for all the banks is as of year-end December 2022. Source: S&P Global Ratings.

Both Nykredit's prominent role in the Danish mortgage market and its mutual ownership model have historically contributed to margins that are lower than those of similar international mortgage lenders. In recent years, however, Nykredit has focused on improving capital generation and profitability, through increasing both cost efficiency and mortgage administrative fees to achieve higher margins. Other market players followed these price hikes, which illustrates that Nykredit benefits from its market leading position. There was an elevated remortgaging activity in 2022, but the bank expects a lower conversion activity in 2023.

Since 2017, Nykredit has been offering a profit-sharing model ("KundeKroner") where the bank shares profits with customers in the form of discounts financed by dividends paid to its owner Forenet Kredit. This concept now includes six discounts that form the wide-ranging benefit program "ForeningsFordele" (association benefits). "ForeningsFordele" give both private and business customers the possibility to get fee discounts on loans, investments, and green products and services. The benefit program increases customer loyalty and boosts cross-selling across the different business areas. We view this feature as supportive of the bank's brand and highly competitive price offering.

Capital And Earnings: Retained Earnings Continue To Support Steady Capital Build-Up

We expect Nykredit's capital and earnings to remain strong. The group's RAC ratio stood at 13.3% as of year-end 2022, up from 13.2% at year-end 2021, and will remain around 13.5%-14% over the next 18-24 months. The common equity Tier 1 (CET1) ratio of 19.5% is 400 basis points (bps) above the capital policy target, as of year-end 2022.

Our capital assessment also factors in our expectation that Nykredit will continue to pay dividends of about 50% of profits (DKK4.65 billion--€625 million--or about 50% of net profit for the year 2022). We expect the bank's management to continue to calibrate its dividend distribution policy in line with its long-term capital targets. Furthermore, Forenet Kredit reached its Danish Financial Supervisory Authority-endorsed target of an earmarked capital reserve of at least DKK10 billion (€1.34 billion) to exclusively support Nykredit. The actual capital reserve amounts to DKK13.3 billion (€1.78 billion) as of year-end 2022. Thus, it provides Nykredit with the required funding flexibility to align its capital structure on par with listed peers. That said, we expect Forenet Kredit will continue to pay back a large part of the proceeds to fund Nykredit's "KundeKroner" program.

Due to the group's mortgage-heavy balance sheet, we expect Nykredit's cost of risk to be lower than our estimate for domestic peers and to normalize to 2bps-5bps during 2023-2025, from nil as of year-end 2022. After a contraction by 5% in 2022, we project the bank's loan growth will increase to 2% in 2023, in line with the market.

Risk Position: First-Priority Mortgages With A Track Record Of Low Loan Losses

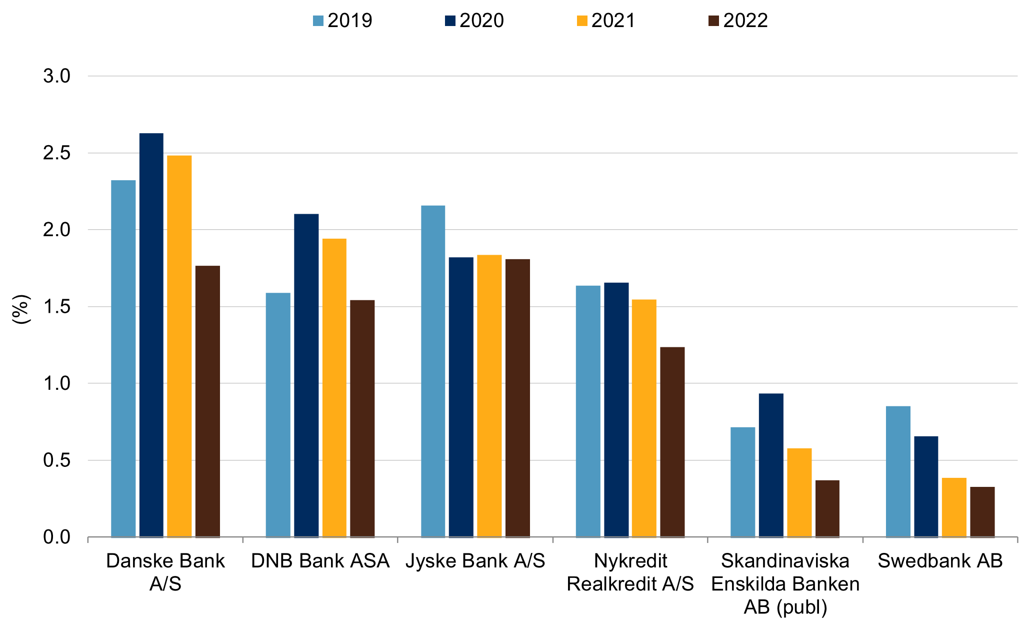
We expect Nykredit's domestic and international asset quality to remain somewhat better than that of its peers. Owing to the group's position as the country's largest mortgage lender, Nykredit's asset quality correlates strongly with developments in the Danish economy and the domestic property market.

In the bank's mortgage portfolio, 63% of mortgage loans come from personal customers, commercial loans represent 31%, and agriculture loans make up the remaining 6%. Overall, the LTV ratio for the entire mortgage loan book was at a sound level of about 51% at year-end 2022, down from 55.8% at year-end 2021. We consider the bank's risk management practices adequate and believe that management is prudent in its lending and underwriting standards.

Mainly due to strong economic conditions and customers' robust credit quality, the group reported reversal of loan impairment charges of DKK80 million at year-end 2022 (€10.75 million), compared to charges of DKK115 million at year-end 2021 (€15.45 million). We expect nonperforming assets to remain stable at a low 1.0%-1.2% of gross loans during our forecast period of 2023-2025 (see chart 3).

Chart 3

Nykredit Realkredit's asset quality is robust
Nonperforming assets*



*Gross nonperforming assets/customer loans and other real estate owned. Source: S&P Global Ratings.

Since the Russian invasion of Ukraine, prices for agricultural commodity and other crop inputs, such as fertilizers, have spiked and remain volatile, reflecting a fear of supply shortages. Although the impact of the war on the Danish agriculture sector has been negligible so far, with agricultural loans making up 6% of Nykredit's mortgage portfolio, it could have a minor negative impact on the bank's asset quality. Apart from the war in Ukraine, which is rapidly affecting supply chains and prices, risks for the agricultural sector include the spread of swine fever, the price of piglets, shifting conditions between sale prices and cost prices of input, and rising environmental requirements and climate targets.

Funding And Liquidity: Well-Functioning Covered Bond Market Supports Stable Funding Profile

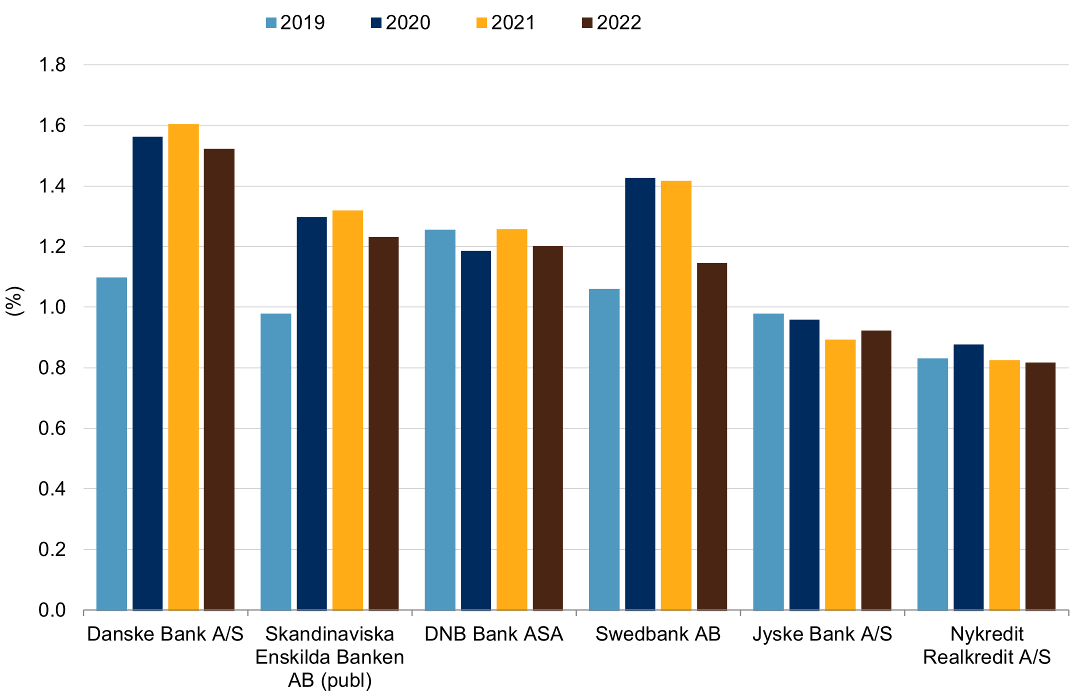
Despite displaying weaker S&P Global Ratings metrics than other Nordic peers, we consider Nykredit's funding and liquidity as neutral rating factors because of the well-established Danish covered bond market. We will likely maintain this assessment if the institution does not return to a higher reliance on short-term wholesale funding.

On Dec. 31, 2022, Nykredit's ratio of broad liquid assets as a share of short-term funding (BLAST) was 0.8x (2021: 0.8x), compared with 0.4x at year-end 2014. We expect the long-term average of Nykredit's BLAST to be around 0.8x, due to rising interest rates that could lead to lower levels of remortgaging activity. Borrowers in Denmark can refinance their loans if interest rates change, which the bank matches by replacing the underlying bonds. Nykredit's stable funding ratio was about 95% as of the same date (2021: 97%). These ratios remain weaker than those of Nykredit's international peers (see chart 4), but we also take the supporting characteristics of the Danish covered bond market into account.

We note that the balance principle results in cash flow matching, in addition to interest rate and currency matching, and that the Danish banking industry and regulator have significantly reduced the volume of one-year covered bond refinancing, resulting in longer and more balanced debt maturity profiles for Danish banks. In our view, the 2014 Danish covered bond legislation that extends bond maturities by 12 months in the event of a failed auction, thus effectively passing on refinancing risks to investors and repricing risks to borrowers, complemented this improvement in stability. In addition, we note that the Danish covered bond market--a key investment target for Danish pension funds--has performed well in several crises. We expect pension funds' demand for low-risk domestic assets will continue to support stable demand for Danish covered bonds.

Chart 4

Nykredit Realkredit's BLAST is somewhat weaker than peers'
Broad liquid assets/short-term wholesale funding (x)



Source: S&P Global Ratings.

Support: Two Notches Of ALAC Support On Increasing Bail-In Buffers

We include two notches of uplift for ALAC in the long-term rating on Nykredit, based on our assessment of its bail-inable buffers. We view Denmark's resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process. Under this process, authorities would permit non-viable systemically important banks to continue critical functions, following a bail-in of eligible liabilities.

The Danish legislation includes a debt buffer requirement to hold at least 8% of total liabilities, including own funds (TLOF) in a bail-inable format. Nykredit management has set an internal target in excess of the debt buffer requirement, which allows the bank to stay above the legal requirement in a stress scenario. We do not expect any material changes to the group's issuance plans for bail-inable instruments. We expect balance sheet growth and refinancing needs to be the main drivers of new issuance of bail-inable instruments over 2023-2025.

We anticipate that Nykredit's ALAC, which amounted to 8.8% of S&P Global Rating's RWAs at year-end 2022, will remain well above the 6% threshold over the next two years, enabling us to maintain the two notches of uplift for ALAC support in our long-term rating.

Additional Rating Factors: None

No additional factors affect this rating.

Environmental, Social, And Governance

We believe ESG credit factors influence Nykredit's credit quality, similarly to its industry and Danish peers.

Social factors have always been important for the bank, due to its owner, Forenet Kredit, an association of Nykredit and Totalkredit customers that shares its profits with both personal and business customers through benefits and discounts. "ForeningsFordele," established in 2021, is an extension of this program and aims to enhance the bank's profile as a customer-owned, responsible, and sustainable financial provider.

Apart from agriculture, the bank has limited exposure to sectors that are vulnerable to transition risks, due to its modest commercial banking footprint. The main environmental risks Nykredit faces consist of managing the potential impact of climate change on its borrowers, such as mortgage customers that are vulnerable to increasing flood or other climate risks. The bank also reduces its carbon footprint and supports customers in their efforts to do so, for example by launching green loans and covered bonds for energy-efficient buildings. Furthermore, the bank has developed a climate training, financed by Forenet Kredit, that will be offered to between 3,000-5,000 Danish farmers during 2022 and 2023 to further support the green transition in the Danish agricultural sector.

Issue Ratings

We rate the group's SNP debt at 'BBB+', one notch below the bank's stand-alone credit profile (SACP). This reflects their contractual subordination to senior preferred notes.

We rate the nondeferrable subordinated debt instruments of Nykredit at 'BBB', two notches below the bank's SACP. The rating reflects our view of the debt's contractual subordination as a Tier 2 instrument and that the Bank Recovery And Resolution Directive is equivalent to a contractual write-down clause.

We rate Nykredit's additional Tier 1 instruments with a going-concern trigger at 'BB+', four notches lower than the bank's SACP, reflecting our deduction of:

- One notch for contractual subordination;
- Two notches for the instruments' status as Tier 1 regulatory capital; and
- One notch because the instruments allow for the full or partial temporary write-down of the principal amount.

Resolution Counterparty Ratings (RCRs)

Following the completion of our RCR jurisdiction assessments on Denmark, we assigned 'AA-/A-1+' RCRs to Nykredit Bank and Nykredit.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default with an effective bail-in resolution process for the issuing financial institution.

Key Statistics

Table 1

Nykredit Realkredit A/S--Key figures

	--Year ended Dec. 31--				
(Mil. DKK)	**2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	1,596,974.0	1,671,268.0	1,663,476.0	1,608,155.0	1,447,710.0
Customer loans (gross)	1,388,597.0	1,466,970.0	1,432,087.0	1,361,342.0	1,281,215.0
Adjusted common equity	81,627.2	79,716.3	78,144.2	75,332.0	70,374.2
Operating revenues	17,754.0	16,825.0	14,822.0	15,107.0	12,303.0
Noninterest expenses	6,320.0	6,207.0	5,760.0	5,239.0	4,804.0
Core earnings	9,454.0	8,870.0	5,673.0	7,530.0	5,821.0

DKK--Danish krone.

Table 2

Nykredit Realkredit A/S--Business position

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Loan market share in country of domicile	34.6	34.6	33.7	32.3	31.4
Total revenues from business line (currency in millions)	17,754.0	16,528.0	14,822.0	15,107.0	12,303.4
Commercial banking/total revenues from business line	18.5	18.5	19.3	17.1	19.8
Retail banking/total revenues from business line	62.2	59.9	65.9	66.3	76.7
Commercial & retail banking/total revenues from business line	80.7	78.5	85.3	83.4	96.5
Asset management/total revenues from business line	10.9	10.8	10.2	7.7	7.0
Other revenues/total revenues from business line	8.5	10.7	4.6	8.9	(3.5)
Return on average common equity	10.3	10.0	6.8	9.5	7.6

Table 3

Nykredit Realkredit A/S--Capital and earnings

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	20.4	21.5	21.1	20.5	22.1
S&P Global Ratings' RAC ratio before diversification	13.3	13.2	13.5	14.0	12.2
S&P Global Ratings' RAC ratio after diversification	11.4	11.0	11.6	11.9	10.2
Adjusted common equity/total adjusted capital	95.6	95.5	90.5	90.1	89.3
Double leverage	76.9	78.3	73.0	73.4	65.3
Net interest income/operating revenues	68.7	67.1	75.8	73.1	88.4
Fee income/operating revenues	0.5	1.0	0.5	(2.9)	(4.0)
Market-sensitive income/operating revenues	21.8	21.3	14.2	14.1	5.9
Cost to income ratio	35.6	36.9	38.9	34.7	39.0
Preprovision operating income/average assets	0.7	0.6	0.6	0.6	0.5
Core earnings/average managed assets	0.6	0.5	0.3	0.5	0.4

RAC--Risk-adjusted capital.

Table 4

Nykredit Realkredit A/S--Risk-adjusted capital framework data

(Thousands DKK)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government and central banks	110,865,052.2	0.0	0.0	1,836,172.9	1.7
Of which regional governments and local authorities	0.0	0.0	0.0	0.0	0.0
Institutions and CCPs	65,178,766.6	6,635,389.2	10.2	13,060,288.0	20.0
Corporate	402,102,757.6	119,953,217.8	29.8	249,698,420.6	62.1
Retail	1,023,218,410.8	134,490,641.4	13.1	249,430,887.5	24.4
Of which mortgage	995,714,124.7	125,638,122.7	12.6	231,209,609.2	23.2
Securitization	0.0	0.0	0.0	0.0	0.0
Other assets	3,564,857.5	40,393,142.6	1,133.1	4,030,343.9	113.1

Table 4

Nykredit Realkredit A/S--Risk-adjusted capital framework data (cont.)					
Of which deferred tax assets	333,406.1	--	--	833,515.2	2.5
Total credit risk	1,604,929,844.6	301,472,391.0	18.8	518,056,112.9	32.3
Credit valuation adjustment	--				
Total credit valuation adjustment	--	467,379.6	--	0.0	--
Market risk					
Equity in the banking book	3,723,898.5	22,078,951.5	592.9	30,043,118.2	806.8
Trading book market risk	--	42,442,712.1	--	59,546,729.6	--
Total market risk	--	64,521,663.6	--	89,589,847.8	--
Operational risk					
Total operational risk	--	29,737,531.8	--	35,181,644.8	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	438,263,274.5	--	642,827,605.5	100.0
Total diversification/concentration adjustments	--	--	--	108,757,645.7	16.9
RWA after diversification	--	438,263,274.5	--	751,585,251.2	116.9
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		89,446,391.2	20.4	85,378,189.9	13.3
Capital ratio after adjustments		89,446,391.2	20.4	85,378,189.9	11.4

*Exposure at default. Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). CCP--Central counterparty clearing house. DKK--Danish krone. RAC--Risk-adjusted capital. RW--Risk weight. RWA--Risk-weighted assets. Sources: Company data as of Dec. 31, 2022, S&P Global Ratings.

Table 5

Nykredit Realkredit A/S--Risk position					
	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	(5.3)	2.4	5.2	6.3	4.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	16.9	19.2	17.0	17.7	20.3
Total managed assets/adjusted common equity (x)	19.6	21.0	21.3	21.4	20.6
New loan loss provisions/average customer loans	0.0	0.0	0.2	0.1	0.0
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans + other real estate owned	1.2	1.5	1.6	1.6	1.6
Loan loss reserves/gross nonperforming assets	53.0	41.0	41.0	35.6	37.5

RWA--Risk-weighted assets.

Table 6

Nykredit Realkredit A/S--Funding and liquidity					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Core deposits/funding base	7.3	5.9	5.7	5.7	7.0
Customer loans (net)/customer deposits	1,284.6	1,572.5	1,614.3	1,584.9	1,366.6
Long-term funding ratio	83.4	84.8	84.3	81.6	81.5
Stable funding ratio	95.1	96.6	97.5	95.8	91.5
Short-term wholesale funding/funding base	17.7	16.1	16.7	19.4	19.7
Broad liquid assets/short-term wholesale funding (x)	0.8	0.8	0.9	0.8	0.6
Net broad liquid assets/short-term customer deposits	(43.0)	(44.9)	(33.7)	(49.8)	(111.6)
Short-term wholesale funding/total wholesale funding	19.0	17.1	17.6	20.5	21.0

Nykredit Realkredit A/S--Rating component scores	
Issuer Credit Rating	A+/Stable/A-1
SACP	a-
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Adequate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+2
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Group Rating Methodology, July 1, 2019

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- European Banks' Asset Quality: Tougher Times Ahead Require Extra Caution, April 20, 2023
- Banking Industry Country Risk Assessment Update: March 2023, March 30, 2023
- Credit Conditions Europe Q2 2023: Costs Rising To Cure Inflation, March 28, 2023
- Nordic Banks In 2023: Robust Fundamentals And Strong Performance Despite Economic Slowdown, March 6, 2023
- Denmark, Feb. 13, 2023

Ratings Detail (As Of May 16, 2023)*	
Nykredit Realkredit A/S	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Junior Subordinated	BB+
Junior Subordinated	BBB
Senior Secured	AA/Stable
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
05-Nov-2019	A+/Stable/A-1
13-Jul-2018	A/Positive/A-1
08-Jul-2016	A/Stable/A-1
Sovereign Rating	
Denmark	AAA/Stable/A-1+
Related Entities	
Nykredit Bank A/S	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Certificate Of Deposit	
Local Currency	A-1
Senior Subordinated	BBB+
Senior Unsecured	A+
Subordinated	BBB
Totalkredit A/S	
Senior Secured	AAA/Stable

Ratings Detail (As Of May 16, 2023)*(cont.)

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.