

Fitch Ratings-Stockholm/Frankfurt am Main-12 December 2024:

Nykredit Realkredit A/S's acquisition of Danish Spar Nord Bank will benefit Nykredit's business profile and earnings, Fitch Ratings says. The transaction has no immediate effect on Nykredit's 'A+' Stable Long-Term Issuer Default Rating.

We believe that there will not be material execution risks in completing the acquisition and we expect Nykredit to continue to operate with a common equity Tier 1 (CET1) ratio above 17%.

Nykredit announced on 10 December that it had agreed with Spar Nord Bank to make a voluntary public tender offer to acquire all shares in Spar Nord Bank. The board of Spar Nord Bank intends to recommend that shareholders accept the offer. The offer, subject to regulatory approvals and other conditions, is expected to be completed in the first half of 2025.

This transaction will further increase Nykredit's income diversification, which was the key reason for our rating upgrade last month as it had driven the group's improved earnings stability and internal capital generation.

The banking landscape in Denmark could be materially altered by the transaction. It will strengthen Nykredit's personal and business customer base as the acquisition would, according to the bank, make Nykredit Bank Denmark's third-largest bank with a diversified loan portfolio and revenue.

Nykredit and Spar Nord Bank already share common operational platforms and products, facilitating a smooth integration process. The combination will also generate cost synergies from 2026, particularly in corporate and support functions, while maintaining a strong local presence and customer service.

We estimate that Nykredit's CET1 ratio will decline towards 17% when the transaction is completed in 1H25 from 19.9% at end-September 2024. This decrease is mainly due to the addition of Spar Nord's risk-weighted assets and the deduction of goodwill created by the transaction. Following the transaction, we expect Nykredit to gradually build up capital and operate with a comfortable

buffer over a 17% CET1 ratio.

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