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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's wealthy and competitive economy.	High exposure to Danish residential real estate markets.
Highly collateralized loan book and good asset quality.	Reliance on wholesale funding.
Strong risk-adjusted capitalization and substantial additional loss-absorbing capacity (ALAC).	

We expect Nykredit Realkredit A/S (Nykredit) will remain Denmark's premier mortgage provider and its largest lender by domestic volumes. We anticipate that Nykredit will defend its strong domestic franchise as Denmark's second-largest banking group--with total assets of Danish krone (DKK) 1.7 trillion (€227 billion)--and as the country's largest mortgage provider, with a 45% share of the mortgage market. Nykredit benefits from the partnership with domestic banks through its subsidiary Totalkredit. This partnership has enabled higher growth rates in new lending and provides a cost-efficient business model with low distribution costs, as evident from the outstanding cost-to-income ratio of 29% as of June 30, 2024. Other banking services via Nykredit Bank A/S, including wealth management services and the Sparinvest partnership, complement the mortgage offering.

Sound earnings generation will continue to underpin Nykredit's capital position. We expect capitalization will remain a key strength and project Nykredit's risk-adjusted capital (RAC) ratio will be in the range of 13%-14% over 2024-2026, compared with 13.4% as of Dec. 31, 2023, assuming dividends of 50%-70% annually. This incorporates our anticipation of sound earnings generation, which is underpinned by a rebound in loan growth to 4%-6% over 2025-2026, and increasing fee income, both of which partly offset abating net interest income tailwinds and a normalization in investment income and cost of risk. We forecast net profits of about DKK11 billion (€1.1 billion) in 2024 and DKK8.7 billion-DKK9.7 billion over 2025-2026, resulting in return on equity (ROE) of 9%-12%, compared with 13.2% as of June 30, 2024.

We anticipate that asset quality will remain resilient and that provisioning needs will be contained, aided by Nykredit's highly collateralized loan book. We expect moderate pressure on Nykredit's asset quality over the next two years, with the nonperforming assets ratio rising to 1.2%-1.4%, from 1.2% as of June 30, 2024. Historically low domestic unemployment rates, recovering house prices, and comparatively benign operating conditions for corporates support our view. Still, Nykredit's exposure to more cyclical segments--such as commercial real estate and agriculture, which account for 12% and 6%, respectively, of total mortgages--could deteriorate the bank's asset quality beyond our base-case expectation in a downside scenario. Given Nykredit's collateralized lending focus, with sound loan-to-value (LTV) averaging 53.4% for the entire loan book, we expect provisioning needs will remain contained below 3 basis points (bps).

The deep and well-functioning domestic covered bond market will continue to support Nykredit's funding profile, in our view. Nykredit's matched funding profile is based on the Danish balance principle, which--coupled with the supportive characteristics of the Danish covered bond market--mitigates the bank's significant dependence on wholesale funding. This dependence results in funding and liquidity metrics which are weaker than those of international peers--as reflected by a stable funding ratio of 96% as of June 30, 2024. We anticipate that the Danish covered bond market will continue to perform also in a scenario of financial turmoil, as was demonstrated during the COVID-19 pandemic and during more recent episodes over 2022-2023. Nykredit has ample buffers of high-quality liquid assets, mainly comprising Danish and European government and covered bonds. As of June 30, 2024, our one-year liquidity metric measuring broad liquid assets to short-term funding stood at 0.90x.

We anticipate that the long-term issuer credit rating on Nykredit will continue to include two notches of ALAC uplift. In line with its internal targets, we expect that Nykredit will continue to manage its bail-in-able buffers comfortably above the Danish debt buffer requirement of 8% of total liabilities and own funds. We therefore forecast that the bank will maintain an ALAC ratio sustainably above our 6% threshold for two notches of ALAC support over 2024-2026. As of June 30, 2024, the bank had an outstanding stock of ALAC-eligible tier 2 and senior nonpreferred notes of DKK53.5 billion (€7.2 billion), equivalent to 7.8% of our projected risk-weighted assets at year-end 2024.

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 over the next two years.

Downside scenario

We could lower the long-term ratings if:

- Nykredit's asset quality and earnings came under more pressure than we expect. This could materialize if lower earnings retention resulted in a significant decrease in the bank's RAC ratio to below 10%; or
- ALAC fell 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, given the group's concentrated business model. A future upgrade would also hinge on Nykredit's overall creditworthiness being on par with that of its higher rated European peers.

Key Metrics

Nykredit Realkredit A/S--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	5.5	15.2	5.5-5.8	(9.5)-(10.0)	4.4-4.6
Growth in customer loans	(5.3)	5.0	2.4-2.5	4.9-5.1	4.9-5.1
Growth in total assets	(4.4)	5.1	2.7-2.8	4.8-5.0	4.5-4.7
Net interest income/average earning assets (NIM)	0.8	1.0	0.9-1.0	0.8-0.9	0.8-0.9
Cost to income ratio	35.6	32.0	31.5-32.1	35.6-36.4	34.8-35.5
Return on average common equity	10.3	11.4	11.0-11.6	9.0-9.4	9.1-9.5
Return on assets	0.6	0.7	0.6-0.7	0.5-0.6	0.5-0.6
New loan loss provisions/average customer loans	0.0	(0.0)	(0.0)-(0.0)	0.0-0.1	0.0-0.1
Gross nonperforming assets/customer loans	1.2	1.1	1.2-1.3	1.3-1.4	1.3-1.4
Net charge-offs/average customer loans	0.0	0.0	0.0-0.0	0.0-0.0	0.0-0.0
Risk-adjusted capital ratio	13.3	13.4	13.0-14.0	13.0-14.0	13.0-14.0

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 economic risk 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 predominantly 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 risk 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 forecast real GDP growth in Denmark of 2.2% in 2024 and 2.0% in 2025, spurred by the pharmaceutical sector, which offsets weaker performance and consumer sentiment in other sectors. We anticipate that the difficult operating environment will continue to put some pressure on weaker players, but at manageable levels. Small and midsize enterprises with nonmortgage credit exposures will be most affected.

We believe Danish banks' improved profitability supports their robust capitalization, while the covered bond market provides a stable funding source. Higher interest rates, cost-efficient, stable funding through covered bonds, and relatively low credit cost boosted Danish banks' profitability and facilitated further capital build-up from earnings retention and the funding of typically moderate shareholder dividends. We forecast that Danish banks' sound ROE will improve to 9.0% in 2025, from 7.9% in 2022. Danish banks' ROE still lags that of Nordic peers since muted growth prospects, intense competition in retail mortgages and corporate lending, and higher investments in compliance and digitalization continue to weigh on Danish banks' earnings. Even though banks rely substantially on wholesale funding, market depth and a stable domestic covered bond market--which operates under Denmark's balance principle--bolster stability, as demonstrated by the Danish covered bond market's solid track record in times of stress.

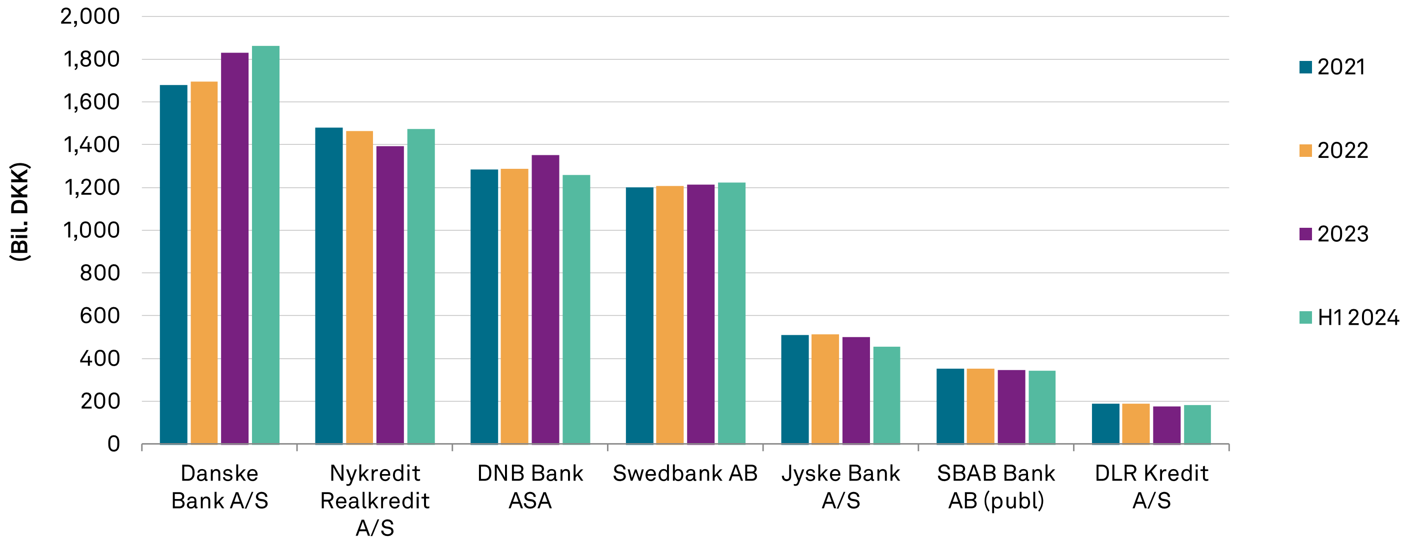
We consider the regulatory environment in Denmark is in line with that of other EU countries. This balances a generally robust track record of macroprudential policies and conservative bank supervision with the national anti-money-laundering (AML) governance shortcomings highlighted in Danske Bank's Estonia case. Local banks and regulators have, however, progressed in strengthening the country's overall AML framework and we expect this will continue, considering significant public attention and overall political consensus.

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

With total assets of DKK1.7 trillion (€227 billion) as of June 30, 2024, we expect Nykredit will maintain its dominant position as Denmark's premier provider of mortgage financing--its domestic market share in personal and business mortgages was 51% and 37%, respectively, as of Dec. 31, 2023--and as the country's largest lender by domestic volumes. The bank aims to achieve further diversification by providing its retail clients with a full-service offering via Nykredit Bank, which had a market share of 7.8% in bank lending and 5.8% in deposits as of year-end 2023.

Chart 1

Nykredit's lending volumes are high, compared with selected Nordic peers
Gross customer loans

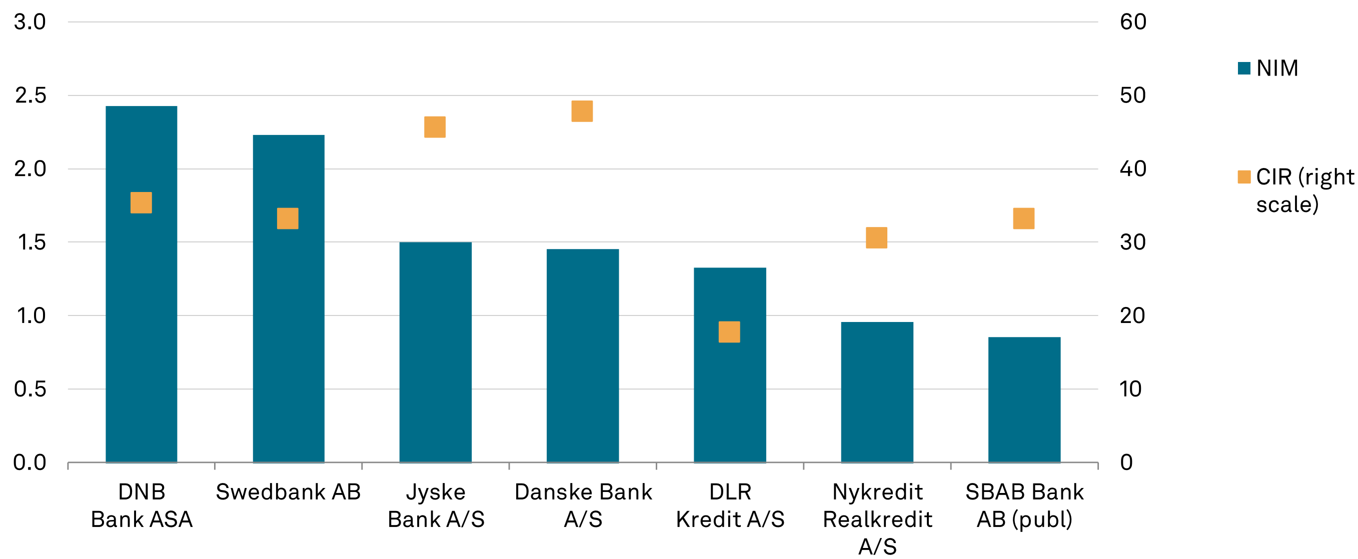


DKK--Danisk krone. H1--First half. Source: S&P Global Ratings.

Nykredit benefits from Totalkredit's partnership with 41 domestic banks, which has enabled growth in mortgage lending significantly above the market average. In 2023, the group's market share of gross new personal mortgage lending was close to 70% in rural Denmark and slightly above 50% in urban municipalities. The cooperation also results in a cost-efficient business model with low distribution costs--as reflected in a cost-to-income ratio of 29% as of first-half 2024--that partly counterbalances Nykredit's mortgage-heavy balance sheet and low-margin business focus.

Chart 2

Nykredit's high cost efficiency partly balances its low-margin business focus
Net interest margin (NIM) and cost-to-income ratio (CIR) (%)



Source: S&P Global Ratings.

Moreover, we acknowledge Nykredit's progress on its strategic ambitions to expand its banking services via Nykredit Bank, including its wealth management operations, where Nykredit--with asset under management of DKK496 billion (€66.5 billion)--ranks among the three largest assets managers in Denmark. As of June 30, 2024, bank lending and assets under management increased by 6% and 15%, respectively, year over year. We expect these segments will continue to improve Nykredit's revenue diversification and provide earnings stability over time.

Nykredit's profit-sharing model, which the bank implemented in 2017, enhances the customer offering. The model provides customer discounts that are financed by dividends paid to its owner Forenet Kredit. 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: Improved Earnings Support Capitalization

We expect Nykredit will continue to demonstrate a strong capital position with a RAC ratio of 13%-14% over 2024-2026, compared with 13.4% as of year-end 2023. The group meets its regulatory capital requirements with a comfortable margin. As of June 30, 2024, the common equity tier 1 ratio stood at 19.9%, against a regulatory requirement of 13.6%, including the newly imposed 7% system risk buffer requirement on commercial real estate exposures. Since this exceeds Nykredit's internal target level by about 400 bps, we do not exclude the possibility of extraordinary capital distributions beyond the bank's dividend policy of 50% of annual profits.

Strong net interest income development and high cost control boosted Nykredit's earnings to record highs in 2023 and in first-half 2024. While we consider Nykredit is well positioned to reach its updated earnings guidance of DKK10.5 billion-DKK11.5 billion in 2024, we expect abating net interest income tailwinds and normalizing investment income and cost of risk will put downside pressure on earnings from 2025. In our forecast, we expect net profits of approximately DKK11 billion in 2024 and DKK8.7 billion-DKK9.7 billion annually over 2025-2026, resulting in ROE of 9%-12%.

We project loan growth will rebound gradually and reach 4%-6% over 2025-2026, from 1% in first-half 2024, offsetting moderately weakening margins. Moreover, we anticipate Nykredit will maintain sound cost control, with growth in operating expenses averaging about 3% over our forecast horizon. While we expect asset quality will prevail over the near term and generate loan loss recoveries in 2024, we project cost of risk will gradually normalize over 2025-2026 but remain contained below 3 bps annually.

Furthermore, Forenet Kredit holds an earmarked capital reserve that stood at DKK17.9 billion at year-end 2023 to exclusively support Nykredit. This is comfortably above the Danish Financial Supervisory Authority-endorsed target, initially set at DKK10 billion (€1.3 billion). Consequently, the Danish regulator considers Nykredit's capital access is at par with that of Danish listed peers and reflects this in its capital requirements for the group. Still, we expect Forenet Kredit will continue to pay back a large part of excess capital to fund Nykredit's discount programmes.

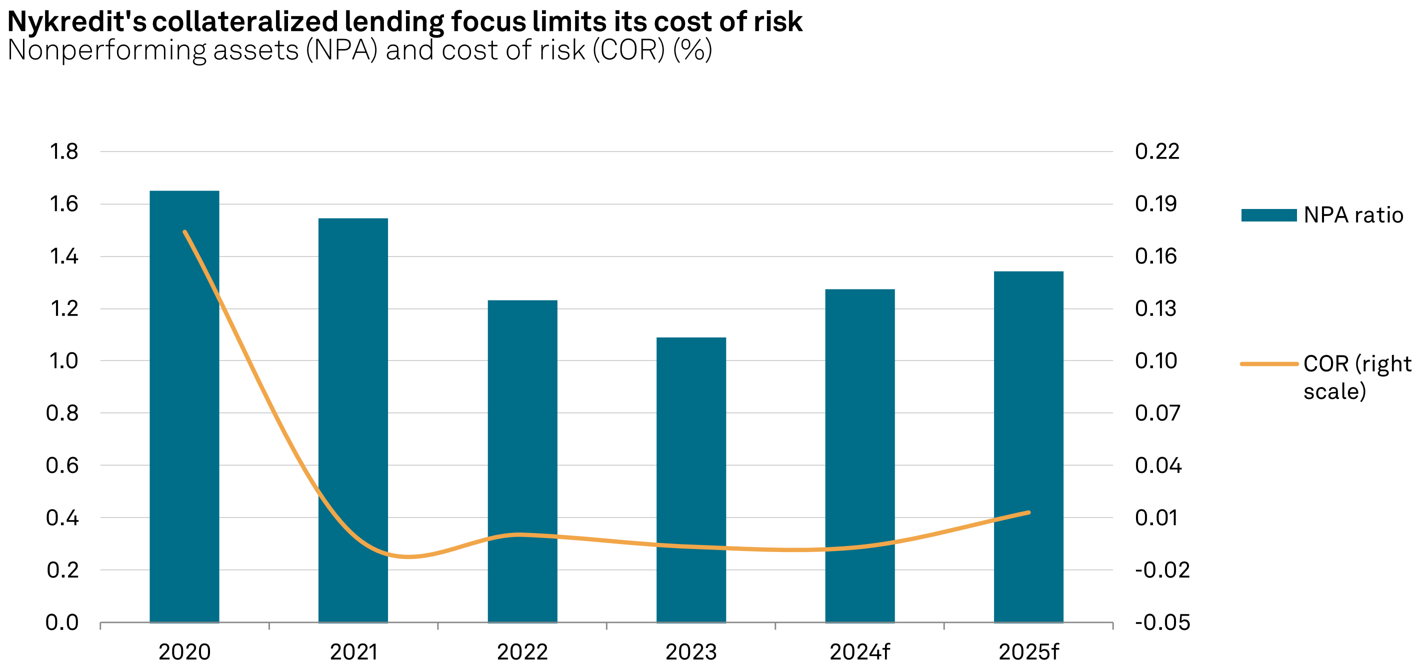
Risk Position: First-Priority Mortgages With A Track Record Of Low Loan Losses

Our view of Nykredit's risk position balances its collateralized lending focus, prudent risk management, and robust asset quality with its inherent concentration risk to and correlation with the Danish economy and the domestic property market.

Mortgage lending to private and corporate customers accounted for 93% of total loans as of June 30, 2024, with personal customers accounting for 62%, business mortgages for 32%, and agriculture for the remaining 6%. The LTV ratio for the entire loan book increased slightly in 2023 and in first-half 2024 due to falling house prices but remains historically low at 53.4%. This is in part attributable to the high remortgaging activity in 2022 that enabled customers to reduce their outstanding debt.

In terms of asset quality, Nykredit's post-pandemic track record has been strong, with declining arrears and moderate loan write-offs. Since 2020, the group has reported an accumulated DKK456 million in loan loss recoveries (DKK84 million in first-quarter 2024). We expect low unemployment rates, recovering house prices, and comparatively supportive operating conditions for corporates will support stability in asset quality metrics and a nonperforming assets ratio contained at 1.2%-1.4% over 2024-2026, compared with 1.2% as of June 30, 2024.

Chart 3



f--Forecast. Source: S&P Global Ratings.

Still, there are potential pockets of risk, in our view, which, in a downside scenario, could result in asset quality deterioration beyond our forecast. These risks are related to Nykredit's exposures to the commercial real estate sector, which is more vulnerable to structural price fluctuations, and agricultural production. Even though our base-case expectation is that earnings in the wider agricultural sector will remain stable, we understand that carbon levies on biological processes that were agreed in mid-2024 and will be implemented over 2030-2035 could impair future earnings prospects, which could increase the pressure on vulnerable players. After the Danish government and the industrial sector concluded the agreement on carbon taxes, Nykredit raised its reserves against transition risks by DKK388 million to DKK1.1 billion. At 48% of nonperforming assets, we consider the group's broader loan loss coverage is sound.

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

In line with the balance principle of the Danish mortgage act, Nykredit funds its mortgage operations with the issuance of covered bonds that are matched in terms of interest rate duration and currency. While this structure results in the bank's significant reliance on wholesale funding and weaker funding and liquidity metrics than those of international peers, we consider it is mitigated by the matched funding profile and the supportive characteristics of the Danish covered bond market. As of June 30, 2024, Nykredit's stable funding ratio stood at 96%.

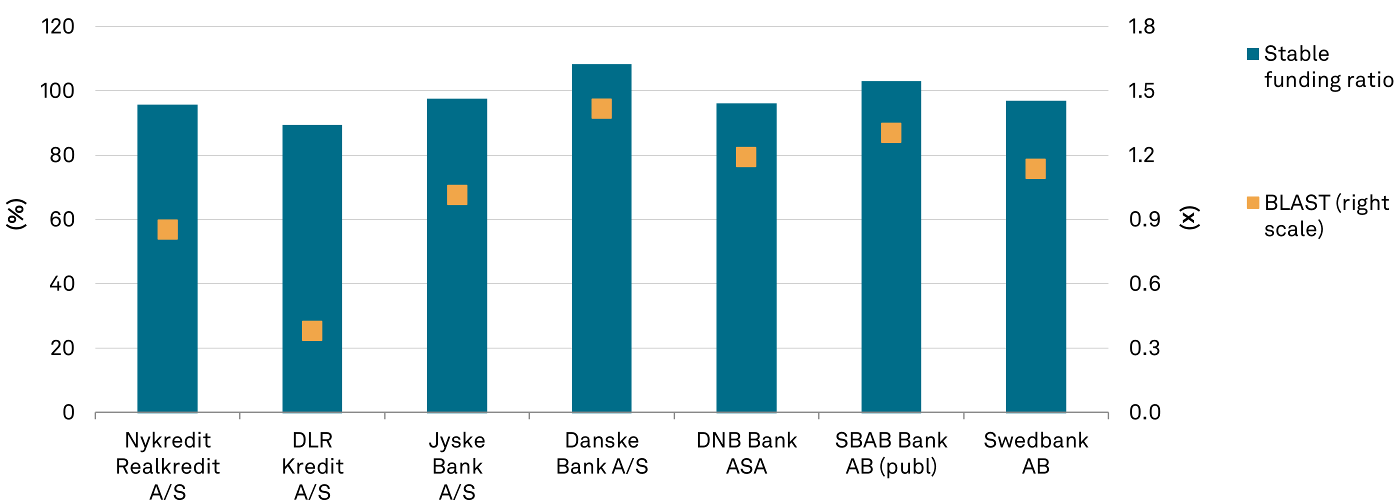
We anticipate that the Danish covered bond market, as a key investment target for Danish pension funds, will continue to perform also in the event of financial turmoil, as was demonstrated during the COVID-19 pandemic and during more recent episodes of debt market turmoil over 2022-2023.

The 2014 Danish covered bond legislation that extends bond maturities by 12 months in the event of a failed auction--and thereby effectively passes on refinancing risk to investors--is another supporting factor. Moreover, 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.

Nykredit has ample buffers of good-quality liquid assets, which mainly comprise Danish and European sovereign and covered bonds of DKK178 billion as of June 30, 2024. At that date, our one-year liquidity metric measuring broad liquid assets to short-term funding stood at 0.90x, broadly in line with Nykredit's five-year average.

Chart 4

Nykredit's higher use of wholesale funding results in weaker funding and liquidity metrics, compared with peers



Data as of year-end 2023. BLAST--Broad liquid assets divided by short-term wholesale funding. Source: S&P Global Ratings.

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

We include two notches of ALAC uplift in the long-term rating on Nykredit, based on our assessment of the bank's bail-in-able 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 in a bail-in-able format. Nykredit's management has set an internal target in excess of the debt buffer requirement, which enables the bank to exceed the legal requirement in a stress scenario. We do not expect any material changes to the group's issuance plans for bail-in-able instruments. We expect balance sheet growth and refinancing needs will be the main drivers of new issuances of bail-in-able instruments over 2024-2026.

We anticipate that Nykredit's ALAC, which amounted to 7.8% of S&P Global Ratings' projected risk-weighted assets at year-end 2024, 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 (ESG)

We consider ESG factors for Nykredit are broadly in line with those for industry and Danish peers.

Being primarily owned by its customers, environmental and social factors are central to the group's value proposition, with the aim to enhance the bank's profile as a mutual, responsible, and sustainable financial provider. The majority owner Forenet Kredit, an association of Nykredit and Totalkredit customers, shares its profits with personal and business customers through benefits and discounts, including specific grants and discounts for green solutions.

Nykredit has launched several green products to private, business, agricultural, and investment customers, including green home and car loans, as well as tools for energy optimization. As of year-end 2023, the group had issued a total of DKK36 billion in green mortgage bonds and DKK1 billion in green tier 2 capital instruments under its green bond framework.

The main environmental risk Nykredit faces consist of managing the effects of climate change on its borrowers, such as mortgage customers that are vulnerable to increasing flood or other climate-related risks. Given Nykredit's modest commercial banking footprint, these risks are overall limited, in our view, and mainly related to the bank's exposure to the agricultural sector. ESG risks are embedded in Nykredit's risk management framework. As of June 30, 2024, provisions for ESG risks stood at DKK1.1 billion.

We consider governance is in line with best practices and a neutral factor for Nykredit. We see that the group has independent board members (four out of 15 board members), with relevant experience and an effective influence on decision-making.

Issue Ratings

We rate the group's senior nonpreferred 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 Nykredit's nondeferrable subordinated debt instruments 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 below 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 ends Dec. 31--				
(Mil. DKK)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	1,681,851	1,675,109	1,596,974	1,671,268	1,663,476
Customer loans (gross)	1,473,348	1,458,691	1,388,597	1,466,970	1,432,087
Adjusted common equity	88,959	84,826	81,627	79,716	78,144
Operating revenues	11,390	20,461	17,754	16,825	14,822
Noninterest expenses	3,325	6,555	6,320	6,207	5,760
Core earnings	6,495	10,892	9,454	8,870	5,673

*As of June 30, 2024. DKK--Danish krone.

Table 2

Nykredit Realkredit A/S--Business position

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	35.2	35.0	34.6	34.6	33.7
Deposit market share in country of domicile	N/A	5.8	5.5	5.2	5.1
Total revenues from business line (mil. DKK)	11,390.0	20,461.0	17,754.0	16,528.0	14,822.0
Commercial banking/total revenues from business line	20.8	21.8	18.5	18.5	19.3
Retail banking/total revenues from business line	56.2	62.1	62.2	59.9	65.9

Table 2

Nykredit Realkredit A/S--Business position (cont.)

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Commercial and retail banking/total revenues from business line	77.0	83.9	80.7	78.5	85.3
Asset management/total revenues from business line	10.3	10.8	10.9	10.8	10.2
Other revenues/total revenues from business line	12.6	5.2	8.5	10.7	4.6
Return on average common equity	13.2	11.4	10.3	10.0	6.8

*As of June 30, 2024. DKK--Danish krone. N/A--Not applicable.

Table 3

Nykredit Realkredit A/S--Capital and earnings

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	20.7	21.2	20.4	21.5	21.1
S&P Global Ratings' RAC ratio before diversification	N/A	13.4	13.3	13.2	13.5
S&P Global Ratings' RAC ratio after diversification	N/A	11.1	11.4	11.0	11.6
Adjusted common equity/total adjusted capital	95.9	95.8	95.6	95.5	90.5
Double leverage	83.1	80.4	76.9	78.3	73.0
Net interest income/operating revenues	67.2	76.9	68.7	67.1	75.8
Fee income/operating revenues	1.3	0.7	0.5	1.0	0.5
Market-sensitive income/operating revenues	23.4	15.1	21.8	21.3	14.2
Cost to income ratio	29.2	32.0	35.6	36.9	38.9
Preprovision operating income/average assets	1.0	0.8	0.7	0.6	0.6
Core earnings/average managed assets	0.8	0.7	0.6	0.5	0.3

*As of June 30, 2024. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

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

(DKK 000s)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global Ratings' RWA**	**S&P Global Ratings' average RW (%)**
Credit risk					
Government and central banks	125,163,459	0	0	1,923,219	2
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	52,035,222	6,527,839	13	9,842,573	19
Corporate	411,083,726	122,557,731	30	260,652,318	63
Retail	1,072,014,287	152,741,274	14	260,799,544	24
Of which mortgage	1,044,895,541	143,668,355	14	242,840,907	23
Securitization§	0	0	0	0	0
Other assets†	3,426,920	36,762,763	1,073	4,124,257	120
Total credit risk	1,663,723,613	318,589,607	19	537,341,911	32
Credit valuation adjustment					
Total credit valuation adjustment	'--	695,045	'--	0	'--

Table 4

Nykredit Realkredit A/S--Risk-adjusted capital framework data (cont.)

Market risk					
Equity in the banking book	4,769,355	24,837,549	521	38,827,701	814
Trading book market risk	'--	27,980,307	'--	42,873,274	'--
Total market risk	'--	52,817,856	'--	81,700,975	'--
Operational risk					
Total operational risk	'--	30,944,418	'--	42,674,039	'--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings' RWA	% of S&P Global Ratings' RWA
Diversification adjustments					
RWA before diversification	'--	433,354,187	'--	661,716,926	100
Total diversification/ Concentration adjustments	'--	'--	'--	133,487,973	20
RWA after diversification	'--	433,354,187	'--	795,204,898	120

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings' RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	92,293,631	21.3	88,584,527	13.4
Capital ratio after adjustments‡	92,293,631	21.3	88,584,527	11.1

*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). DKK--Danish krone. RAC--Risk-adjusted capital. RW--Risk weight. RWA--Risk-weighted assets. Sources: Company data as of Dec. 29, 2023, S&P Global Ratings.

Table 5

Nykredit Realkredit A/S--Risk position

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	1.0	5.0	(5.3)	2.4	5.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	20.2	16.9	19.2	17.0
Total managed assets/adjusted common equity (x)	19.0	19.8	19.6	21.0	21.3
New loan loss provisions/average customer loans	(0.0)	(0.0)	0.0	0.0	0.2
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	1.1	1.2	1.5	1.6
Loan loss reserves/gross nonperforming assets	48.2	55.0	53.0	41.0	41.0

*As of June 30, 2024. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

Nykredit Realkredit A/S--Funding and liquidity

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	7.8	7.7	7.7	6.4	5.7
Customer loans (net)/customer deposits	1,207.5	1,210.1	1,213.8	1,456.6	1,614.3
Long-term funding ratio	82.9	82.8	82.5	84.5	84.3

Table 6

Nykredit Realkredit A/S--Funding and liquidity (cont.)					
	--Year ends Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Stable funding ratio	96.2	95.4	95.0	97.4	97.5
Short-term wholesale funding/funding base	18.2	18.3	18.6	16.4	16.7
Regulatory net stable funding ratio	156.0	146.7	149.0	157.0	95.7
Broad liquid assets/short-term wholesale funding (x)	0.9	0.9	0.8	0.9	0.9
Broad liquid assets/total assets	15.0	14.4	14.1	13.4	13.5
Broad liquid assets/customer deposits	209.2	201.8	198.4	223.5	255.6
Net broad liquid assets/short-term customer deposits	(23.4)	(34.4)	(43.5)	(31.5)	(33.7)
Regulatory liquidity coverage ratio (LCR) (%)	458.0	310.2	283.0	591.0	756.0
Short-term wholesale funding/total wholesale funding	19.7	19.8	20.1	17.4	17.6
Narrow liquid assets/3-month wholesale funding (x)	0.5	2.3	1.6	1.7	1.4

*As of June 30, 2024.

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

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- 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
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: September 2024, Sept. 27, 2024
- Denmark, Aug. 12, 2024
- Credit Conditions Europe Q2 2024: Credit Heals, Defense Shields, March 27, 2024
- EMEA Financial Institutions Monitor 1Q2024: Banks Adapt To The Increased Economic Turbulence, Feb. 19, 2024
- Nordic Banks In 2024: Ploughing On Through Tough Terrain, Feb. 7, 2024
- Banking Industry Country Risk Assessment: Denmark, Dec. 7, 2023
- Danish Covered Bond Market Insights 2023, Nov. 30, 2023

Ratings Detail (As Of October 8, 2024)*	
Nykredit Realkredit A/S	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Junior Subordinated	BB+
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

Ratings Detail (As Of October 8, 2024)*(cont.)	
Senior Subordinated	BBB+
Senior Unsecured	A+
Subordinated	BBB
Totalkredit A/S	
Senior Secured	AAA/Stable

*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.