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Fitch Affirms Nykredit Realkredit A/S at 'A+'; Outlook Stable

Fitch Ratings - Frankfurt am Main - 10 Nov 2025: Fitch Ratings has affirmed Nykredit Realkredit A/S's and its subsidiary Nykredit Bank A/S's Long-Term Issuer Default Ratings (IDRs) at 'A+' with Stable Outlooks. Fitch has also affirmed Nykredit's Viability Rating (VR) at 'a+'. A full list of rating actions is below.

Key Rating Drivers

Strong Credit Profile: Nykredit's ratings reflect its low risk profile, as underlined by its healthy and resilient through-the-cycle asset quality and robust capitalisation. They also reflect its leading mortgage lending franchise in Denmark, healthy profitability and very high wholesale funding reliance.

Leading Franchise: Nykredit is a leading Danish mortgage lender with a high and stable market share of 46%. The group provides a full range of services that supplement its core mortgage products, including banking products (14% market share in non-mortgage lending) and wealth management through Nykredit Bank, which was bolstered by the acquisition of Spar Nord Bank A/S. Nykredit became the third largest commercial bank in Denmark, following the acquisition of Spar Nord, which was completed in May 2025.

Low Risk Profile: The bank's underwriting standards are prudent. Its risk controls are robust and its market risk exposure is low. Credit risk exposure is dominated by mortgage lending, with tight origination standards underpinned by conservative Danish covered bond and mortgage lending legislation. Its loan book is geographically concentrated in Denmark and strongly linked to the performance of the Danish economy and real estate market.

Resilient Asset Quality: Nykredit's asset quality is a strength, underpinned by low arrears and defaults, prudent collateralisation and underwriting standards, healthy growth, and low loan impairment charges (LICs) through the cycle. Fitch expects the impaired loans ratio (end-September 2025: 1.2%) to remain broadly stable at around current levels.

Nykredit's coverage of impaired loans by loan loss allowances (end-September 2025: 50%) is adequate and reflects a predominantly collateralised loan book. On top of what is provided by its impairment model, the bank also had additional buffers at end-September 2025, mainly related to ESG and concentration risks, which would be sufficient to absorb credit losses of 10bp of gross loans.

Growing Earnings Diversification: We expect the operating profit to remain above 2.5% of risk-weighted assets (RWAs) through the economic cycle, supported by the expansion of non-mortgage

activities, tight cost control and low LICs. The Spar Nord acquisition should structurally enhance profitability by adding scale in banking activities with higher margins than in mortgage lending. Impact from lower interest rates should be cushioned by higher loan growth and a stronger contribution from fee-generating business lines, such as wealth management.

Robust Capital: Nykredit's common equity Tier 1 (CET1) ratio of 17.4% at end-September 2025 shrank from 20.7% at end-March 2025, due to the impact of acquiring Spar Nord, but maintained adequate buffers over its regulatory requirement of 13.4%. We expect Nykredit to restore its CET1 ratio to above 18% by 2027, supported by sound internal capital generation. Our assessment of Nykredit's capitalisation also reflects its low-risk business model and limited exposure to high-risk assets - which balances its high product concentration - and potential ordinary support by Nykredit's main shareholders.

High Reliance on Wholesale Funding: Nykredit relies extensively on wholesale funding as mortgage lending is by law entirely funded by covered bonds in Denmark. We believe the risk of Nykredit not being able to access the covered bond market is low, due to strong demand for these bonds from Danish financial institutions, insurance companies and pension funds.

Fitch believes the deep Danish covered bond market will remain resilient even in more adverse environments, as manifested in its past record during previous periods of stress. Refinancing risk is mitigated by a low share of short-term debt maturities and ample liquidity buffers.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

We would downgrade Nykredit's ratings if we expected its impaired loans ratio to increase durably above 2% or if its CET1 ratio converged towards 17% due to pressure from deteriorating asset quality or weaker earnings generation. We could also downgrade its ratings if operating profit declines below 2% of RWAs on a sustained basis without clear recovery prospects.

Negative pressure on the ratings would also arise from an adverse change in investor sentiment materially affecting Nykredit's ability to access competitively priced funding or from weaker liquidity management. Increased reliance on international debt investors that may prove less stable during financial stress or increasing risk appetite - particularly at Nykredit Bank - would also put negative pressure on the ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely and would require an improved business profile and a more diversified franchise, including geographical expansion beyond its strong market position in Denmark.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Nykredit's Short-Term IDR of 'F1' is the lower of the two options that map to a Long-Term IDR of 'A+',

driven by its funding and liquidity score of 'a'.

Nykredit's long-term senior preferred debt rating of 'AA-' is one notch above its Long-Term IDR. This reflects the protection from the bank's resolution debt and equity buffers, which we expect to remain comfortably above 10% of RWAs in the long term (end-September 2025: about 17%). For the same reason, Nykredit's long-term senior non-preferred debt is equalised with the Long-Term IDR. The short-term senior preferred debt rating of 'F1+' is the only option mapping to its long-term rating.

Nykredit's Tier 2 subordinated debt and additional Tier 1 (AT1) securities are notched down from its VR. We rate the Tier 2 debt two notches below the VR for loss severity due to the poor recovery prospects of this type of debt. The AT1 securities are four notches below the VR to reflect loss severity (two notches) and their high risk of non-performance (two notches). We expect Nykredit to operate with a CET1 ratio that is comfortably above maximum distributable amount thresholds.

No Government Support: Nykredit's Government Support Rating of 'no support' reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive provides a framework for resolving banks that requires senior creditors to participate in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The Short-Term IDR is sensitive to changes in Nykredit's Long-Term IDR and the funding and liquidity score.

Nykredit's senior preferred and non-preferred debt ratings are sensitive to changes in the bank's IDRs. They are also sensitive to our expectation that Nykredit will maintain a buffer of subordinated and senior non-preferred debt of at least 10% of RWAs, and could be downgraded otherwise.

The ratings of Nykredit's AT1 securities and Tier 2 subordinated debt are sensitive to changes in its VR. The ratings of the AT1 securities are also sensitive to Fitch's assessment of their incremental non-performance risk relative to the risk captured in Nykredit's VR.

An upgrade of the Government Support Rating would be contingent on a positive change in Denmark's propensity to support domestic banks. While not impossible, this is highly unlikely in Fitch's view.

SUBSIDIARIES & AFFILIATES: KEY RATING DRIVERS

Nykredit Bank's IDR and Shareholder Support Rating are aligned with Nykredit's IDRs. This reflects a very high probability of support from Nykredit, in light of the subsidiary's core role within the group and high reputational risk for Nykredit if Nykredit Bank defaults. We have not assigned a VR to Nykredit Bank because it cannot have a meaningful standalone franchise without the ownership of the parent, given its close integration into the larger group.

Nykredit Bank's long-term deposit rating is rated one notch above its Long-Term IDR, because Fitch expects preferred creditors to be protected by Nykredit's resolution buffers. The short-term deposit

rating is mapped to the respective long-term rating.

The ratings of Nykredit Bank's short-term senior preferred debt programme are mapped to Nykredit's corresponding long-term rating.

SUBSIDIARIES AND AFFILIATES: RATING SENSITIVITIES

Nykredit Bank's ratings are sensitive to changes in Nykredit's ratings.

The short-term senior preferred debt rating is sensitive to changes in its corresponding long-term rating and in Nykredit's funding & liquidity score.

VR ADJUSTMENTS

The capitalisation and leverage score of 'a+' is below the 'aa' category implied score due to the following adjustment reasons: risk profile and business model (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

Nykredit Bank's ratings are linked to the ratings of Nykredit.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Fitch Ratings Analysts

Markus Glabach

Director

Primary Rating Analyst

+49 69 768076 195

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Erik Brasar

Senior Analyst

Secondary Rating Analyst

+46 85024 8687

Patrick Rioual

Senior Director
Committee Chairperson
+33 1 44 29 91 21

Media Contacts

Matthew Pearson

London
+44 20 3530 2682
matthew.pearson@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Nykredit Realkredit A/ S	LT IDR	A+ 	Affirmed	A+ 
	ST IDR	F1	Affirmed	F1
	Viability	a+	Affirmed	a+
	Government Support	ns	Affirmed	ns
	• subordinated	A-	Affirmed	A-
• subordinated	LT	BBB	Affirmed	BBB
• Senior preferred	LT	AA-	Affirmed	AA-
• Senior	LT	A+	Affirmed	A+

ENTITY/DEBT	RATING		RECOVERY	PRIOR
non-preferred				
• Senior preferred	ST	F1+	Affirmed	F1+
Nykredit Bank A/S	LT IDR	A+ 	Affirmed	A+ 
	ST IDR	F1	Affirmed	F1
	Shareholder Support	a+	Affirmed	a+
• long-term deposits	LT	AA-	Affirmed	AA-
• short-term deposits	ST	F1+	Affirmed	F1+
• Senior preferred	ST	F1+	Affirmed	F1+

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Bank Rating Criteria (pub.21 Mar 2025) (including rating assumption sensitivity)

Additional Disclosures

Solicitation Status

Endorsement Status

Nykredit Bank A/S EU Issued, UK Endorsed

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