

Nykredit Realkredit A/S

Update

Key Rating Drivers

Strong Credit Profile: Nykredit Realkredit A/S's ratings reflect its low risk profile, shown by its healthy and resilient through-the-cycle asset quality and robust capitalisation. They also reflect its leading domestic franchise in mortgage lending, good profitability and high wholesale funding reliance.

Leading Franchise: Nykredit is a leading Danish mortgage lender with a high and stable market share of 45%. The group provides a full range of services that supplement its core mortgage products, including banking products (8% market share in lending) and wealth management through Nykredit Bank A/S, which has a deposit licence. Its market position in non-mortgage activities will be bolstered by its acquisition of Spar Nord, which will make Nykredit Bank Denmark's third-largest commercial bank.

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, contained growth and low levels of loan impairment charges (LICs) through the cycle. Fitch Ratings expects the impaired loans ratio (end-March 2025: 1.2%) to remain broadly stable around its current level.

At end-March 2025, the bank's large buffer of allowances (on top of what was already accounted for by its internal model) related to ESG, agriculture and concentration risks would have been sufficient to absorb credit losses of 11bp of gross loans.

Resilient Profitability: We expect the bank's four-year average operating profit to remain above 2.5% of risk-weighted assets (RWAs) through the economic cycle. Earnings will be aided by its stable business model, tight cost control and low LICs. We expect loan growth momentum to improve as interest rates reduce, and business volumes in non-mortgage activities will be boosted by the Spar Nord acquisition. Net fee income should also benefit from the bank's focus to grow its wealth management business, which should partly offset lower interest rates.

Robust Capital: Nykredit's common equity Tier 1 (CET1) ratio was 20.7% at end-March 2025, which is strong compared with peers. It provides a reasonable cushion against a more adverse economic environment and offers a buffer over regulatory requirements. We expect the ratio to stay above 17% despite a likely temporary fall on the upcoming consolidation of Spar Nord. However, this should be considered in light of potential ordinary support from Nykredit's majority shareholder, Forenet Kredit, and healthy internal capital generation.

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 evidenced by its record during previous periods of stress. Refinancing risk is mitigated by a low share of short-term debt maturities and ample liquidity buffers.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1

Viability Rating	a+
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Government Support Rating	ns
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Sovereign Risk (Denmark)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

[Bank Rating Criteria \(March 2025\)](#)

Related Research

[Global Economic Outlook \(June 2025\)](#)

[Major Nordic Banks – Peer Review 2025 \(January 2025\)](#)

[Nykredit Realkredit A/S \(December 2024\)](#)

[Nykredit's Acquisition of Spar Nord to Strengthen Revenue Diversification \(December 2024\)](#)

[Fitch Upgrades Nykredit Realkredit A/S to 'A+'; Outlook Stable \(November 2024\)](#)

[Fitch Affirms Denmark at 'AAA'; Outlook Stable \(November 2024\)](#)

[Nykredit's Deal With DCCA Aims to Increase Residential Mortgage Competition \(October 2024\)](#)

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Rating Sensitivities

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

We would downgrade Nykredit's ratings if we expect its impaired loans ratio to increase durably above 2% or if its CET1 capital ratio moves towards 17% due to pressure from deteriorating asset quality or weaker earnings generation. We could also downgrade its ratings if operating profit declines to 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 A/S – would also put negative pressure on the ratings.

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

An upgrade of Nykredit's ratings is unlikely in light of the bank's limited size, business model and geographical diversification.

Other Debt and Issuer Ratings

Rating Level	Rating
Long- and short-term senior preferred debt	AA-/F1+
Senior non-preferred debt	A+
Subordinated debt and Tier 2 capital notes	A-
Additional Tier 1 notes	BBB

Source: Fitch Ratings

Short-Term IDR

Nykredit's Short-Term Issuer Default Rating (IDR) of 'F1' is the lower of the two options mapping to a Long-Term IDR of 'A+'. This reflects our assessment of the bank's funding and liquidity at 'a', compared with the minimum level of 'aa-' for a Short-Term IDR of 'F1+'.

Deposits and Senior Debt

Nykredit's long-term senior preferred debt rating of 'AA-' is one notch above its Long-Term IDR. This reflects the protection that accrues to senior preferred creditors from the bank's junior bank resolution debt and equity buffers. The short-term senior preferred debt rating of 'F1+' is mapped from the respective long-term rating and reflects our assessment of the bank's funding and liquidity.

We expect Nykredit's resolution debt buffer to remain comfortably above 10% of RWAs in the long term. The buffer was 19.6% of RWAs at end-March 2025. For the same reason, Nykredit's long-term senior non-preferred debt is equalised with the Long-Term IDR, reflecting Fitch's view that the default risk of the notes is equivalent to that of the bank, and their average recovery prospects.

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 to reflect the poor recovery prospects of this type of debt. The AT1 securities are four notches below the VR to reflect the poor recovery prospects of these securities (two notches) as well as their high risk of non-performance (two notches). Our assessment is based on the bank operating with a CET1 ratio comfortably above maximum distributable amount thresholds, and our expectation that this will continue.

Significant Changes from Last Review

Since the last review in November 2024, Nykredit's performance has been strong and in line with our expectations. The bank has continued to develop its non-mortgage business lines, which will be further boosted through the acquisition of Spar Nord.

Nykredit's annualised operating profit/RWAs ratio was a healthy 3.2% in 1Q25 despite pressure on net interest income (NII) from lower interest rates, supported by strong cost efficiency and low LICs. Administration margin income, the largest contributor to NII, also reduced on raised customer benefit programs. We expect some further pressure on NII, mainly due to lower interest rate effects on the liquidity portfolio and cash holdings.

Nykredit owns 96.5% of Spar Nord following the voluntary public tender offer in May 2025, and will squeeze out the remaining shareholders and delist the entity to reach full ownership. The acquisition will strengthen revenue diversification and expand Nykredit's distribution network. Synergies will come from larger scale in commercial banking and rationalisation of Spar Nord's central functions. These are likely to be gradually realised until 2027.

Asset quality has remained robust, with the impaired loans ratio being stable at about 1.2% during the past year. Contained LICs of 1bp of gross loans in 1Q25, following net reversals in 2024, demonstrate strong portfolio quality. We estimate that the impact on Nykredit's asset quality from the consolidation of Spar Nord will be negligible given Spar Nord's small relative size and healthy asset-quality metrics.

Nykredit's capitalisation is strong, with the CET1 ratio having a 740bp surplus over the minimum requirement at end-March 2025. We estimate that the consolidation of Spar Nord will reduce the ratio to around 17% due to the addition of RWAs and the goodwill generated from the transaction. Following the consolidation, we expect Nykredit to gradually build up capital and operate with a comfortable buffer above 17%.

Ratings Navigator

Nykredit Realkredit A/S

ESG Relevance: 

Banks
Ratings Navigator

	Operating Environment	Business Profile	Risk Profile	Financial Profile			Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
				Asset Quality	Earnings & Profitability	Capitalisation & Leverage				
		20%	10%	20%	15%	25%				
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+ Sta
a							a	a	a	A
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

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

Financials

Financial Statements

	31 Mar 25		31 Dec 24	31 Dec 23	31 Dec 22
	3 months - 1st quarter (USDm)	3 months - 1st quarter (DKKm)	Year end (DKKm)	Year end (DKKm)	Year end (DKKm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	506	3,500	15,713	15,973	12,394
Net fees and commissions	20	137	305	134	88
Other operating income	267	1,844	5,510	4,354	5,271
Total operating income	793	5,481	21,528	20,461	17,753
Operating costs	242	1,670	6,955	6,555	6,319
Pre-impairment operating profit	551	3,811	14,573	13,906	11,434
Loan and other impairment charges	5	34	-248	-177	-80
Operating profit	547	3,777	14,821	14,083	11,514
Other non-operating items (net)	0	0	0	0	0
Tax	112	776	3,088	3,191	2,060
Net income	434	3,001	11,733	10,892	9,454
Other comprehensive income	0	1	11	6	-72
Fitch comprehensive income	434	3,002	11,744	10,898	9,382
Summary balance sheet					
Assets					
Gross loans	224,516	1,551,582	1,536,660	1,458,691	1,388,603
- Of which impaired	2,589	17,893	18,009	15,815	17,053
Loan loss allowances	1,207	8,340	8,312	8,699	9,051
Net loans	223,309	1,543,242	1,528,348	1,449,992	1,379,552
Interbank	1,282	8,862	2,644	3,004	3,416
Derivatives	892	6,163	6,326	6,663	8,004
Other securities and earning assets	22,235	153,660	161,672	145,825	147,180
Total earning assets	247,718	1,711,927	1,698,990	1,605,484	1,538,152
Cash and due from banks	10,424	72,040	61,480	61,056	49,659
Other assets	2,091	14,453	12,568	15,065	12,318
Total assets	260,233	1,798,420	1,773,038	1,681,605	1,600,129
Liabilities					
Customer deposits	18,232	126,000	121,483	114,208	107,392
Interbank and other short-term funding	2,827	19,539	17,103	18,209	34,117
Other long-term funding	217,194	1,500,982	1,485,974	1,407,664	1,326,347
Trading liabilities and derivatives	815	5,632	12,303	15,956	19,164
Total funding and derivatives	239,068	1,652,153	1,636,863	1,556,037	1,487,020
Other liabilities	5,539	38,281	31,191	24,562	16,280
Preference shares and hybrid capital	550	3,802	3,763	3,759	3,751
Total equity	15,076	104,184	101,221	97,247	93,078
Total liabilities and equity	260,233	1,798,420	1,773,038	1,681,605	1,600,129
Exchange rate		USD1 = DKK6.9108	USD1 = DKK7.1429	USD1 = DKK6.764	USD1 = DKK6.994

Source: Fitch Ratings, Fitch Solutions, Nykredit Realkredit A/S

Key Ratios

	31 Mar 25	31 Dec 24	31 Dec 23	31 Dec 22
(%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.2	3.1	3.3	2.6
Net interest income/average earning assets	0.8	1.0	1.0	0.8
Non-interest expense/gross revenue	31.6	32.3	32.1	35.6
Net income/average equity	11.9	12.0	11.6	10.5
Asset quality				
Impaired loans ratio	1.2	1.2	1.1	1.2
Growth in gross loans	1.0	5.4	5.1	-5.3
Loan loss allowances/impaired loans	46.6	46.2	55.0	53.1
Loan impairment charges/average gross loans	0.0	0.0	0.0	0.0
Capitalisation				
Common equity Tier 1 ratio	20.7	20.5	20.4	19.5
Tangible common equity/tangible assets	5.7	5.6	5.7	5.7
Basel leverage ratio	5.4	5.3	5.1	5.1
Net impaired loans/common equity Tier 1	9.7	10.0	8.0	9.3
Funding and liquidity				
Gross loans/customer deposits	1,231.4	1,264.9	1,277.2	1,293.0
Gross loans/customer deposits + covered bonds	101.2	101.1	100.7	101.9
Liquidity coverage ratio	503.0	463.0	310.0	283.0
Customer deposits/total non-equity funding	7.6	7.4	7.4	7.3
Net stable funding ratio	148.0	142.0	147.0	149.0

Source: Fitch Ratings, Fitch Solutions, Nykredit Realkredit A/S

Support Assessment

Commercial Banks: Government Support

Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns

Government ability to support D-SIBs

Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive

Government propensity to support D-SIBs

Resolution legislation	Negative
Support stance	Neutral

Government propensity to support bank

Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

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

Subsidiaries and Affiliates

Nykredit Bank A/S

Rating Level	Rating
Long-Term IDR	A+/Stable
Short-Term IDR	F1
Shareholder Support Rating	a+
Short-term senior preferred debt	F1+
Deposits	AA-/F1+

Source: Fitch Ratings

Nykredit Bank’s IDR and Shareholder Support Rating are aligned with Nykredit’s IDRs. This reflects a very high probability of support from Nykredit, if needed, 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 does not have a meaningful standalone franchise that could exist without the ownership of the parent given the close integration into the larger group.

Nykredit Bank’s long-term deposit rating is 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 rating of Nykredit Bank’s short-term senior preferred debt program is mapped to its long-term rating.

Environmental, Social and Governance Considerations

FitchRatings Nykredit Realkredit A/S

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

<p>Nykredit Realkredit A/S has 5 ESG potential rating drivers</p> <ul style="list-style-type: none"> Nykredit Realkredit A/S has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver. 	key driver	0	issues	5	
	driver	0	issues	4	
	potential driver	5	issues	3	
	not a rating driver	4	issues	2	
		5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues.

The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5 and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance	CREDIT-RELEVANT ESG SCALE How relevant are E, S and G issues to the overall credit rating?
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	5 Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4	4 Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	3 Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	1 Irrelevant to the entity rating and irrelevant to the sector.

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>.

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