

Banks Ratings Navigator		
Navigator date:	13 Sep 2017	
Last rating action:	09 Aug 2017	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	21 Jul 17 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
09 Aug 17	a	Affirmed
22 Aug 16	a	Affirmed
08 Sep 15	a	Affirmed
Issuer Default Rating (IDR)		
09 Aug 17	A Stable	Affirmed
22 Aug 16	A Stable	Affirmed
08 Sep 15	A Stable	Affirmed
Support Rating Floor (SRF)		
09 Aug 17	NF	Affirmed
22 Aug 16	NF	Affirmed
08 Sep 15	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
<span style="color:red">■</span>	Higher Influence	
<span style="color:blue">■</span>	Moderate Influence	
<span style="color:lightblue">■</span>	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
66	DM Europe Retail	
2	Denmark Retail	
Relevant Criteria & References		
<a href="#">Global Bank Rating Criteria (Nov 2016)</a>		
<a href="#">Macro-Prudential Risk Monitor (Aug 2017)</a>		
Analysts		
<a href="#">Bjorn Norrman (+44 20 3530 1330)</a>		
<a href="#">Olivia Perney (+ 33 1 44 29 91 74)</a>		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Support Rating Floor	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A Stable
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	A+ to A-		
Actual country D-SIB SRF	NF		
<b>Support Rating Floor:</b>	<b>NF</b>		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)			✓
Sovereign propensity to support system			✓
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			✓
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

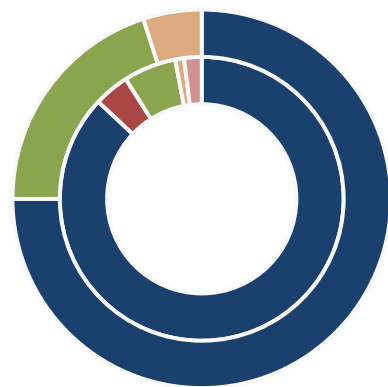
Drivers & Sensitivities	
<b>Leading Danish Mortgage Lender</b>	Nykredit's ratings reflect the bank's leading Danish mortgage lending franchise, resilient asset quality and robust capitalisation. The ratings also factor in Nykredit's moderate profitability and reliance on wholesale funding.
<b>Conservative Risk Appetite</b>	Management aims to gradually grow and diversify the bank's franchise in Denmark, although Fitch expects the bank to achieve this without increasing risk appetite as it aims to do this by mainly focusing on cross-selling and broadening the product offering with existing clients.
<b>Good Asset Quality</b>	The loan book is of good quality. The vast majority are performing mortgage loans, with a small proportion of higher-risk non-mortgage lending in Nykredit Bank.
<b>Largely Wholesale Funded</b>	Nykredit's mortgage business is by law entirely wholesale funded by mortgage bonds that match the interest term of the underlying loan. Refinancing risk is mitigated by a large, deep and liquid domestic covered bond market, and the bank has significant liquidity.
<b>Solid Capitalisation</b>	The bank's capitalisation is solid and compares well with peers, both on a risk-weighted and leverage basis.
<b>Modest Profitability</b>	Nykredit benefits from resilient core revenue generation and sound cost management, but margins are low and reflect its low-risk business model. Cost management is sound.
<b>Sensitive to Funding Access</b>	Negative rating pressure may come from an adverse change in investor sentiment affecting Nykredit's ability to access competitively priced funding or from reduced liquidity. Increased reliance on international debt investors or higher risk appetite would also be rating negative.
<b>Upgrade Unlikely</b>	An upgrade is unlikely given the group's already high ratings and limited product breadth. In the longer term, an upgrade would be contingent on Nykredit broadening its product offering, providing it with more diversified revenue streams.

Key Financial Ratios (11 Sep 2017)	Nykredit				Direct Peers Median				Region Sector Median								
	Number of Banks:				5	5	5	5									
	Statement:				FYE16	FYE15	FYE14	FYE13	FYE16	FYE15	FYE14	FYE13	FYE16	FYE15	FYE14	FYE13	
<b>Size (USDbn)</b>																	
Total assets	199	203	238	262	199	203	238	262	40	43	44	51					
Risk weighted assets (RWA)	50	46	59	64	42	46	54	64	15	16	20	22					
Total equity	10	9	10	11	10	9	10	11	2	3	3	3					
Fitch core capital (FCC)	9	9	9	10	9	9	9	10	2	2	3	2					
<b>Asset Quality</b>																	
Impaired loans/gross loans	1.8%	1.8%	1.8%	1.5%	0.7%	0.8%	1.0%	1.5%	3.6%	3.4%	4.4%	4.7%					
Growth of gross loans	1.2%	-1.9%	0.4%	-0.1%	3.0%	4.6%	2.1%	2.1%	1.5%	0.8%	1.6%	-1.5%					
Reserves for impaired loans/impaired loans	38.3%	39.6%	43.0%	45.7%	38.3%	36.5%	37.5%	28.6%	49.5%	54.3%	54.8%	50.3%					
Loan impairment charges/avg gross loans	0.1%	0.1%	0.2%	0.2%	0.0%	0.1%	0.1%	0.2%	0.1%	0.4%	0.4%	0.7%					
<b>Earnings and Profitability</b>																	
Operating profit/risk weighted assets	1.8%	2.1%	0.2%	0.6%	3.2%	4.0%	3.0%	1.6%	1.8%	1.7%	1.3%	1.2%					
Net interest income/average earning assets	0.8%	0.9%	0.8%	0.8%	1.2%	1.2%	1.2%	0.9%	1.5%	1.6%	1.6%	1.4%					
Non-interest expense/gross revenues	42.9%	40.6%	62.9%	57.2%	42.9%	40.8%	58.0%	53.1%	64.0%	61.8%	60.6%	61.2%					
Loans & secs imp charges/pre-imp op. profit	9.7%	12.3%	77.9%	59.1%	3.4%	5.0%	18.7%	36.7%	14.8%	21.6%	32.1%	42.4%					
Operating profit/average total assets	0.5%	0.5%	0.1%	0.1%	0.6%	0.6%	0.5%	0.4%	0.6%	0.6%	0.6%	0.4%					
Net income/average total equity	8.3%	5.3%	-0.5%	2.9%	8.7%	8.2%	8.7%	6.7%	6.9%	6.9%	5.9%	5.0%					
<b>Capital and Leverage</b>																	
FCC/FCC-adjusted risk weighted assets	19.2%	19.7%	15.7%	16.1%	26.5%	25.4%	21.0%	17.2%	15.3%	14.8%	13.6%	12.4%					
Basel leverage ratio	4.6%	4.4%	n.a.	n.a.	4.2%	4.3%	4.1%	3.5%	6.0%	5.8%	5.6%	4.6%					
Tangible common equity/tangible assets	4.8%	4.4%	3.9%	3.9%	4.0%	4.2%	4.0%	3.8%	6.6%	6.6%	6.3%	5.8%					
CET1 capital ratio	18.8%	19.4%	15.4%	15.8%	25.4%	23.2%	19.8%	19.3%	14.7%	13.6%	12.7%	12.3%					
Internal capital generation	7.9%	5.2%	-0.5%	2.9%	7.5%	5.2%	4.8%	6.9%	4.0%	4.1%	4.0%	2.6%					
Imp loans less reserves for imp Loans/FCC	20.0%	21.2%	21.3%	17.9%	6.9%	8.9%	15.8%	25.4%	12.6%	15.8%	19.2%	25.4%					
<b>Funding and Liquidity</b>																	
Loans/customer deposits	1817.2%	1877.1%	1835.9%	1830.2%	122.2%	123.1%	123.9%	125.0%	111.6%	108.4%	108.1%	115.8%					
Liquidity coverage ratio	321.0%	274.0%	254.0%	199.0%	145.0%	141.8%	119.3%	144.9%	163.6%	151.0%	159.0%	150.2%					
Customer deposits/total funding excl derivs	5.1%	4.9%	4.9%	5.0%	68.5%	70.9%	70.5%	69.4%	73.5%	71.2%	71.1%	66.1%					

**Business Mix**

(by profit or revenue)

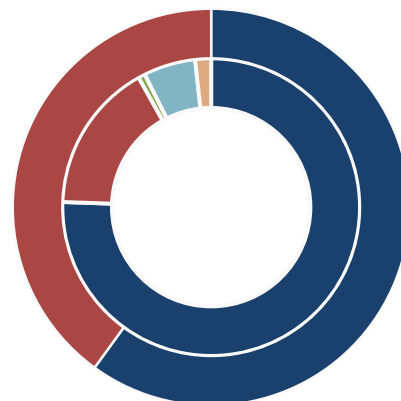
- Retail banking (75%)
- SME banking (0%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (5%)
- Insurance (0%)
- Other (0%)



Outer: Nykredit  
Inner: Direct Peers Average

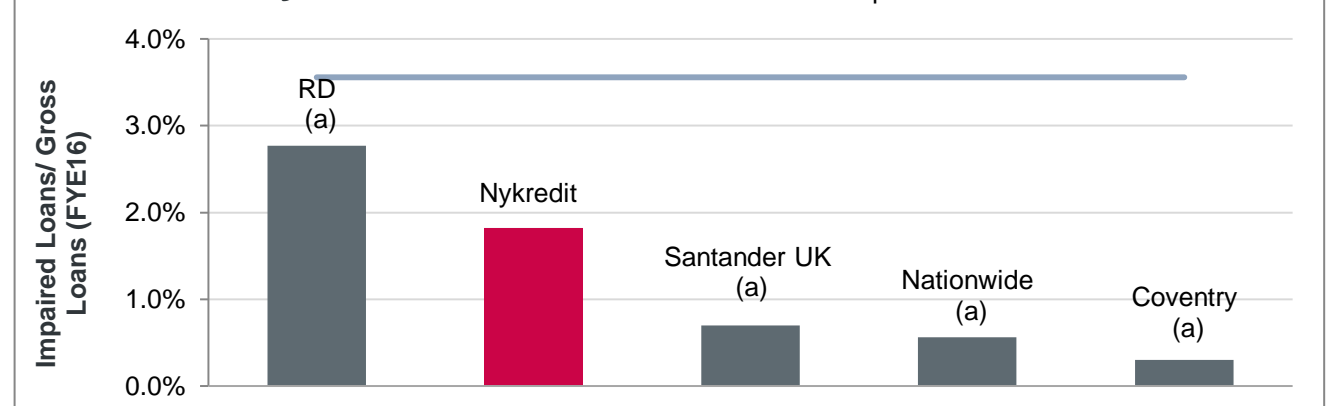
**Lending Type**

- Resi mortgages (60%)
- Comm mortgages (40%)
- Asset finance (0%)
- Other secured (0%)
- Personal unsecured (0%)
- Comm unsecured (0%)
- Fls & Sovs (0%)
- High yield (0%)
- Other unsecured (0%)

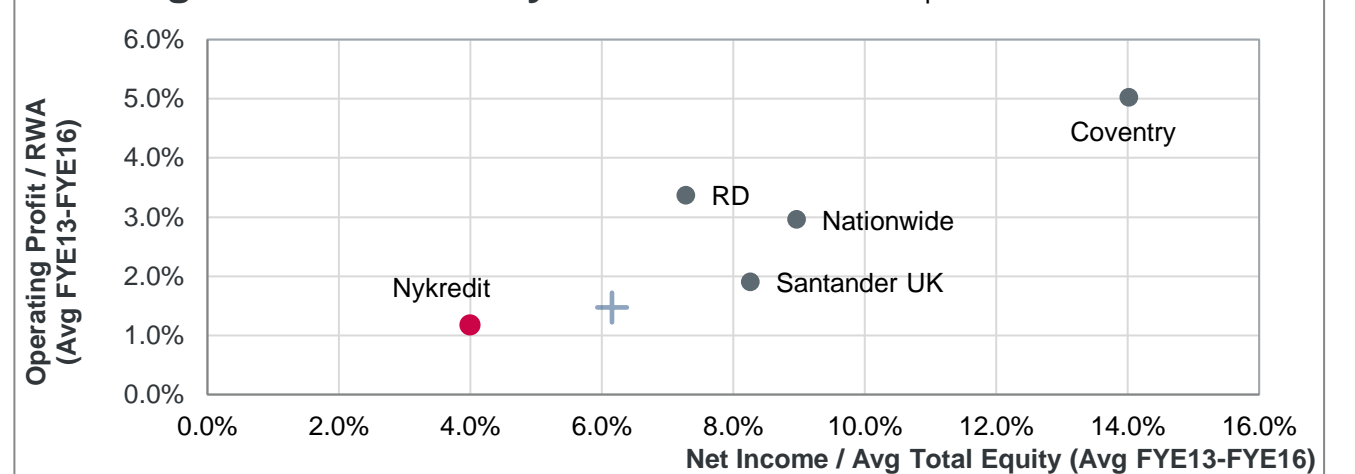


Outer: Nykredit  
Inner: Direct Peers Average

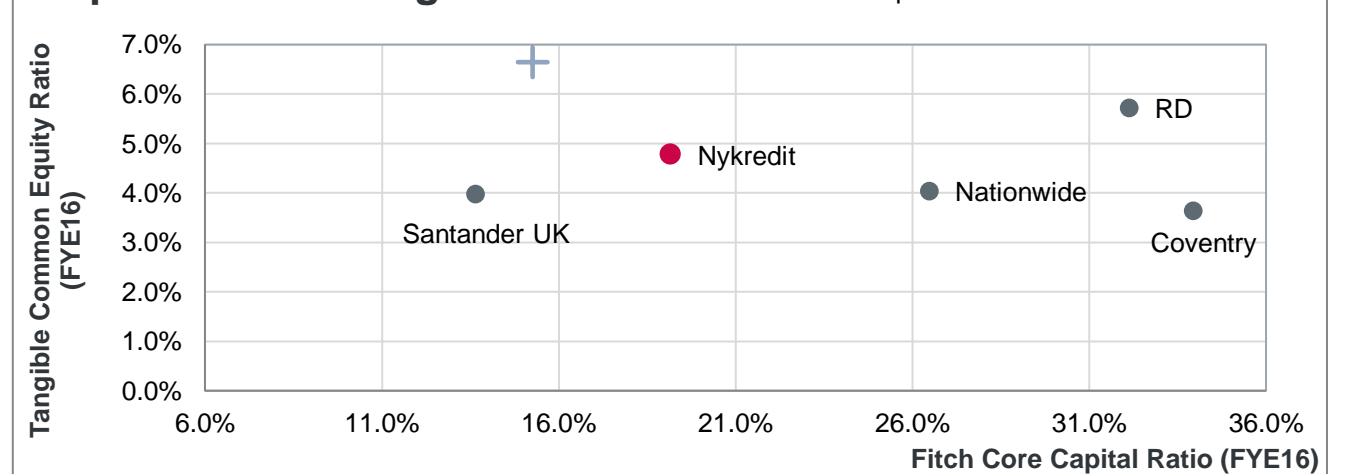
**Asset Quality**



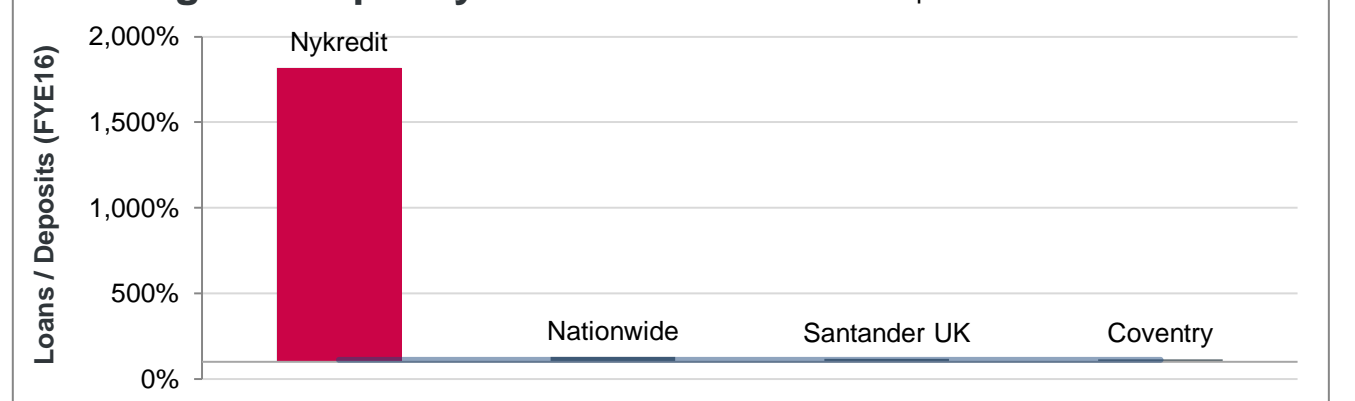
**Earnings and Profitability**



**Capital and Leverage**



**Funding and Liquidity**



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