

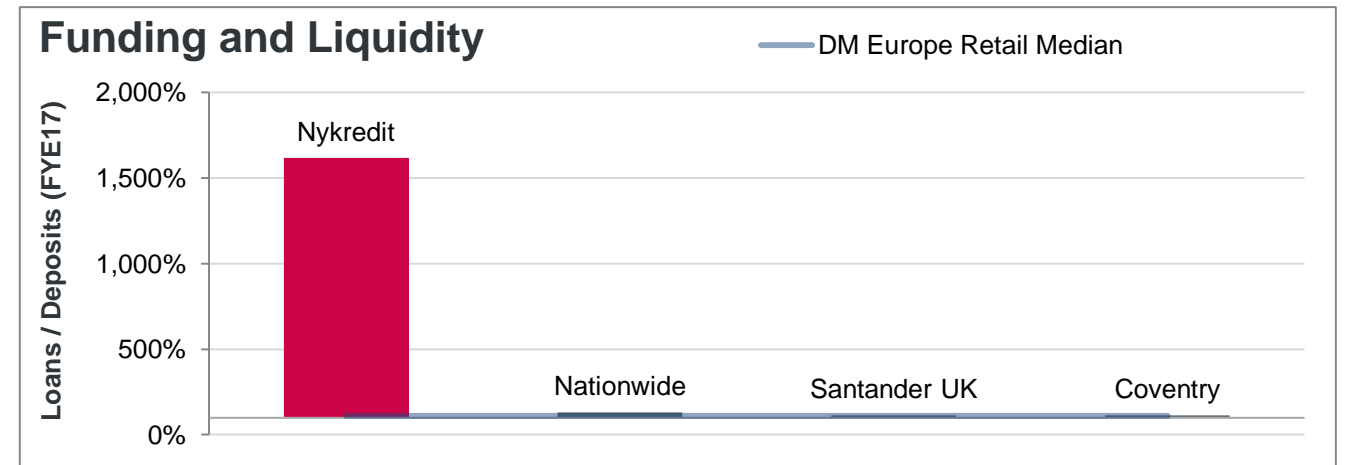
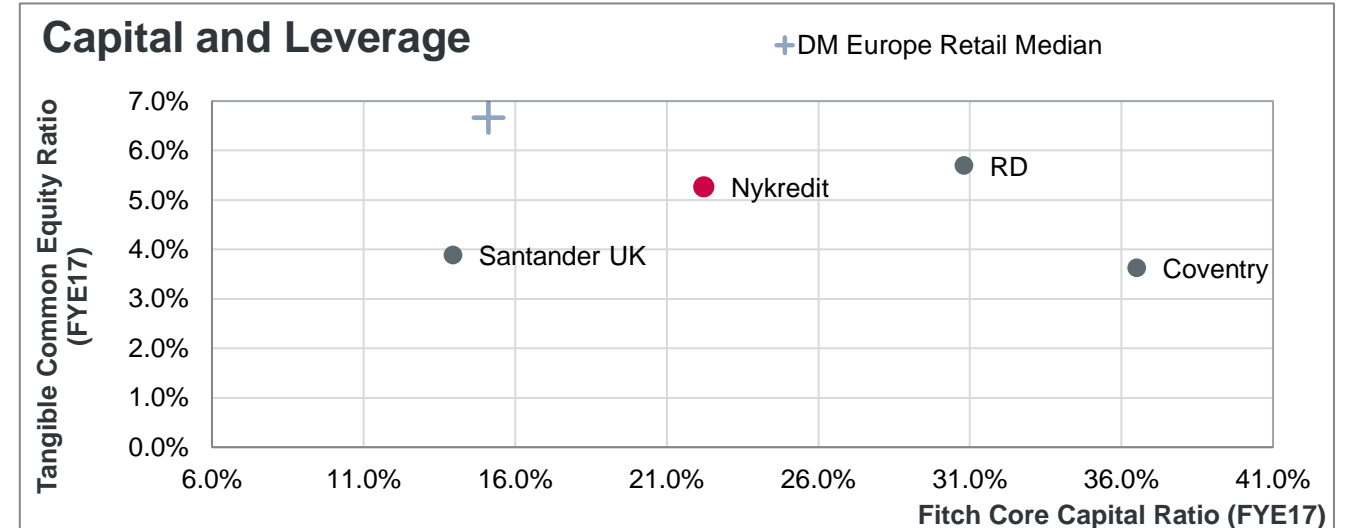
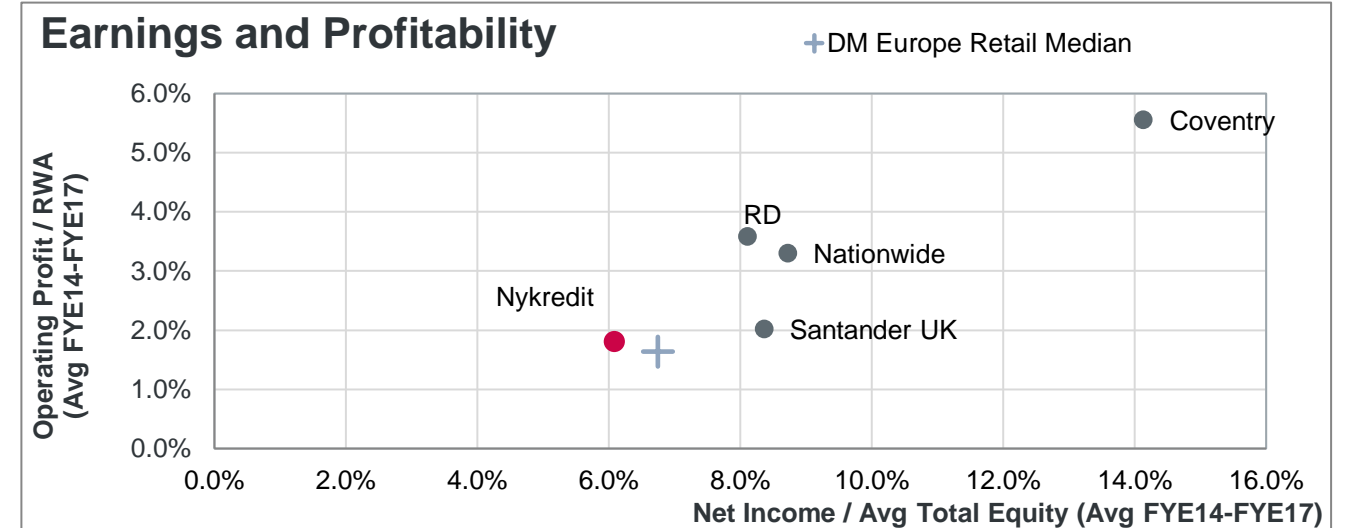
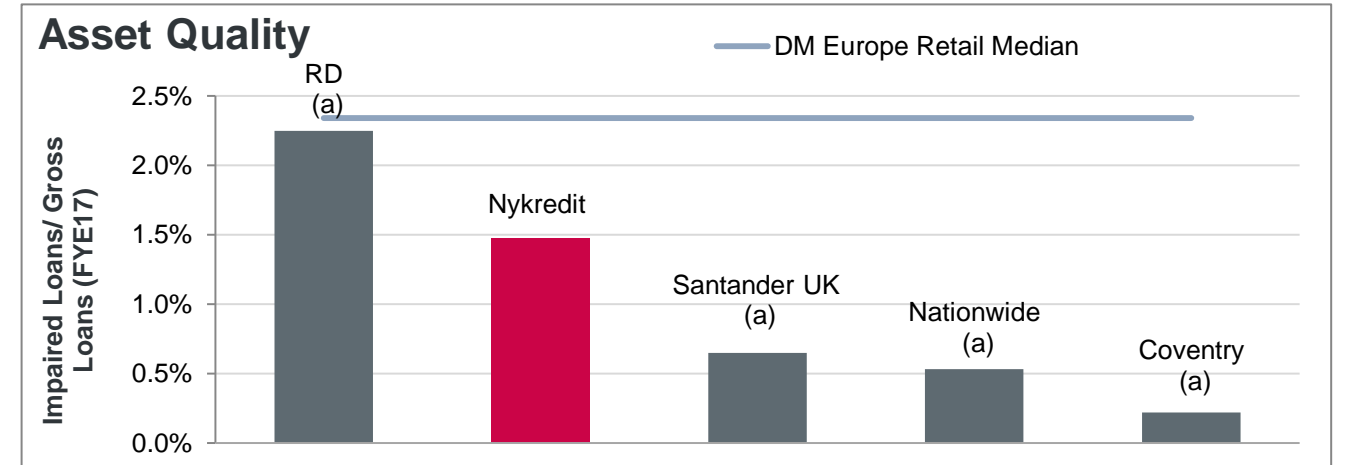
Banks Ratings Navigator		
Navigator date:	22 Aug 2018	
Last rating action:	01 Aug 2018	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	15 Jun 18 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
01 Aug 18	a	Affirmed
09 Aug 17	a	Affirmed
22 Aug 16	a	Affirmed
Issuer Default Rating (IDR)		
01 Aug 18	A Stable	Affirmed
09 Aug 17	A Stable	Affirmed
22 Aug 16	A Stable	Affirmed
Support Rating Floor (SRF)		
01 Aug 18	NF	Affirmed
09 Aug 17	NF	Affirmed
22 Aug 16	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
69	DM Europe Retail	
2	Denmark Retail	
Relevant Criteria & References		
Bank Rating Criteria (Jun 2018)		
Macro-Prudential Risk Monitor (Mar 2018)		
Analysts		
Bjorn Norrman (+44 20 3530 1330)		
Gurminder Bawa (+44 20 3530 1787)		

	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+
ccc										ccc	CCC	CCC
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		
Support Rating Floor:	NF		
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	
Leading Danish Mortgage Lender	Nykredit's ratings reflect its leading Danish mortgage franchise, resilient asset quality and robust capitalisation. The ratings also factor in Nykredit's good profitability and heavy reliance on wholesale funding.
Strong Asset Quality	The loan book is of good quality. The vast majority of loans are performing mortgage loans, with a small proportion of higher-risk non-mortgage lending in Nykredit Bank.
Conservative Risk Appetite	Management aims to grow and diversify the bank in Denmark, although we expect this to be achieved without increasing risk appetite, as growth will mainly focus on cross-selling. Fitch expects the quality of mortgage lending to remain resilient, supported by the domestic recovery.
Good Profitability	Nykredit benefits from resilient core revenue generation. Cost management is solid. Margins are low but have been resilient to negative interest rates in Denmark. Volatility from Nykredit's legacy derivatives portfolio is reducing.
Wholesale Funding Reliance	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.
Solid Capitalisation	Nykredit's capitalisation is solid and compares well with peers', on both a risk-weighted and a leverage basis.
Sensitive to Funding Access	Although not expected by Fitch, pressure on ratings could come from an adverse change in investor sentiment materially affecting Nykredit's ability to access competitively priced funding or from reduced emphasis on liquidity.
Upgrade Unlikely	An upgrade is currently unlikely given Nykredit'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.

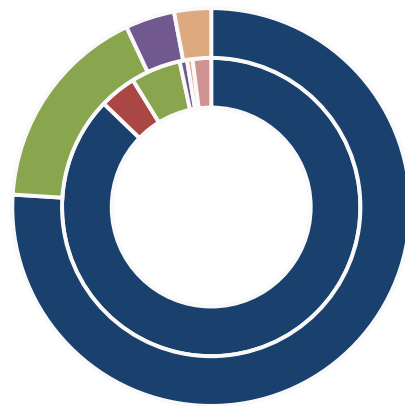
Key Financial Ratios (03 Aug 2018)	Nykredit				Direct Peers Median				Region Sector Median			
	Number of Banks: Statement:				5	5	5	5	5	5	5	5
	FYE17	FYE16	FYE15	FYE14	FYE17	FYE16	FYE15	FYE14	FYE17	FYE16	FYE15	FYE14
Size (USDbn)												
Total assets	230	199	203	238	230	199	203	238	49	41	42	45
Risk weighted assets (RWA)	54	50	46	59	46	42	46	54	17	14	15	20
Total equity	12	10	9	10	12	10	9	10	3	3	3	3
Fitch core capital (FCC)	12	9	9	9	10	9	9	9	3	2	2	2
Asset Quality												
Impaired loans/gross loans	1.5%	1.8%	1.8%	1.8%	0.7%	0.7%	0.8%	1.0%	2.3%	3.5%	3.4%	4.0%
Growth of gross loans	3.3%	1.2%	-1.9%	0.4%	2.7%	3.0%	4.6%	2.1%	2.6%	1.9%	0.9%	1.8%
Loan loss allowances/impaired loans	43.5%	38.3%	39.6%	43.0%	43.5%	38.3%	36.5%	37.5%	52.3%	49.5%	54.7%	54.2%
Loan impairment charges/avg gross loans	0.1%	0.1%	0.1%	0.2%	0.1%	0.0%	0.1%	0.1%	0.2%	0.1%	0.4%	0.4%
Earnings and Profitability												
Operating profit/risk weighted assets	3.1%	1.8%	2.1%	0.2%	3.1%	3.2%	4.0%	3.0%	1.7%	1.8%	1.7%	1.4%
Net interest income/average earning assets	0.8%	0.8%	0.9%	0.8%	1.1%	1.2%	1.2%	1.2%	1.6%	1.5%	1.6%	1.6%
Non-interest expense/gross revenues	31.7%	42.9%	40.6%	62.9%	41.3%	42.9%	40.8%	58.0%	61.4%	64.0%	61.7%	60.3%
Loans & secs imp charges/pre-imp op. profit	3.5%	9.7%	12.3%	77.9%	3.5%	3.4%	5.0%	18.7%	9.7%	12.9%	20.2%	32.8%
Operating profit/average total assets	0.7%	0.5%	0.5%	0.1%	0.6%	0.6%	0.6%	0.5%	0.7%	0.6%	0.7%	0.6%
Net income/average total equity	11.3%	8.3%	5.3%	-0.5%	9.0%	8.7%	8.2%	8.7%	7.4%	6.5%	6.9%	6.1%
Capital and Leverage												
FCC/FCC-adjusted risk weighted assets	22.2%	19.2%	19.7%	15.7%	26.5%	26.5%	25.4%	21.0%	15.1%	15.4%	14.9%	13.8%
CET1 capital ratio	20.6%	18.8%	19.4%	15.4%	28.1%	25.4%	23.2%	19.8%	14.8%	15.0%	13.8%	12.8%
Basel leverage ratio	4.6%	4.6%	4.4%	n.a.	4.6%	4.2%	4.3%	4.1%	6.2%	6.1%	5.9%	5.6%
Tangible common equity/tangible assets	5.3%	4.8%	4.4%	3.9%	4.4%	4.0%	4.2%	4.0%	6.7%	6.6%	6.5%	6.0%
Imp loans less loan loss allowances/FCC	13.6%	20.0%	21.2%	21.3%	8.8%	6.9%	8.9%	15.8%	10.0%	12.6%	14.2%	19.2%
Funding and Liquidity												
Loans/customer deposits	1618.0%	1817.2%	1877.1%	1835.9%	121.4%	122.2%	123.1%	123.9%	112.0%	108.9%	107.8%	108.2%
Liquidity coverage ratio	383.0%	321.0%	274.0%	254.0%	169.2%	145.0%	141.8%	119.3%	169.5%	160.5%	151.0%	159.0%
Customer deposits/total funding excl derivs	5.7%	5.1%	4.9%	4.9%	66.3%	68.5%	70.9%	70.5%	73.2%	77.5%	74.0%	71.8%



Business Mix

(by profit or revenue)

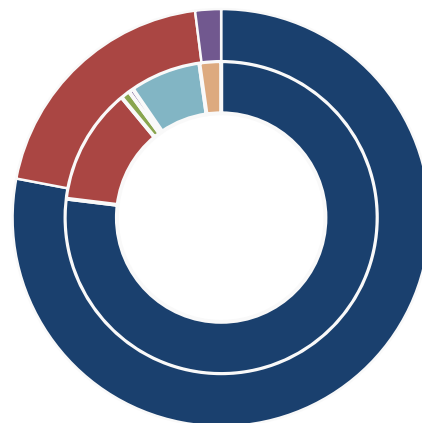
- Retail banking (76%)
- SME banking (0%)
- Corporate banking (17%)
- Investment banking (4%)
- Transaction banking (0%)
- Asset management (3%)
- Insurance (0%)
- Other (0%)



Outer: Nykredit
Inner: Direct Peers Average

Lending Type

- Resi mortgages (78%)
- Comm mortgages (20%)
- Asset finance (n.a.)
- Other secured (2%)
- Personal unsecured (n.a.)
- Comm unsecured (n.a.)
- Fls & Sovs (n.a.)
- High yield (n.a.)
- Other unsecured (n.a.)



Outer: Nykredit
Inner: Direct Peers Average

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