S&P Global
Ratings

Research

Nykredit Realkredit A/S

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Nykredit Realkredit A/S

SACP	a-

+

Support	+1

+

Additional Factors	0

Anchor	bbb+	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

ALAC Support	+1
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
A/Positive/A-1

Resolution Counterparty Rating
A+/--/A-1

Major Rating Factors

Strengths:	Weaknesses:
• Leading mortgage bank in Denmark. • Highly collateralized nature of the loan book. • Improved core earnings and profitability, despite low interest rate environment.	• Concentration in Danish mortgage market. • High household debt in the Danish economy.

Outlook: Positive

The positive outlook on Nykredit Realkredit A/S reflects our view of decreasing economic risks associated with receding credit risks in the Danish economy. We could raise the ratings in the next 24 months if the positive trend we see for economic risk led us to revise upward our anchor for banks operating in Denmark to 'a-' from 'bbb+', and we concluded that the bank's credit profile was comparable with that of international peers with a higher rating.

Alternatively, we could upgrade Nykredit Realkredit if increased debt buffer requirements led the bank to accumulate additional loss-absorbing capacity (ALAC) buffers exceeding 8% of risk-weighted assets (RWAs).

We could revise the outlook to stable if we considered that the positive economic risk trend was reversing, particularly if private-sector leverage or households' interest-rate sensitivity started to increase substantially.

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Rationale

The 'A' long-term rating on Nykredit Realkredit reflects our assessment of the Danish banking industry. It also reflects our view that the bank will maintain its dominant role in the Danish mortgage market and maintain efficient operations, supporting its already strong capital buffers. The rating also reflects stability in Nykredit Realkredit's mortgage book and access to the well-functioning Danish covered bond market, even as the bank continues to reshape the maturity profile of its issued securities.

We equalize our ratings on Nykredit Bank A/S with those on its parent. This is based on our assessment of Nykredit Bank as a core subsidiary of the Nykredit group, as defined under our group rating methodology.

Anchor: 'bbb+' for banks operating only in Denmark

Our anchor for a commercial bank operating only in Denmark is 'bbb+', based on an economic risk score of '3' and an industry risk score of '3'.

Our assessment of economic risk for Denmark 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. The economy is competitive, diverse, and continues to expand. Although this growth means that the household debt's share of GDP is decreasing, it remains one of the highest of all global BICRAs per our metrics--and a constraint to our assessment of economic risk. However, credit conditions have been improving in recent years and we expect credit losses to remain low in 2018. While we observe a decline in the coverage of nonperforming loans, it remains higher than pre-crisis levels, in line with 2009 levels in nominal terms.

Our assessment of Denmark's industry risk is supported by the improvement in the banking sector's profitability over the past 10 years. More specifically, it benefits from cost efficiency measures, decreasing credit losses, and higher mortgage margins, rather than a generally higher risk appetite. We expect the sector as a whole--including lower yielding mortgage banks--to report a return on equity (ROE) of about 11% by 2018, despite a negative central bank deposit rate. We note the banking sector's higher reliance than peers on functioning wholesale markets. However, we also acknowledge the continued stability and strong track record of the Danish covered bond market. We consider the regulatory environment in Denmark to be in line with that of other EU countries.

Table 1

Nykredit Realkredit A/S Key Figures

		--Year ended Dec. 31--			
(Mil. DKK)	**2018***	**2017**	**2016**	**2015**	**2014**
Adjusted assets	1,422,063	1,426,583	1,400,362	1,383,518	1,455,049
Customer loans (gross)	1,245,226	1,228,294	1,188,757	1,175,085	1,197,647
Adjusted common equity	68,976	66,976	63,481	60,607	55,606
Operating revenues	6,557	15,528	12,284	12,636	8,120
Noninterest expenses	2,402	4,838	5,185	4,964	5,021
Core earnings	3,269	8,220	5,118	5,258	658

*Data as of June 30. DKK--Danish krone.

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Business position: Denmark's premier mortgage provider, with improved returns

Our assessment of Nykredit Realkredit's business position reflects its sustained business stability, even throughout a period of extraordinary market stress in Europe, and Denmark specifically. This is partly offset by our expectation of continued limited business diversification. The group's primary focus is mortgage lending in Denmark, while commercial banking services--where Nykredit Bank has a market share of roughly 5%--and asset management are still of secondary importance to the group's performance.

Nykredit Realkredit is Denmark's provider of mortgage financing and largest lender by domestic volume. It reported total assets of Danish krone (DKK) 1.42 trillion (€192 billion) as of June 30, 2018. The bank's share of the domestic lending market varies by segment, but in terms of its main segment, mortgage lending, it has a market share about 41%. Further, it is the country's second-largest financial services group and its subsidiary Nykredit Bank A/S is the fifth-largest commercial bank in the country. It derives about 70% of its core earnings from its mortgage lending platform, and its core subsidiary Nykredit Bank the remainder. Through Totalkredit's (its subsidiary) cooperation with partner banks, we expect that Nykredit will remain the market leader in Danish mortgages.

In our view, Nykredit Realkredit's prominent role in the Danish mortgage market and its mutual model have historically been a contributor to low margins for all Danish mortgage banks when compared with similar international mortgage lenders. However, in recent years, Nykredit Realkredit has focused on improving capital generation ahead of upcoming additional capital requirements, and increased its profitability both through an intensified cost focus and increases in the mortgage administrative margins. These price hikes were broadly followed in the market and in our view illustrate that Nykredit Realkredit's market position benefits from significant pricing power.

In July 2017, Nykredit Realkredit introduced a profit-sharing model--"KundeKroner"--where the bank shares profits with customers in the form of discounts financed by dividends paid out to the Nykredit Association. We view this feature as supportive to the bank's brand and supporting a competitive mortgage price offering.

In order to prepare for these additional requirements, Nykredit Realkredit announced in February 2016 its plan to raise equity via an Initial Public Offering and eventual listing on the Copenhagen stock exchange. However, Nykredit Realkredit's owners decided instead to sell 10.9% of the bank's capital to an investor consortium led by PFA pension in 2017. We expect this updated ownership structure to remain supportive of the bank's overall credit standing.

Strategically, we expect that Nykredit Realkredit aims to maintain its dominant position in mortgages, while improving market share in other products. For instance, by providing its private individual retail clients with a full-service offering via its subsidiary, Nykredit Bank, thus competing more directly with other larger banking groups such as Nordea, Danske Bank, and Jyske Bank. As part of this strategy, we expect Nykredit Realkredit to continue expanding its banking and asset management operations business.

Table 2

Nykredit Realkredit A/S Business Position

		--Year ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Loan market share in country of domicile	31.3	31.0	30.8	30.6	31.0
Total revenues from business line (currency in millions)	6,557	15,528	12,653	12,636	8,120

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Table 2

Nykredit Realkredit A/S Business Position (cont.)					
		--Year ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Commercial banking/total revenues from business line	19.2	23.8	14.5	19.3	8.6
Retail banking/total revenues from business line	74.8	63.7	64.8	68.5	77.5
Commercial & retail banking/total revenues from business line	94.0	87.5	79.3	87.8	86.1
Asset management/total revenues from business line	6.4	5.6	8.2	6.4	9.7
Other revenues/total revenues from business line	(0.4)	6.9	12.6	5.8	4.3
Return on equity	8.8	11.4	8.3	5.3	(0.5)

*Data as of June 30. DKK--Danish krone.

Capital and earnings: Retained earnings support steady capital built over many years

We expect Nykredit Realkredit's capital and earnings will remain strong. This reflects our expectation that the company's RAC ratio--which stood at 12.2% on June 30, 2018, from 11.6% at year-end 2016--will remain above 12% over the next 18-24 months.

Our capital assessment factors in our expectation that Nykredit will from 2018 start paying dividends of about 50% of profit. We expect Forenet Kredit to pay back a large part of the proceeds to fund Nykredit's reward profit-sharing program KundeKroner.

Nykredit Realkredit's core earnings capacity is stable, in our view, given that the group predominantly depends on recurring interest income and that realized credit losses were well below our normalized annual loss level of DKK3.4 billion at June 30, 2018. With volume growth limited by low market demand, the group has in recent years focused on margins and cost efficiencies. Core earnings to adjusted assets was at 0.46% on June 30, 2018, down from 0.89% at June 30, 2017 (owing to asset valuation and return in the bank investment portfolio). We expect the ratio to return to around 0.3%-0.4% in the coming years which we consider to be somewhat low compared with peers.

Nykredit Realkredit's dual objective strategy aims to create stable earnings by capturing more full-service customers with additional income streams and develop effective partnerships with local banks. Nykredit Realkredit has in recent years increased its administrative margins from 0.78% in 2015 to 0.87% in December 2017. However, we now expect margins to decrease over 2018-2019, with persisting pressure on part of the bank's loan book. We expect the group will be able to limit cost increases to achieve a stable cost-to-income ratio of about 40% over the next two years and maintain a low level of impairments, given stable macroeconomic conditions.

Despite Nykredit's new dividend policy, we believe that the bank will be able to further build over DKK2 billion of capital annually through 2020.

We consider the quality of capital to be high, as 7% capital trigger hybrids form around 12% of total adjusted capital. In our measure of total adjusted capital, we include the €500 million additional Tier 1 instruments issued in early 2015 and the €600 million Tier 2 contingent capital instruments issued in May 2014 as hybrids. This last instrument is one of the few Tier 2 instruments globally that we consider as going-concern contingent capital. As such, our residual life requirement for including this instrument in our calculation of capital is at 15 years.

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We exclude from Nykredit's total adjusted capital the equity investment it holds--which we deem significant--in non-consolidated financial institution subsidiaries (in particular DLR Kredit and Spar Nord). In May 2018, Nykredit concluded an agreement with Jyske Bank on the purchase of the shares in Ringkjøbing Landbobank to be received by Jyske Bank after the merger between Ringkjøbing Landbobank and Nordjyske Bank. We expect Nykredit to maintain less than 10% ownership in the merged bank, and hence factor these shares as public equity exposures in our capital assessment.

We consider the quality of capital to be high, as 7% capital trigger hybrids form around 12% of total adjusted capital.

Table 3

Nykredit Realkredit A/S Capital And Earnings

		--Year ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Tier 1 capital ratio	21.6	21.7	19.9	20.5	17.2
S&P Global Ratings' RAC ratio before diversification	12.2	12.1	11.6	11.0	10.4
S&P Global Ratings' RAC ratio after diversification	10.3	10.1	9.5	10.0	9.4
Adjusted common equity/total adjusted capital	89.4	89.1	88.6	87.9	83.0
Double leverage	65.3	62.7	54.7	54.4	51.2
Net interest income/operating revenues	83.0	74.0	93.4	94.0	139.8
Fee income/operating revenues	(3.3)	(1.5)	(2.4)	(1.6)	0.6
Market-sensitive income/operating revenues	13.5	24.2	7.2	6.0	(42.8)
Noninterest expenses/operating revenues	36.6	31.2	42.2	39.3	61.8
Preprovision operating income/average assets	0.6	0.8	0.5	0.5	0.2
Core earnings/average managed assets	0.5	0.6	0.4	0.4	0.0

*Data as of June 30. RAC--Risk-adjusted capital.

Table 4

Nykredit Realkredit A/S Risk-Adjusted Capital Framework Data

(DKK 000s)	Exposure (1)	Basel II RWA (2)	Average Basel II RW (%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government and central banks	62,981,119	73,965	0	1,325,065	2
Institutions and CCPs	43,975,514	5,801,942	13	5,820,137	13
Corporate	334,451,320	155,408,768	46	223,205,546	67
Retail	949,878,143	113,672,043	12	292,946,032	31
Of which mortgage	904,975,350	92,118,876	10	259,185,120	29
Securitization (3)	0	0	0	0	0
Other assets (4)	2,494,210	2,494,210	100	2,805,986	113
Total credit risk	1,393,780,306	277,450,927	20	526,102,766	38
Total credit valuation adjustment	--	859,920	--	0	--
Market risk					
Equity in the banking book	3,566,719	18,634,117	522	28,268,877	793
Trading book market risk	--	25,065,595	--	43,945,732	--

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Table 4

Nykredit Realkredit A/S Risk-Adjusted Capital Framework Data (cont.)					
Total market risk	--	43,699,712	--	72,214,608	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	25,708,839	--	31,839,170	--
(DKK 000s)		**Basel II RWA**		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	347,719,399	--	630,156,544	100
Total Diversification/Concentration Adjustments	--	--	--	117,490,663	19
RWA after diversification	--	347,719,399	--	747,647,207	119
(DKK 000s)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	75,156,461	21.6	77,171,737	12.2
Capital ratio after adjustments (5)	--	75,156,461	21.6	77,171,737	10.3

(1)EAD: Exposure at default. (2)RWA: Risk-weighted assets. (3)Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. (4)Other assets include deferred tax assets (DTAs) not deducted from ACE. (5)For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RW--Risk weight. RAC--Risk-adjusted capital. DKK--Danish krone. Sources: Company data as of June 30, 2018, S&P Global Ratings.

Risk position: First-priority mortgages with relatively low losses

Our analysis of a bank's risk position serves to refine the view of its actual and specific risks beyond our capital and earnings assessment. Our assessment reflects that we expect Nykredit Realkredit's asset quality to remain comparable with that of its peers--both domestically and internationally--and aligned with the capital requirements we apply as part of our analysis of capital for its portfolio of mainly retail and commercial mortgages.

As a consequence of the group's position as the country's largest mortgage lender, Nykredit Realkredit's asset quality has a strong correlation between developments in the Danish economy and the domestic property market. When the crisis began in 2008, losses mounted in line with a rise in bankruptcies and property foreclosures and continued with sizable losses in 2009, due in large part to the acquisition of Forstaedernes Bank (see chart). However, since then the Danish economy has recovered and at June 30, 2018, Nykredit Realkredit posted 0 bps net charge off to average customer loans. We expect credit conditions to start normalizing and hence that Nykredit Realkredit will post provisions of about 9 bps-10 bps in the next two years.

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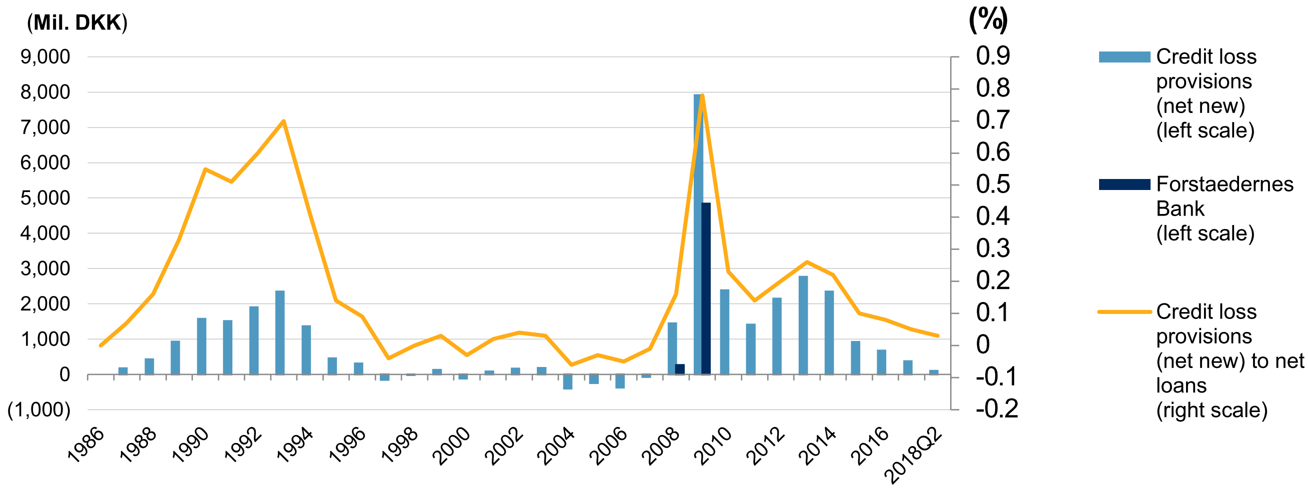
Chart 1

Nykredit Realkredit A/S Loan Loss Provisions 1986-2018Q2



DKK--Danish krone.

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The bank's mortgage portfolio includes personal customers, which form 62% of the mortgage loans; commercial loans form 30% and agriculture loans the remaining 8%. Overall, the loan-to-value (LTV) ratio for the entire mortgage loan book was around 63% at June 30, 2018, from 65% at year-end 2016. We consider the bank's risk management practices as adequate and believe that management is prudent in its lending and underwriting standards.

The agricultural sector in Denmark continues to trail the broader economy despite positive price developments in 2017.

Denmark was affected by drought in summer 2018, but we observe so far limited impact on Nykredit borrowers. We observe that crop producers losses were compensated by lower harvest costs and higher sales. Milk prices after decline in first half of 2018 are on the rise.

However, given the uncertainty in price developments for the sector, in addition to high leverage of producers, we expect continued pressure on credit quality. Arrears are decreasing since the second half of 2016 to one year later. We continue to expect Nykredit Realkredit, the first-lien mortgage lender, to be in a relatively good position and its loan portfolio of DKK91 billion to be well provisioned for any future bankruptcies in the sector. In addition, the bank has a lower LTV limit of 60% for agriculture mortgage loans and the average LTV was 63% at June 30, 2018.

We consider Nykredit Realkredit's concentration and diversity as adequate. Since Nykredit Realkredit is the largest mortgage lender in Denmark, mortgage loans form 83% of the total asset size of Nykredit Realkredit as of June 30, 2018, with 95% of exposures within Denmark and the remaining 5% in Sweden, Germany, and other European countries. Within Denmark, the loans are well diversified.

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Table 5

Nykredit Realkredit A/S Risk Position

		--Year ended Dec. 31--			
(%)	**2018***	**2017**	**2016**	**2015**	**2014**
Growth in customer loans	2.8	3.3	1.2	(1.9)	0.4
Total diversification adjustment / S&P Global Ratings' RWA before diversification	18.6	20.4	22.0	9.7	10.6
Total managed assets/adjusted common equity (x)	20.6	21.3	22.1	22.8	26.2
New loan loss provisions/average customer loans	0.0	0.1	0.1	0.1	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	1.1	2.0	2.4	2.6	2.4
Loan loss reserves/gross nonperforming assets	60.2	32.1	28.7	28.6	31.4

*Data as of June 30. RWA--Risk-weighted assets. N.M. Not meaningful.

Funding and liquidity: Price initiatives are having a substantial positive impact on funding imbalances

Since 2012, Nykredit Realkredit has materially extended the term structure of its funding, primarily in the form of covered bonds, as it prepared for tightened regulations with respect to the share of short-term loan refinancing. Nykredit Realkredit has reduced the share of one-year adjustable-rate mortgages (and corresponding one-year covered bonds, thanks to the match principle) to about 5% of portfolio on Dec. 31, 2017, from 27% of portfolio at the end of 2012. With this reduction, Nykredit Realkredit has positioned itself well to abide by the supervisory diamond for mortgage banks, requiring a mortgage bank to have only 25% of its issued bonds maturing within a year.

On June 30, 2018, Nykredit Realkredit's ratio of broad liquid assets as a share of short-term funding (BLAST) was 0.63x, compared with 0.41x at year-end 2014. Over the same period, its stable funding ratio improved to 92% from 77%.

While these ratios remain weaker than those of Nykredit Realkredit's international peers, we compare the ratios to the bank's domestic peers and consider the importance of supporting characteristics of the Danish covered bond market. In particular, we note that the balance principle results in a high degree of duration and cash flow matching (in addition to interest rate and currency matching) and that the industry and the regulator have worked to reduce the volume of one-year bond refinancing significantly, resulting in longer and more balanced debt maturity profiles. In our view, this improvement in stability is complemented by the 2014 Danish covered bond legislation that extends bond maturities by 12 months in the event of a failed auction, thus effectively passing refinancing risks to investors and repricing risks onto borrowers. In addition, we note that the Danish covered bond market--a key investment target for Danish pension funds--has, over its long history, continued to perform well in several crisis situations, not least during 2008. We expect pension funds' demand for low-risk domestic assets to continue to support stable demand for Danish covered bonds.

Overall, we consider Nykredit Realkredit's funding and liquidity as neutral rating factors, despite weaker S&P Global Ratings metrics. We will likely maintain this assessment as long as the institution does not return to a higher reliance on short-term wholesale funding.

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Table 6

Nykredit Realkredit A/S Funding And Liquidity					
		--Year ended Dec. 31--			
(%)	2018*	2017	2016	2015	2014
Core deposits/funding base	5.5	5.8	5.1	4.9	4.9
Customer loans (net)/customer deposits	1,709.8	1,607.7	1,804.5	1,863.4	1,822.0
Long term funding ratio	81.9	80.6	80.1	77.8	68.3
Stable funding ratio	92.1	91.8	89.8	86.4	77.3
Short-term wholesale funding/funding base	19.2	20.7	21.1	23.4	33.3
Broad liquid assets/short-term wholesale funding (x)	0.6	0.7	0.6	0.5	0.4
Net broad liquid assets/short-term customer deposits	(132.1)	(126.8)	(180.2)	(256.2)	(428.1)
Short-term wholesale funding/total wholesale funding	20.2	21.8	22.1	24.5	34.7
Narrow liquid assets/3-month wholesale funding (x)	1.1	1.4	1.5	1.3	1.1

*Data as of June 30.

Support: One notch of ALAC support on ALAC increasing beyond current 5%

We include one notch of uplift in the long-term rating on Nykredit Realkredit based on our assessment of its ALAC.

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 as going concerns following a bail-in of eligible liabilities.

Given that Danish mortgage banks are exempt from the bail-in powers under the bank recovery and resolution directive (BRRD), the Danish authorities have established a 2% buffer of unweighted loans for mortgage banks--to be gradually phased in over five years from 2016 until 2020--in addition to their capital requirements. We expect this buffer will be used in a resolution scenario.

Based on Nykredit's outstanding ALAC-eligible instrument we calculate that the bank's ALAC buffers amounted to 520 bps of S&P Global Ratings' risk-weighted assets at year-end 2017.

In addition to the Tier 3 instruments, we include all of Nykredit Realkredit's junior subordinated and non-deferrable subordinated debt instruments (excluding those required for a strong capital and earnings assessment) in our ALAC assessment. We do this because, over our projection period, we believe these instruments have the capacity to absorb losses without triggering a default on Nykredit Realkredit's senior obligations.

On June 8, 2018, a new law was adopted in Denmark including a new requirement that combined debt buffer requirements and MREL for systemically important bank groups including a mortgage credit institution should amount to at least 8% of own funds and liabilities. This requirement will be in force from Jan. 1, 2022. During the ramp up period we assess that Nykredit Realkredit could issue between DKK25 billion-DKK35 billion of additional senior nonpreferred instruments to be in compliance, depending on business volume growth and regulatory developments. As a result, we expect that Nykredit's ALAC reserves will increase substantially above their current level. However, given uncertainty about final issuance volumes, it remains unclear whether they will increase sustainably above 800 bps, a level at which we would likely factor into our rating an additional notch of ALAC uplift.

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Issue ratings

We rate the nondeferrable subordinated debt instruments of Nykredit Realkredit 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 BRRD is equivalent to a contractual write-down clause. We rate the Tier 3 Senior Resolution Notes, which are structurally similar to senior nonpreferred notes, one notch below the bank SACP at 'BBB+' to reflect their contractual subordination to senior preferred notes.

We rate Nykredit Realkredit's AT1 instruments with a going-concern trigger at 'BB+', four notches lower than the ICR, 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 (RCR)

Following the completion of our RCR jurisdiction assessments on Denmark, we assigned 'A+/A-1' RCRs to Nykredit Bank A/S and Nykredit Realkredit A/S (see "24 European Banking Groups Assigned Resolution Counterparty Ratings," published June 29, 2018).

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.

Additional rating factors: None

No additional factors affect this rating.

Core subsidiaries: Nykredit Bank A/S

We equalize the rating on core subsidiary Nykredit Bank A/S, Nykredit Realkredit's banking subsidiary, with the ratings on Nykredit Realkredit, according to our group methodology. Nykredit Bank, the group's banking arm, is integral to the group for its payment services and market activities in relation to its funding operations. It also provides all the banking services that are not performed by the parent company.

Related Criteria

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- Criteria - Structured Finance - Covered Bonds: Counterparty Risk Analysis In Covered Bonds, Dec. 21, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions,

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June 30, 2015

- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - Covered Bonds: Methodology And Assumptions For Analyzing Mortgage Collateral In Danish Covered Bonds, May 2, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

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- Nykredit Realkredit A/S Affirmed At 'A/A-1'; Outlook Stable, June 20, 2017
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Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of November 23, 2018)

Nykredit Realkredit A/S	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Junior Subordinated	BB+
Junior Subordinated	BBB
Senior Secured	AA-/Positive
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB
Issuer Credit Ratings History	
13-Jul-2018	A/Positive/A-1
08-Jul-2016	A/Stable/A-1
13-Jul-2015	A/Negative/A-1
12-May-2015	A+/Watch Neg/A-1
Sovereign Rating	
Denmark	AAA/Stable/A-1+
Related Entities	
Nykredit Bank A/S	
Issuer Credit Rating	A/Positive/A-1
Resolution Counterparty Rating	A+/--/A-1
Certificate Of Deposit	
Local Currency	A-1
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1

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Ratings Detail (As Of November 23, 2018) (cont.)	
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.

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