S&P Global
Ratings

Research

Nykredit Realkredit A/S

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Nykredit Realkredit A/S

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

\+

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

\+

Additional Factors	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 a 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 S&P Global Ratings' 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.

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 constrains our assessment of Denmark's economic risk. Nevertheless, our Banking Industry Credit Risk Assessment score for Denmark remains one of the highest globally. However, credit conditions have been improving in recent years and we expect credit losses will remain low in 2019. While we observe a decline in the coverage of nonperforming loans (NPLs), 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 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)	**2019***	**2018**	**2017**	**2016**	**2015**
Adjusted assets	1,540,406	1,447,710	1,426,583	1,400,362	1,383,518
Customer loans (gross)	1,304,348	1,281,215	1,228,294	1,188,757	1,175,085
Adjusted common equity	73,850	70,374	66,976	63,481	60,607
Operating revenues	7,223	12,303	15,528	12,284	12,636
Noninterest expenses	2,492	4,804	4,838	5,185	4,964
Core earnings	3,615	5,821	8,220	5,118	5,258

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

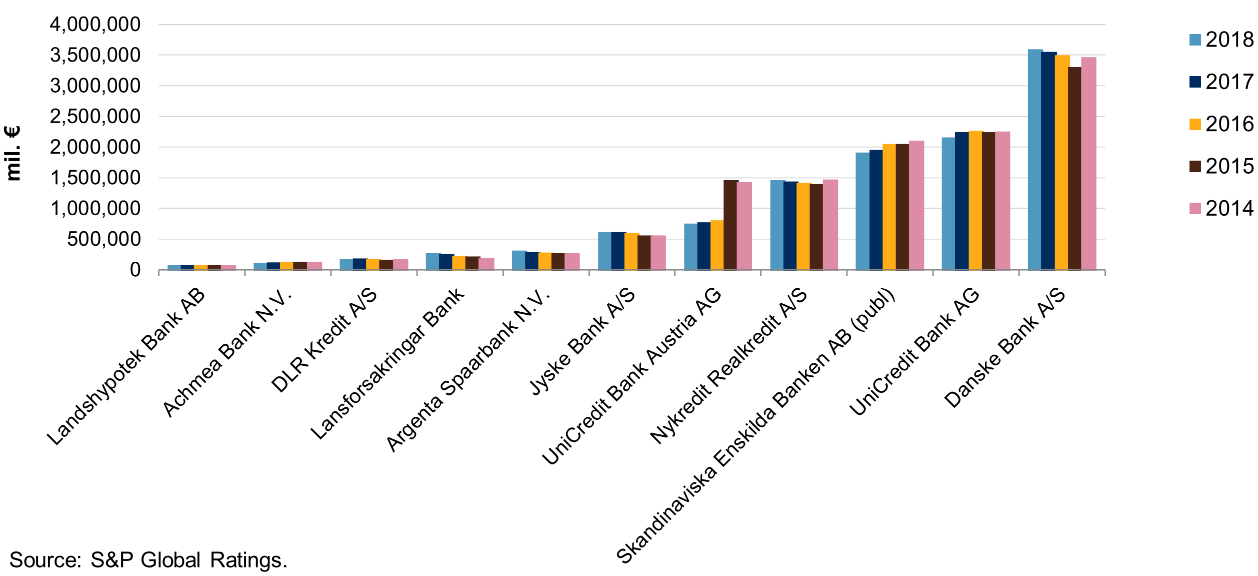
Business position: Denmark's premier mortgage provider, with improved returns

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 stability 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 6%--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) 1.54 trillion (€234 billion) as of end of first-half 2019. The bank's share of the domestic lending market varies by segment, but in terms of mortgage lending, its main segment, it has a market share about 44%. Furthermore, it is the country's second-largest financial services group and its subsidiary Nykredit Bank is the fifth-largest commercial bank in the country. It derives about 70% of its core earnings from its mortgage lending platform, and the remainder from Nykredit Bank. Through its subsidiary Totalkredit's cooperation with partner banks, we expect Nykredit will remain the market leader in Danish mortgages.

Chart 1

Nykredit Realkredit Asset Size Compared With Peers



Source: S&P Global Ratings.

In our view, both Nykredit Realkredit's prominent role in the Danish mortgage market and its mutual model have historically contributed to lower margins for all Danish mortgage banks than for 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. Other market players followed these price hikes, which in our view illustrates 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. The bank has now extended this benefit program to its business customers by offering similar discounts under the brand ErhvervsKroner. They also provide a cash benefit program to their full service customers (MineMål). In order to prepare for these additional requirements, in February 2016 Nykredit Realkredit announced its plan to raise equity via an IPO, and its eventual listing on the Copenhagen stock exchange. However, Nykredit Realkredit's owners instead decided to sell 10.9% of the bank's capital to an investor consortium led by PFA Pension in 2017. This sale was completed in December 2017. We expect this updated ownership structure will remain supportive of the bank's overall credit standing.

Strategically, we believe Nykredit Realkredit aims to maintain its dominant position in mortgages while improving its market share in other products. It will achieve this, 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 will continue expanding its banking and asset management operations business.

Table 2

Nykredit Realkredit A/S Business Position

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Loan market share in country of domicile	31.8	31.4	31.0	30.8	30.6
Total revenues from business line (currency in millions)	7,223.0	12,303.0	15,528.0	12,653.0	12,636.0
Commercial banking/total revenues from business line	15.3	19.8	23.8	14.4	19.3
Retail banking/total revenues from business line	63.0	76.7	63.7	64.8	68.5
Commercial & retail banking/total revenues from business line	78.3	96.5	87.5	79.3	87.8
Asset management/total revenues from business line	7.1	7.0	5.6	8.2	6.4
Other revenues/total revenues from business line	14.6	(3.5)	6.9	12.6	5.8
Return on average common equity	9.5	7.6	11.4	8.3	5.3

*Data as of June 30. N/A--Not applicable.

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 risk-adjusted capital ratio, which stood at 12.24% on Dec. 31, 2018, up from 12.13% at year-end 2017, will remain above 12% over the next 18-24 months.

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

The forecast considers the following assumptions:

- Net interest margins will remain close to 0.75% until 2021.

- Loan growth will increase to 3% in 2019 and then settle at 2% until 2021.
- The bank will remain cost efficient with a cost to income ratio close to 40%, still among the lowest of its peers.
- Credit risk growth will move in line with loan growth, and operation risk will increase 1.5% year on year during the forecast period.
- Cost of risk close to 10 basis points (bps) through the forecast period.

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 of DKK380 million were significantly below our normalized annual loss levels of DKK3.4 billion as of year-end 2018 (we note some normalization in first-half 2019, with credit costs of DKK433 million). 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 0.47% on Dec. 31, 2018, down from 0.58% at Dec. 31, 2017 owing to the effect of adverse market conditions on its investment income (0.47% for first-half 2019). We expect the ratio will remain close to 0.3% in the coming years, which we consider somewhat weaker than that of peers, which average close to 0.6%.

Nykredit Realkredit's dual objective strategy aims to create stable earnings by capturing more full-service customers with additional income streams, and to develop effective partnerships with local banks. 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.

We exclude from Nykredit Realkredit's total adjusted capital its equity investment, which we consider significant in non-consolidated financial institution subsidiaries (in particular DLR Kredit and Spar Nord). In May 2018, Nykredit Realkredit concluded an agreement with Jyske Bank for 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 Realkredit will maintain less than 10% ownership in the merged bank, and hence factor these shares as public equity exposures in our capital assessment.

Table 3

Nykredit Realkredit A/S Capital And Earnings

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Tier 1 capital ratio	21.5	22.1	21.7	19.9	20.5
S&P Global Ratings' RAC ratio before diversification	N/A	12.2	12.1	11.6	11.0
S&P Global Ratings' RAC ratio after diversification	N/A	10.2	10.1	9.5	10.0
Adjusted common equity/total adjusted capital	90.0	89.3	89.1	88.6	87.9
Double leverage	66.8	65.3	62.7	54.7	54.4
Net interest income/operating revenues	75.5	88.4	74.0	93.4	94.0
Fee income/operating revenues	(3.7)	(4.0)	(1.5)	(2.4)	(1.6)
Market-sensitive income/operating revenues	16.3	5.9	24.2	7.2	6.0
Noninterest expenses/operating revenues	34.5	39.0	31.2	42.2	39.3
Preprovision operating income/average assets	0.6	0.5	0.8	0.5	0.5

Table 3

Nykredit Realkredit A/S Capital And Earnings (cont.)

	--Year-ended Dec. 31--				
(%)	2019*	2018	2017	2016	2015
Core earnings/average managed assets	0.5	0.4	0.6	0.4	0.4

*Data as of June 30. N/A--Not applicable.

Table 4

Nykredit Realkredit A/S RACF [Risk-Adjusted Capital Framework] Data

(DKK 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government & central banks	92,739,640	72,919	--	2,131,659	2
Of which regional governments and local authorities	--	--	--	--	--
Institutions and CCPs	50,339,941	6,459,055	13	6,767,700	13
Corporate	336,888,583	150,991,879	45	227,187,676	67
Retail	962,978,770	113,903,217	12	296,302,099	31
Of which mortgage	918,874,559	94,637,169	10	263,133,610	29
Securitization§	--	--	--	--	--
Other assets†	2,112,974	2,112,974	100	2,377,095	113
Total credit risk	1,445,059,907	273,540,044	19	534,766,230	37
Credit valuation adjustment					
Total credit valuation adjustment	--	819,272	--	--	--
Market Risk					
Equity in the banking book	3,262,597	17,279,641	530	25,954,868	796
Trading book market risk	--	27,387,720	--	48,888,382	--
Total market risk	--	44,667,361	--	74,843,249	--
Operational risk					
Total operational risk	--	25,708,839	--	34,375,837	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	344,735,516	--	643,985,316	100
Total Diversification/ Concentration Adjustments	--	--	--	130,958,461	20
RWA after diversification	--	344,735,516	--	774,943,777	120
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		76,402,747	22.2	78,805,237	12.2
Capital ratio after adjustments‡		76,402,747	22.2	78,805,237	10.2

Table 4

Nykredit Realkredit A/S RACF [Risk-Adjusted Capital Framework] Data (cont.)
*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.DKK -- Danish krone. Sources: Company data as of 'Dec. 31 2018', S&P Global Ratings.

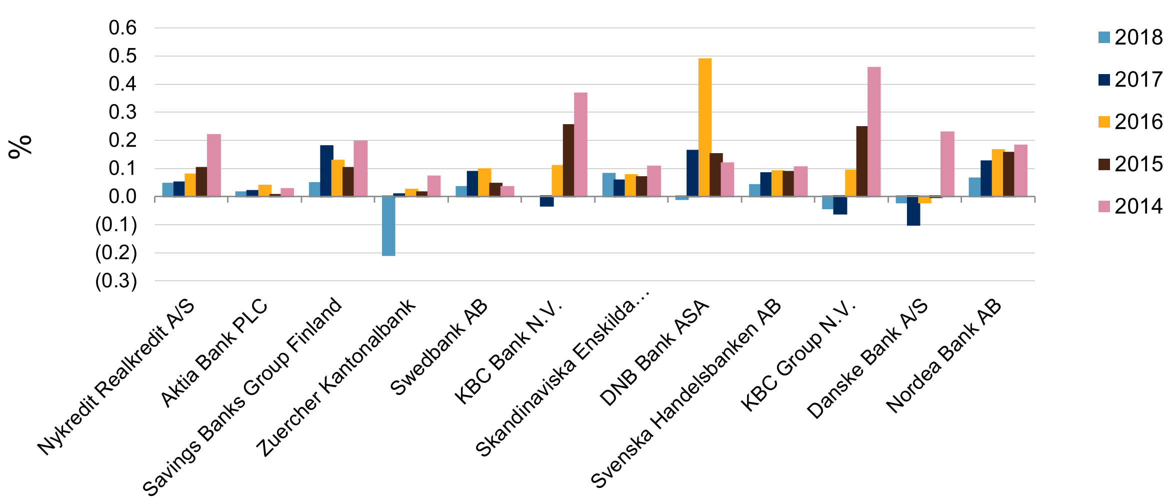
Risk position: First-priority mortgages with low losses

Our assessment reflects our expectation that Nykredit Realkredit's asset quality will remain comparable with that of its peers, both domestic and international, 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 correlates strongly with 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 in 2009. However, since then the Danish economy has recovered and at Dec. 31, 2018, Nykredit Realkredit posted a low 3 bps net charge-off to average customer loans following the positive trend observed among most peers (same number observed for first-half 2019).

Chart 2

New Loan Loss Provisions/Average Customer Loans (Peer Comparison)



Source: S&P Global Ratings.

We expect credit conditions will start normalizing and that Nykredit Realkredit's provisions will gradually increase to about 9 bps-10 bps in the next two years.

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 at a sound level of about 62% at Dec. 31, 2018, down from 63% at year-end 2017. We consider the bank's risk management practices as adequate and believe that management is prudent in its lending and underwriting standards.

Denmark was affected by drought in summer 2018, but so far we have observed limited impact on Nykredit Realkredit's borrowers. That said, the agricultural sector's financial situation has improved in 2019. We also understand that Denmark is expected to have a normal harvest this year, in contrast to last year's poor harvest following an extraordinarily dry summer.

However, given the uncertainty in price developments for the sector, in addition to high leverage of producers, we expect continued pressure on credit quality. We continue to expect Nykredit Realkredit, the first-lien mortgage lender, will be in a relatively good position and its loan portfolio of DKK90 billion will be well provisioned for any future bankruptcies in the sector.

We consider Nykredit Realkredit's concentration and diversity as adequate. Nykredit Realkredit is the largest mortgage lender in Denmark, and mortgage loans formed over 80% of total assets as of June 30, 2019, with 95% of exposures within Denmark and the remaining 5% in Sweden, Germany, and other European countries. Within Denmark, the loans are well diversified.

We note that the Danish Financial Services Authority (FSA; the Danish regulator) reviewed NPLs at Nykredit Bank and picked a sample of 68 stage 2 and 3 loans. The results was a reclassification for 30% of these loans to different groups. FSA spotted some errors, poor implementation of International Reporting Standard (IFRS) rules, and possibly risk model and general data governance issues. We note that Nykredit Bank has a clear plan for improving the overall setup in relation to IFRS 9 implementation and modelling. We understand that effect is immaterial in terms of reserve increase and capital requirements; there will be no restatement, but some adjustments in future reporting. Given the planned improvement measures, these reporting deficiencies do not influence our overall view on Nykredit group's risk position assessment.

Table 5

Nykredit Realkredit A/S Risk Position

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	3.6	4.3	3.3	1.2	(1.9)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	20.3	20.4	22.0	9.7
Total managed assets/adjusted common equity (x)	20.9	20.6	21.3	22.1	22.8
New loan loss provisions/average customer loans	0.1	0.0	0.0	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	1.0	1.6	2.0	2.4	2.6
Loan loss reserves/gross nonperforming assets	63.8	37.5	32.1	28.7	28.6

*Data as of June 30.
N/A--Not applicable.

Funding and liquidity: Reduced reliance on short-term funding and well-functioning covered bond market

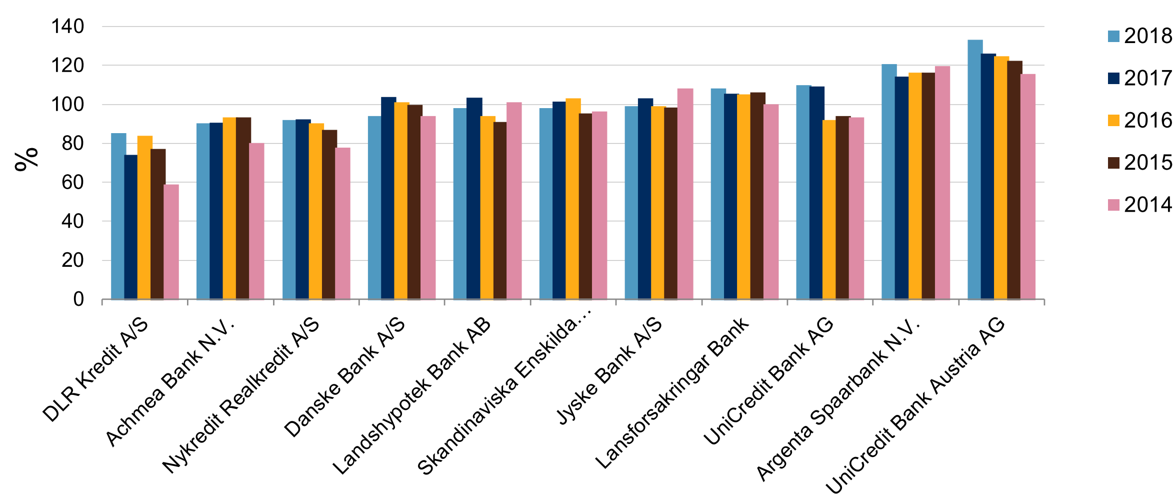
Since 2012, Nykredit Realkredit has materially extended the term structure of its funding, primarily in the form of covered bonds, as it prepared for tightened regulations with respect to the share of short-term loan refinancing. Nykredit Realkredit has reduced the share of one-year adjustable-rate mortgages (and corresponding one-year covered bonds, thanks to the match principle) to about 5% of the portfolio on June 30, 2019, from 27% of the portfolio at end-2012. With this reduction, Nykredit Realkredit has positioned itself well to abide by the Danish supervisory diamond for mortgage banks, requiring a mortgage bank to have only 25% of its issued bonds maturing within a year.

On June 30, 2019, Nykredit Realkredit's ratio of broad liquid assets as a share of short-term funding was 0.76x (2018: 0.61%, 2017: 0.66%), compared with 0.41x at year-end 2014. Over the same period, its stable funding ratio was about 91.5% as of the same date (2018: 90.0%).

While these ratios remain weaker than those of Nykredit Realkredit's international peers, we compare the ratios with the bank's domestic peers and consider the importance of supporting characteristics of the Danish covered bond market.

Chart 3

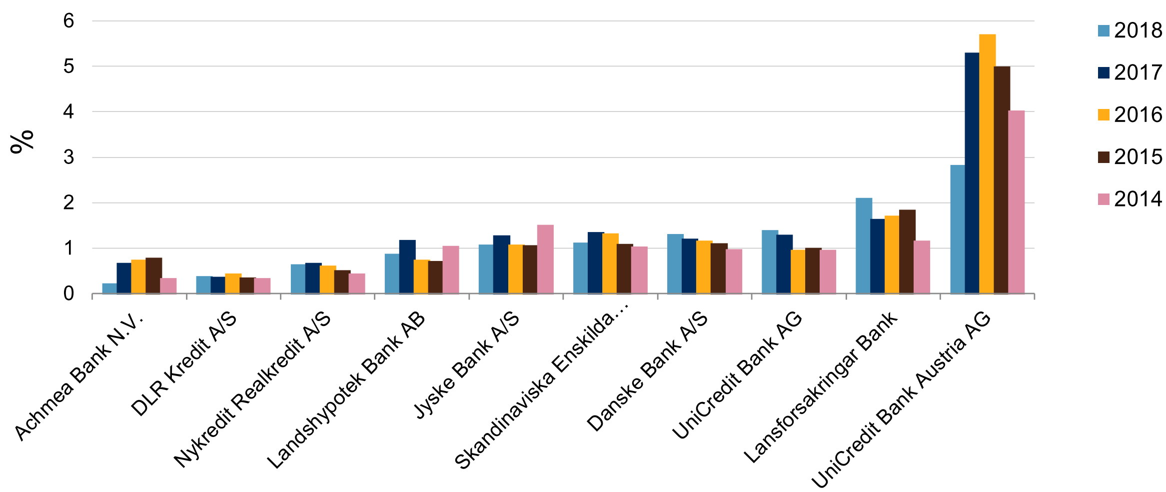
Nykredit Realkredit Stable Funding Ratio Compared With Peers



Source: S&P Global Ratings.

Chart 4

Nykredit Realkredit BLAST Compared With Peers'



Source: S&P Global Ratings.

In particular, we note that the balance principle results in cash flow matching (in addition to interest rate and currency matching) and that the industry and the regulator have worked to significantly reduce the volume of one-year bond refinancing, 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 will continue to support stable demand for Danish covered bonds.

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

Table 6

Nykredit Realkredit A/S Funding And Liquidity

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	5.6	7.0	5.8	5.1	4.9
Customer loans (net)/customer deposits	1,538.3	1,366.6	1,607.7	1,804.5	1,863.4
Long-term funding ratio	79.1	81.5	80.6	80.1	77.8
Stable funding ratio	90.0	91.5	91.8	89.8	86.4
Short-term wholesale funding/funding base	22.2	19.7	20.7	21.1	23.4
Broad liquid assets/short-term wholesale funding (x)	0.8	0.6	0.7	0.6	0.5

Table 6

Nykredit Realkredit A/S Funding And Liquidity (cont.)

		--Year-ended Dec. 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Short-term wholesale funding/total wholesale funding	23.3	21.0	21.8	22.1	24.5

*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 Realkredit's outstanding ALAC-eligible instrument, we calculate that the bank's ALAC buffers amounted to 530 bps of S&P Global Ratings' RWAs at year-end 2018.

In addition to the Tier 3 instruments, we include Nykredit Realkredit's senior nonpreferred debt instruments (excluding those required for a strong capital and earnings assessment) in our ALAC assessment.

On June 8, 2018, a new law was adopted in Denmark that included a new requirement that combined debt buffer requirements and minimum requirement for own funds and eligible liabilities (MREL) for systemically important bank groups, including mortgage credit institutions, 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 DKK20 billion-DKK30 billion ($3.0 billion-$4.5 billion) of additional senior nonpreferred instruments to be in compliance, depending on business volume growth and regulatory developments.

As a result, we expect Nykredit Realkredit's ALAC reserves will increase substantially above their current level. It remains unclear, however, whether they will increase sustainably above 800 bps in the next two years, a level at which we would likely factor into our rating an additional notch of ALAC uplift.

Issue ratings

We rate senior non-preferred and structurally similar Tier 3 senior resolution notes, at 'BBB+', one notch below the bank's stand-alone credit profile (SACP) to reflect their contractual subordination to senior preferred notes.

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 Nykredit Realkredit's AT1 instruments with a going-concern trigger at 'BB+', four notches lower than the issuer credit rating, 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 and Nykredit Realkredit (see "24 European Banking Groups Assigned Resolution Counterparty Ratings," published June 29, 2018, on RatingsDirect).

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, 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

- Criteria - Financial Institutions - General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology - July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity - April 27, 2015
- Criteria | Financial Institutions | Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions - Jan. 29, 2015
- General Criteria: Group Rating Methodology - Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions - July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions - Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions - Nov. 9, 2011

- General Criteria: Use Of CreditWatch And Outlooks - Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks - March 23, 2004

Related Research

- Banking Industry Country Risk Assessment Update: July 2019, July 30, 2019
- The Resolution Story For Europe's Banks: Life In The Halfway House, July 18, 2019
- Nordic Banks' Strong Capital Will Cushion Them From The Challenges Ahead, March 28, 2019
- Nordic Banks Sport Strong Capital--And It's Not Likely To Soften, Oct. 17, 2018
- Nordic Bank Ratings Continue To Stand Tall, Aug. 16, 2018

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 September 30, 2019)*

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

Ratings Detail (As Of September 30, 2019)*(cont.)	
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
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.