

Nykredit Realkredit A/S

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Nykredit Realkredit A/S

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Issuer Credit Rating

A+ / Stable / A-1

Resolution Counterparty Rating

AA- / -- / A-1+

SACP: a-

Support: +2

Additional factors: 0

Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		

ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
A+ / Stable / A-1
Resolution counterparty rating
AA- / A-1+

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths

Leading mortgage bank in Denmark, a wealthy and competitive economy.
Highly collateralized nature of the loan book and good asset quality.
Strong earnings, supporting both stable risk-adjusted capital and additional loss-absorbing capacity (ALAC) buffer.

Key risks

Concentration in the Danish mortgage market.
Reliance on wholesale funding.

We expect Nykredit to maintain its dominant business position in the Danish mortgage market. We believe that Nykredit Realkredit will uphold its position as the main provider of mortgage financing in Denmark, as well as the largest lender by domestic volume, with a market share of about 44%. While mortgage lending in Denmark will remain at its core, we believe that the bank will increase its market share in investment products throughout 2024. Although asset growth largely stems from its subsidiary's (Totalkredit) partnership with domestic banks, with the acquisition of Sparinvest, assets under management have grown by 18%, amounting to a total of Danish kroner (DKK) 438.1 billion (€59 billion) by the end of 2021.

Stable retained earnings will continue to support a strong risk-adjusted capitalization. We project the group's risk-adjusted capital (RAC) ratio to remain in the range of 13.2%-13.7% over the next 18-24 months compared with 13.2% at year-end 2021. We expect that capitalization will remain a rating strength despite Nykredit Realkredit's resumption of dividend payments of about 50% of profit. That said, we anticipate that its majority shareholder Forenet

Kredit will continue to pay back a large part of the proceeds (around 70%-80%) to fund Nycredit Realkredit's market-leading pricing programs, like the KundeKroner discounts.

The granular highly collateralized retail mortgage portfolio should sustain asset quality over the medium term.

Nycredit's asset quality remains comparable with, or slightly better than, peers. The mortgage loans formed over 83% of total assets as of Dec. 31, 2021, with 95% of exposures within Denmark and only 5% in Sweden, Germany, and other European countries. Credit losses at Nycredit Realkredit Group will likely remain low thanks to its sound risk management and underlying robust Danish economy.

We anticipate reduced reliance on short-term funding, as well as support from a well-functioning covered bond market in Denmark. Nycredit Realkredit has continuously reduced the share of one-year adjustable-rate mortgages (and corresponding one-year covered bonds) to about 1% of the portfolio on Dec. 31, 2021. Its ratio of broad liquid assets as a share of short-term funding (BLAST) was 0.82x on Dec. 31, 2021. We believe that the bank maintains a prudent matched funding profile based on the Danish balance principle that reduces its refinancing risk. We regard Nycredit's liquidity as adequate, based on ample buffers of good quality liquid assets that support the bank's reliance on wholesale funding.

The long-term issuer credit rating on Nycredit Realkredit includes two notches of ALAC uplift. We anticipate that Nycredit Realkredit's ALAC will remain well above 6% of our risk-weighted assets (RWA) metric over the next two years, allowing us to maintain the two notches of uplift for ALAC support in our long-term rating. The bank's ALAC buffer amounted to 8.7% of RWA at year-end 2021 versus our 6% threshold.

S&P Global Ratings acknowledges a high degree of uncertainty about the extent, outcome, and consequences of the military conflict between Russia and Ukraine.

Irrespective of the duration of military hostilities, sanctions and related political risks are likely to remain in place for some time. Potential effects could include dislocated commodities markets--notably for oil and gas--supply chain disruptions, inflationary pressures, weaker growth, and capital market volatility. As the situation evolves, we will update our assumptions and estimates accordingly. See our macroeconomic and credit updates here: [Russia-Ukraine Macro, Market, & Credit Risks](#).

Outlook

The stable outlook reflects our expectation that stable funding and liquidity, strong capitalization and earnings capacity, and a substantial ALAC buffer will support the ratings on Nycredit Realkredit and its subsidiary Nycredit Bank A/S over the next two years.

Downside scenario

We could lower the long-term rating should Nycredit Realkredit's asset quality and earnings come under greater pressure than we currently expect. This could materialize if lower earnings retention resulted in a significant decrease in the bank's RAC below 10%. Similarly, we could lower our long-term rating if ALAC falls below 6%, reducing the protection that this buffer provides to senior unsecured creditors.

Upside scenario

We consider an upgrade a remote possibility at this point.

Key Metrics

Nykredit Realkredit A/S--Key Ratios And Forecasts*					
	--Fiscal year ended Dec. 31 --				
(%)	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue (%)	-1.9	14.4	(10.0)-(10.5)	6.2-6.6	7.4-7.7
Growth in customer loans (%)	5.2	2.4	4.9-5.1	4.9-5.1	4.9-5.1
Net interest income/average earning assets (NIM) (%)	0.7	0.7	0.7-0.8	0.7-0.8	0.7-0.8
Cost to income ratio (%)	38.9	36.6	42.4-43.3	41.9-42.7	40.9-41.7
Return on average common equity (%)	6.8	10	7.1-7.4	7.4-7.7	7.8-8.2
Return on assets (%)	0.5	0.1	0.1-0.1	0.3-0.3	0.3-0.4
New loan loss provisions/average customer loans (%)	0.2	0	0.0-0.0	0.0-0.0	0.0-0.0
Gross nonperforming assets/customer loans (%)	1.6	1.5	1.3-1.4	1.2-1.3	1.0-1.1
Risk-adjusted capital ratio (%)	13.5	13.4	13.3-14.0	13.3-13.9	13.1-13.7

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast.

Anchor: 'bbb+', The Same Level For Banks Operating Predominantly In Denmark

Our bank criteria use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. Our anchor for a commercial bank operating only in Denmark is 'bbb+', based on an economic risk score of '2' and an industry risk score of '4'.

Our assessment of low economic risks 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 and diverse, and the pandemic has hit the Danish economy less severely than that of many European peers. Following the real GDP contraction of 2.1% in 2020, the Danish economy picked up by 4.7% in 2021, and we expect it to grow by 2.1% in 2022. Overall, we expect bank provisioning needs to decrease in 2022, mostly driven by nonmortgage credit exposures toward small and midsize (SME) enterprises. The robustness of the mortgage sector, which represents 95% of total lending, is further supported by a balanced housing market, in our view.

That said, we acknowledge that Denmark's private sector debt is still one of the highest in the EU. The government has provided several initiatives to curtail the household debt, such as: incentivizing fixed-rate mortgages, amortization on high LTVs, thresholds on debt-to-income ratios, and tax measures. In 2024, the Danish government will introduce a new valuation system that will serve as the basis for calculating property tax. Existing owners will not be charged more tax than they currently pay, but new owners will pay taxes based on the updated valuations. Thus, despite sharp house price growth, which has accelerated since the beginning of the pandemic and increased the share of interest-only mortgage loans (843 billion or 46.7% of Danish homeowners' total mortgage debt was without instalments at the end of 2021), we believe private sector debt and households' vulnerability will remain broadly stable.

Our industry risk assessment incorporates our expectation that Danish banks' profitability will gradually improve while remaining below that of Nordic peers. This is despite the frontloading of bail-inable debt issuances, negative interest rates, significant investments in compliance, and competitive pressure in corporate lending, which still weigh on the sector's profitability. We now expect Danish banks' return on equity (ROE) to recover from current levels and remain in the 5%-7% range in 2022-2023, close to the average of Denmark's peer countries, but still below other Nordic banking systems.

We note the sector's higher reliance than peers' on functioning wholesale markets but acknowledge the continuing stability of the Danish covered bond market. We view the regulatory environment in Denmark as being in line with that of other EU countries overall. This balances a generally robust track record of macroprudential policies and conservative bank supervision with the national anti-money-laundering (AML) governance shortcomings highlighted in Danske Bank's Estonia case. However, local banks and regulators have progressed in strengthening the country's overall AML framework and expect this focus to continue considering significant public attention and overall political consensus.

Our economic and industry risk trends for the Danish banking sector remain stable.

Business Position: Denmark's Premier Mortgage Provider, With Stable Returns

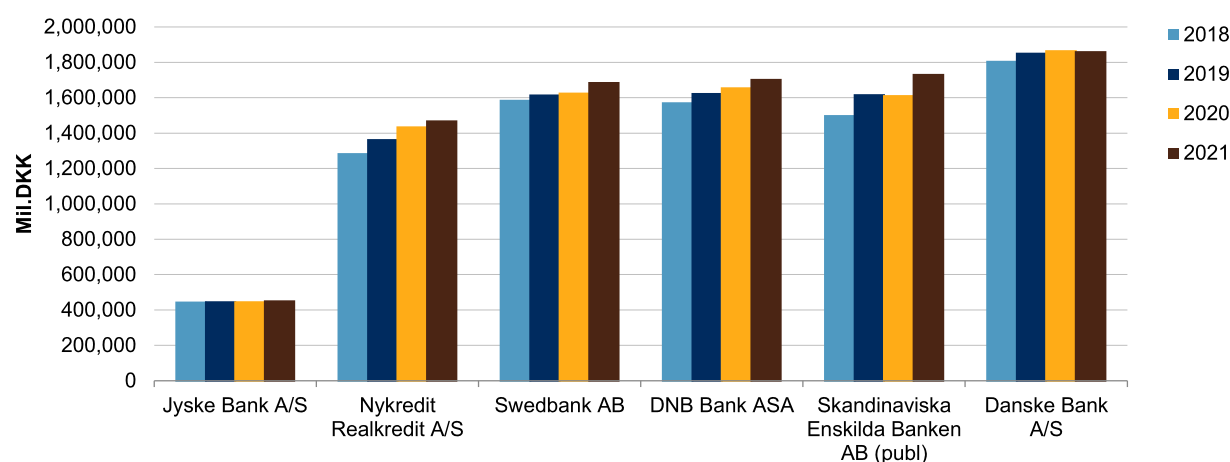
Our assessment of Nycredit Realkredit's business position reflects our expectation that the group will maintain its dominant position in the Danish mortgage market, with resilient earnings and an increasing, but still partial, business diversification. The group's primary focus is mortgage lending in Denmark, while commercial banking services--where Nycredit Bank has a market share of roughly 6.8%--are limited. That said, the group is strengthening its wealth management services as a strategic priority, which we expect to continue to improve its revenue diversification through 2024. The fee income from wealth management as a share of fee and commission income increased to 53% in 2021 from 48% in 2020 and we expect that share to increase further to around 60%-65% in 2024.

Nycredit Realkredit is Denmark's premier provider of mortgage financing and largest lender by domestic volume (see chart 1). It reported total assets of DKK1.67 trillion (€220 billion) as of year-end 2021. The bank's share of the domestic lending market varies by segment, but in mortgage lending, its main segment, it has a market share of about 44%. Furthermore, it is the country's second-largest financial services group and, through its subsidiary Totalkredit cooperation with domestic banks, we expect Nycredit Realkredit will remain the market leader in Danish mortgages.

Chart 1

Stable Volume Growth For The Leading Danish Mortgage Provider

Gross customer loans



DKK--Danish krone. Source: S&P Global Ratings.

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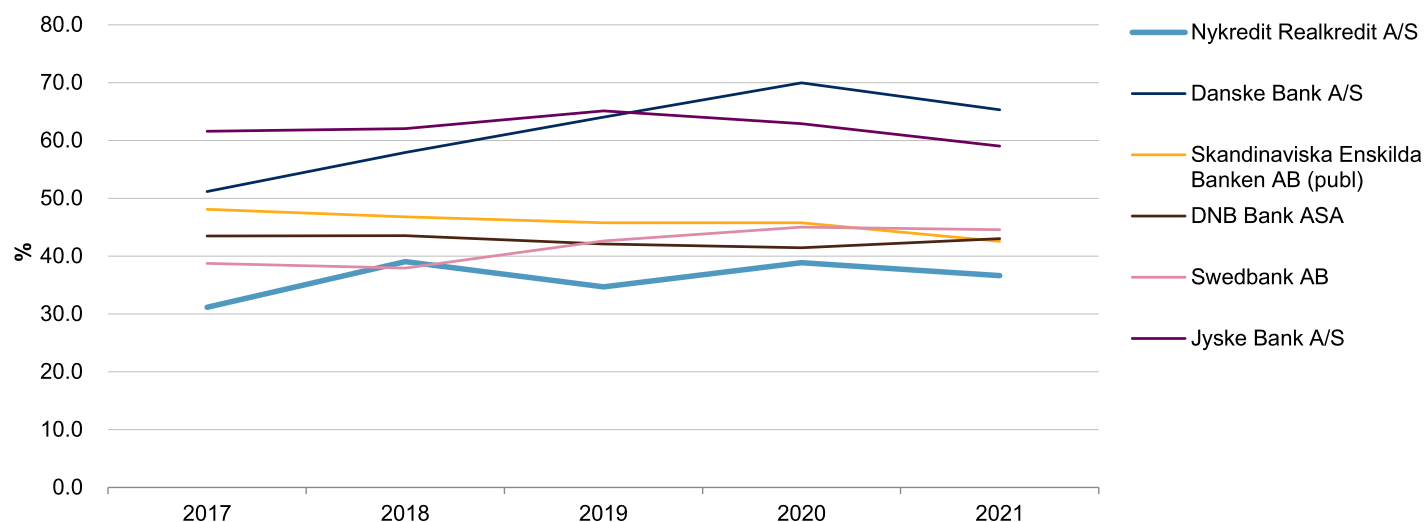
Nykredit Realkredit plans to achieve further diversification by providing its private individual retail clients with a full-service offering via its subsidiary Nykredit Bank (fifth-largest commercial bank in Denmark), thus competing more directly with other larger banking groups like Danske Bank, Nordea Bank, and Jyske Bank. In addition, the group has continued to reinforce its presence in the wealth management area. Nykredit Realkredit acquired Sparinvest in 2019 and now, as of year-end 2021, it has more than DKK400 billion (€53 billion) in assets under management, ranking among the three largest asset managers in Denmark. Overall, in Sparinvest, assets under management grew by 39%, and this acquisition has strengthened Nykredit's already solid position in the Danish market.

Nykredit Realkredit benefits from Totalkredit partnership with domestic banks, allowing it to size a material share of new mortgage lending in 2021. The cooperation also enables a cost-efficient business model with low distribution costs, which is reflected in the group's low cost-to-income ratio (see chart 2). Furthermore, we expect the increasing IT collaboration within the Totalkredit partnership will tighten the bonds between members and strengthen the group's position in the mortgage market over the next two years.

Chart 2

Nykredit's Cost Efficiency Ratio Continues To Outperform Nordic Peers

Cost-to-income ratio



Source: S&P Global Ratings.

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In our view, both Nykredit Realkredit's prominent role in the Danish mortgage market and its mutual ownership 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 and profitability both through an emphasis on cost efficiency and by raising mortgage administrative fees to achieve higher margins. Other market players followed these price hikes, which in our view illustrates that Nykredit Realkredit's market position benefits from substantial pricing power. There was an elevated remortgaging activity in 2021, but the bank expects a lower conversion activity in 2022.

Since 2017, Nykredit Realkredit had offered a profit-sharing model ("KundeKroner") where the bank shares profits with customers in the form of discounts financed by dividends paid to its owner Forenet Kredit. This concept has since then been expanded to a total of six discounts that form the wide-ranging benefit program "ForeningsFordele" (Association Benefits). The Association Benefits gives both private and business customers the possibility to get fee-discounts on loans, investments, and green products and services. In our view, the benefit program increases customer loyalty and boosts cross-selling across the different business areas. We view this feature as supportive of the bank's brand and highly competitive price offering.

Capital And Earnings: Retained Earnings Continue To Support Steady Capital Build-Up

We expect Nykredit Realkredit's capital and earnings will remain strong, and we expect that the group's RAC

ratio--which stood at 13.2% as of year-end 2021, down from 13.5% at year-end 2020--will increase to above 13.4% over the next 18-24 months. Additionally, the common equity Tier 1 (CET1) ratio of 20.6% is 500bps above the capital policy target.

Our capital assessment also factors in our expectation that Nykredit Realkredit will continue paying dividends of about 50% of profits. On March 24, 2022, the annual general meeting approved the recommended proposal for the dividend distribution of DKK4,380 million (€589 million or about 49% of net profit for the year 2021). We expect the bank's management to continue to calibrate its dividend distribution policy in line with its long-term capital targets.

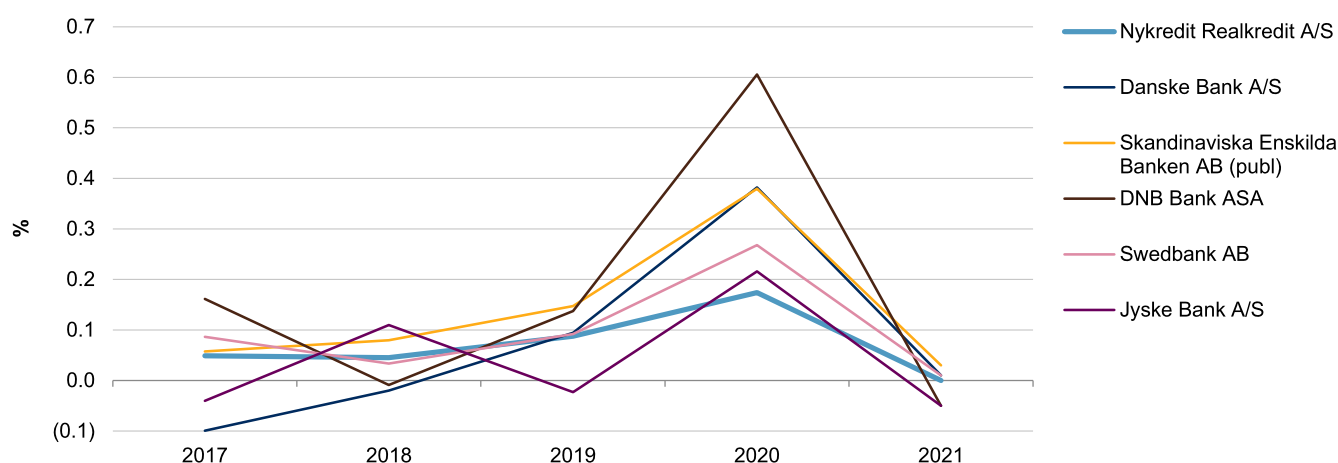
Furthermore, Forenet Kredit reached its Danish FSA-endorsed target of an earmarked capital reserve of at least DKK10 billion to exclusively support Nykredit, thus providing Nykredit with the required funding flexibility to align its capital structure on par with listed peers.

That said, we expect Forenet Kredit will continue to pay back a large part of the proceeds to fund Nykredit Realkredit's reward profit-sharing program "KundeKroner". We project that Nykredit Realkredit's cost of risk will normalize to 3bps during 2022-2024 from being nil as of year-end 2021, which we expect will be lower than our estimate for domestic peers owing to the group's mortgage-heavy balance sheet (see chart 3). Additionally, we project the bank's loan growth will rise to 5% in 2022 from 2.44% at year-end 2021. It will settle at that level until 2024, gradually returning to its pre-pandemic levels.

Chart 3

Nykredit Realkredit's Cost Of Risk Back To Pre-Pandemic Levels

New loan loss provisions/average customer loans



Source: S&P Global Ratings.

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In recent years, the group has focused on maintaining margins and cost efficiency. Core earnings to adjusted assets stood at 0.54% on Dec. 31, 2021, up from 0.35% at Dec. 31, 2020. We expect the ratio to increase to between 0.6%-to 0.7% during 2022-2024, which is in line with Nordic peers.

Risk Position: First-Priority Mortgages With Track Record Of Low Loan Losses

We expect that Nykredit Realkredit's asset quality will remain comparable with, or somewhat better than, that of its peers, both domestic and international. Owing to 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.

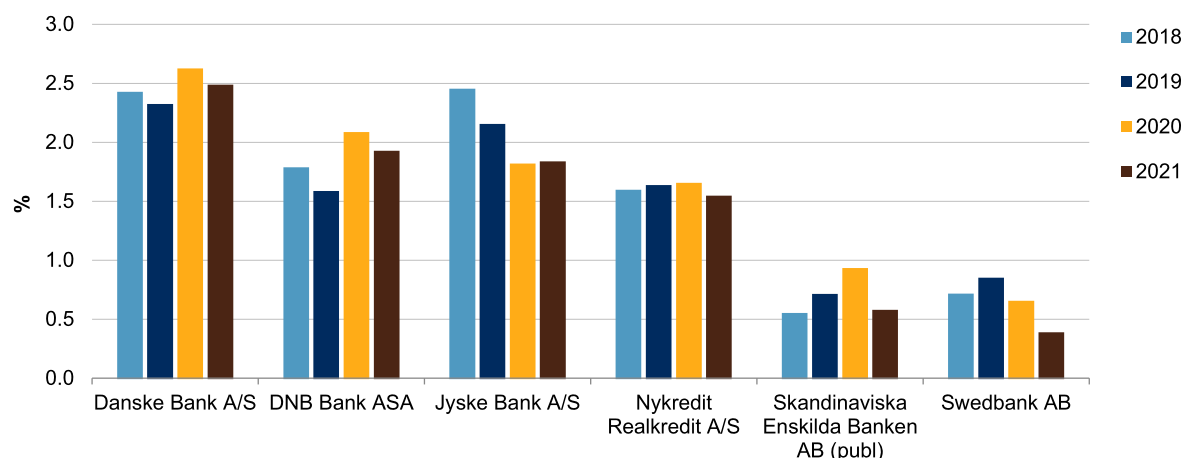
The bank's mortgage portfolio includes personal customers, which form 64% of mortgage loans; commercial loans form 30%, and agriculture loans the remaining 6%. Overall, the loan-to-value (LTV) ratio for the entire mortgage loan book was at a sound level of about 55.8% at year-end 2021, down from 61.3% at year-end 2020. We consider the bank's risk management practices adequate and believe that management is prudent in its lending and underwriting standards. This is mirrored in the LTVs of the newly introduced loans with a 30-year interest-only period where 95% of the loans (DKK28 billion of the total DKK29.5 billion) had a loan-to-value ratio below 60% as per December 2021.

As of year-end 2021, the group reported loan impairment charges of a reversal of DKK115 million as compared to charges of DKK2.3 billion in year-end 2020, mainly due to strong economic conditions. We expect nonperforming assets will remain stable at a low 1.0%-1.4% of gross loans during our forecast period of 2022-2024 (see chart 4).

Chart 4

Nykredit Realkredit's Asset Quality Is Robust

Nonperforming assets* (%)



*Adjusted nonperforming assets/customer loans + other real estate owned. Source: S&P Global Ratings.

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Since the Russian invasion of Ukraine on Feb. 24, 2022, agricultural commodity prices and other crop inputs such as fertilizers have spiked and remain volatile, reflecting a fear of supply shortages. Although the impact of the conflict on the Danish agriculture sector (agricultural loans make up 6% of Nykredit's mortgage portfolio) is uncertain and rapidly evolving, we believe that it could have a minor negative impact on the bank's asset quality, in our view. Besides the

risks stemming from the war in Ukraine that are rapidly affecting supply chains and prices, other risks for the sector are the spread of swine fever, the price of piglets, shifting conditions between sale prices and cost prices of input, as well as rising environmental requirements and climate targets.

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 reduced the share of one-year adjustable-rate mortgages (and corresponding one-year covered bonds, thanks to the match principle) to about 10% of its portfolio as of year-end 2021, from 27% at end-2012. With this reduction, Nykredit Realkredit has positioned itself well to adhere to the Danish supervisory diamond for mortgage banks, requiring a mortgage bank to have only 25% of its issued bonds maturing within a year.

On Dec. 31, 2021, Nykredit Realkredit's ratio of broad liquid assets as a share of short-term funding (BLAST) was 0.8x (2020: 0.9x, 2019: 0.8x, 2018: 0.6x), compared with 0.4x at year-end 2014. We expect the long-term average of Nykredit Realkredit's BLAST to be around 0.6x due to rising interest rates that could lead to lower levels of remortgaging activity (borrowers in Denmark can refinance their loans if interest rates change, which is matched by the bank by replacing the underlying bonds). Its stable funding ratio was about 94% as of the same date (2020: 96%). 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.

We note that the "balance principle" results in cash flow matching (in addition to interest rate and currency matching) and that the Danish banking industry and regulator have worked to significantly reduce the volume of one-year bond refinancing, resulting in longer and more balanced debt maturity profiles for Danish banks. 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 on refinancing risks to investors and repricing risks to 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 crises, not least during the market turmoil during the first weeks of the Russian invasion of Ukraine, as well as during the COVID-19 shock in March 2020. We expect pension funds' demand for low-risk domestic assets will continue to support stable demand for Danish covered bonds.

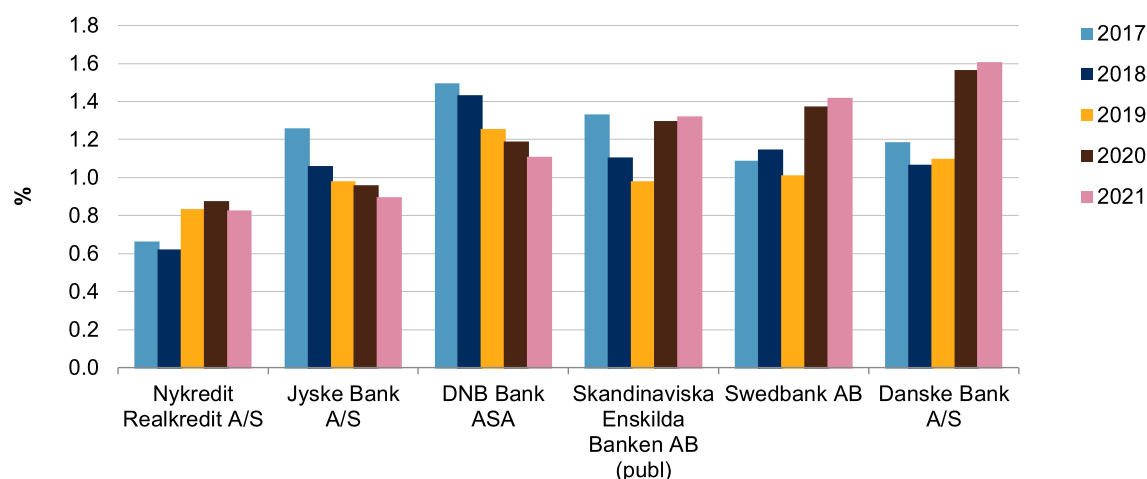
Additionally, the issuance of the group's SNP debt (see below section) have raised Nykredit's ability to absorb a property price decline. The bank states that it could absorb a property price decline of 26% without additional funding.

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

Chart 5

Nykredit Realkredit's BLAST Is Somewhat Weaker Than Peers

Broad liquid assets/short-term wholesale funding (x)



Source: S&P Global Ratings.

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Support: Two Notches Of ALAC Support On Increasing Bail-In Buffers

We include two notches of uplift for ALAC in the long-term rating on Nykredit Realkredit based on our assessment of its bail-inable buffers. 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.

The Danish legislation includes a debt buffer requirement to hold at least 8% of total liabilities, including own funds (TLOF) in a bail-inable format. Nykredit management has set an internal target for the debt buffer at 9%-9.25% of the group's TLOF, which allows the bank to stay above the legal requirement in a stress scenario. We do not expect any material changes to the group's issuance plans for bail-inable instruments. We expect new issuance of bail-inable instruments over 2022-2024 to be mainly driven by balance sheet growth and refinancing needs.

We anticipate that Nykredit Realkredit's ALAC will remain well above 6% of our RWA metric over the next two years, enabling us to maintain the two notches of uplift for ALAC support in our long-term rating. The bank's ALAC buffer amounted to 8.7% of RWA at year-end 2021 versus our 6% threshold.

Additional Rating Factors: None

No additional factors affect this rating.

Environmental, Social, And Governance (ESG)

We believe ESG credit factors influence Nykredit Realkredit's credit quality similarly to its industry and Danish peers.

Social factors have always been important for the bank due to its owner, Forenet Kredit, an association of customers of Nykredit Realkredit and Totalkredit, which shares its profits with both personal and business customers through mutual benefits and discounts. The program was expanded in 2021 by the establishment of "ForeningsFordele" in order to enhance the bank's profile as a customer-owned, responsible, and sustainable financial provider.

Apart from agriculture, the bank has limited exposure to sectors that are vulnerable to transition risks due to its modest commercial banking footprint. We see the main environmental risks that Nykredit Realkredit faces as managing the potential impact of climate change on its borrowers, such as mortgage customers that are vulnerable to increasing flood or other climate risks. The bank is also reducing its carbon footprint and supporting customers in their efforts to do so, for example by launching green loans and covered bonds for energy-efficient buildings. Furthermore, the bank has developed a climate training (financed by Forenet Kredit) that will be offered to between 3,000-5,000 Danish farmers during 2022 and 2023 to further support the green transition in the Danish agricultural sector.

Issue Ratings

We rate SNP 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 the Bank Recovery And Resolution Directive is equivalent to a contractual write-down clause.

We rate Nykredit Realkredit's additional Tier 1 instruments with a going-concern trigger at 'BB+', four notches lower than the bank's SACP, 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 'AA-/A-1+' RCRs to Nykredit Bank and Nykredit Realkredit.

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.

Key Statistics

Table 1

Nykredit Realkredit A/S--Key Figures					
	--Year-ended Dec. 31--				
(Mil. DKK)	2021	2020	2019	2018	2017
Adjusted assets	1,671,268	1,663,476	1,608,155	1,447,710	1,426,583
Customer loans (gross)	1,466,970	1,432,087	1,361,342	1,281,215	1,228,294
Adjusted common equity	79,716	78,144	75,332	70,374	66,976
Operating revenues	16,959	14,822	15,107	12,303	15,528
Noninterest expenses	6,207	5,760	5,239	4,804	4,838
Core earnings	9,004	5,673	7,530	5,821	8,220

DKK--Danish krone.

Table 2

Nykredit Realkredit A/S--Business Position					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Loan market share in country of domicile	34.6	33.7	32.3	31.4	31.0
Total revenues from business line (currency in millions)	16,528	14,822	15,107	12,303	15,528
Commercial banking/total revenues from business line	18.5	19.3	17.1	19.8	23.8
Retail banking/total revenues from business line	59.9	65.9	66.3	76.7	63.7
Commercial & retail banking/total revenues from business line	78.5	85.3	83.4	96.5	87.5
Asset management/total revenues from business line	10.8	10.2	7.7	7.0	5.6
Other revenues/total revenues from business line	10.8	4.6	8.9	(3.5)	6.9
Return on average common equity	10.1	6.8	9.5	7.6	11.4

Table 3

Nykredit Realkredit A/S--Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Tier 1 capital ratio	21.5	21.1	20.5	22.1	21.7
S&P Global Ratings' RAC ratio before diversification	13.2	13.5	14.0	12.2	12.1
S&P Global Ratings' RAC ratio after diversification	11.2	11.6	11.9	10.2	10.1
Adjusted common equity/total adjusted capital	95.5	90.5	90.1	89.3	89.1

Table 3

Nykkredit Realkredit A/S--Capital And Earnings (cont.)					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Double leverage	78.3	73.0	73.4	65.3	62.7
Net interest income/operating revenues	66.6	75.8	73.1	88.4	74.0
Fee income/operating revenues	1.0	0.5	(2.9)	(4.0)	(1.5)
Market-sensitive income/operating revenues	22.0	14.2	14.1	5.9	24.2
Cost to income ratio	36.6	38.9	34.7	39.1	31.2
Preprovision operating income/average assets	0.6	0.6	0.7	0.5	0.8
Core earnings/average managed assets	0.5	0.4	0.5	0.4	0.6

RAC--Risk-adjusted capital.

Table 4

Nykkredit Realkredit A/S--Risk-Adjusted Capital Framework Data					
(Thousands DKK)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government and central banks	102,857,119	0	0	1,881,835	2
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	42,634,888	5,895,405	14	7,877,365	18
Corporate	400,174,422	129,052,264	32	240,789,606	60
Retail	1,121,693,428	135,907,055	12	273,484,357	24
Of which mortgage	1,091,211,726	126,112,274	12	253,295,189	23
Securitization	0	0	0	0	0
Other assets	2,819,031	31,819,258	1,129	3,201,992	114
Of which deferred tax assets	273,490	--	--	683,725	3
Total credit risk	1,670,178,887	302,673,982	18	527,235,155	32
Credit valuation adjustment	--				
Total credit valuation adjustment	--	780,867	--	0	--
Market risk					
Equity in the banking book	3,974,271	20,701,055	521	32,753,594	824
Trading book market risk	--	24,074,574	--	39,876,643	--
Total market risk	--	44,775,629	--	72,630,237	--
Operational risk					
Total operational risk	--	27,243,971	--	34,208,870	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	401,644,235	--	634,074,262	100.0
Total diversification/ concentration adjustments	--	--	--	109,654,484.0	17.0

Table 4

Nycredit Realkredit A/S--Risk-Adjusted Capital Framework Data (cont.)				
RWA after diversification	--	401,644,235	--	743,728,746
				117
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	86,644,000	21.6	83,445,326	13.2
Capital ratio after adjustments (5)				
*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. CCP--Central counterparty. RAC--Risk-adjusted capital. DKK--Danisk krone. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.				

Table 5

Nycredit Realkredit A/S--Risk Position					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Growth in customer loans	2.44	5.20	6.25	4.31	3.33
Total diversification adjustment/S&P Global Ratings' RWA before diversification	19.23	16.97	17.73	20.34	20.42
Total managed assets/adjusted common equity (x)	20.99	21.32	21.38	20.58	21.30
New loan loss provisions/average customer loans	0.00	0.17	0.09	0.05	0.05
Net charge-offs/average customer loans	0.00	0.02	0.03	0.03	0.02
Gross nonperforming assets/customer loans + other real estate owned	1.54	1.65	1.63	1.59	1.99
Loan loss reserves/gross nonperforming assets	41.04	40.99	35.61	37.50	32.11
N/A--Not applicable. RWA--Risk-weighted assets.					

Table 6

Nycredit Realkredit A/S--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Core deposits/funding base	5.9	5.7	5.7	7.0	5.8
Customer loans (net)/customer deposits	1,572.5	1,614.3	1,584.9	1,366.6	1,607.7
Long-term funding ratio	84.8	84.3	81.7	81.5	80.6
Stable funding ratio	96.6	97.5	95.9	91.5	91.8
Short-term wholesale funding/funding base	16.1	16.7	19.4	19.7	20.7
Broad liquid assets/short-term wholesale funding (x)	0.8	0.9	0.8	0.6	0.7
Net broad liquid assets/short-term customer deposits	(44.9)	(33.7)	(49.8)	(111.6)	(126.8)
Short-term wholesale funding/total wholesale funding	17.1	17.6	20.5	21.0	21.8
N/A--Not applicable.					

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And

Assumptions, Dec. 9, 2021

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Sovereign Risk Indicators, April 11, 2022
- Nordic Banks Shift Their Focus To Profitable Growth, March 16, 2022
- [How The Conflict In Ukraine Is Affecting Financial Institutions Ratings](#), March 4, 2022
- Banking Industry Country Risk Assessment Update: Feb. 25, 2022
- Four Danish Bank Ratings Affirmed Under Revised FI Criteria, Feb. 4, 2022
- The Top Trends Shaping European Bank Ratings In 2022, Feb. 1, 2022

Ratings Detail (As Of April 11, 2022)*

Nykredit Realkredit A/S

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Junior Subordinated	BB+
Junior Subordinated	BBB
Senior Secured	AA/Stable
Senior Secured	AAA/Stable
Senior Subordinated	BBB+
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB

Issuer Credit Ratings History

05-Nov-2019	A+/Stable/A-1
13-Jul-2018	A/Positive/A-1
08-Jul-2016	A/Stable/A-1

Sovereign Rating

Denmark	AAA/Stable/A-1+
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Related Entities

Nykredit Bank A/S

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+

Ratings Detail (As Of April 11, 2022)*(cont.)

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.

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