S&P Global Ratings

Research

DLR Kredit A/S

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Table Of Contents

Table Of Contents (cont.)

DLR Kredit A/S

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A-/Stable/A-2
Resolution Counterparty Rating
A/--/A-1

SACP: bbb+ → **Support: +1** → **Additional factors: 0**

SACP: bbb+		
Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

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

Additional factors: 0
Issuer credit rating
A-/Stable/A-2
Resolution counterparty rating
A/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

Overview

Key strengths	Key risks
Well-established leading financing provider to Denmark's agricultural industry.	Concentration risk due to the narrow business model, which focuses on the Danish agricultural and real estate sectors.
Loan-level guarantees and portfolio-level commission recovery agreements with owner banks reduce credit risk.	High volatility in the Danish agricultural industry and generally difficult commercial real estate (CRE) market cycle.
Robust capitalization and high buffer of additional loss-absorbing debt instruments.	

We expect DLR Kredit A/S (DLR) will maintain its capital position as its main rating strength, supported by stable earnings and a highly efficient business set-up. We think DLR will maintain its leading position as a financer for the Danish agricultural sector and its adequate position in CRE markets. We forecast that the bank's risk-adjusted capital (RAC) ratio will remain stable at about 16.5%-17.0% over 2024-2026, compared with 16.7% at end-2023, a level we consider is very strong. DLR's business and revenue stream stability, high operating efficiency, comparably low credit losses, and high earnings retention into capital will support capital improvements.

We expect the effects of the DLR's revised uniform guarantee concept will remain limited on capital adequacy. We forecast that the adjustments to the uniform guarantee concept, which will reduce the direct guarantee on the outstanding value of the individual loans to 2% from 6%, effective from June 30, 2024, will have limited effects on DLR's risk appetite and capitalization. We anticipate the tier 1 capital ratio will reduce by about 30 basis points (bps), compared with 22.2% at end-2023.

We anticipate that DLR will maintain resilient asset quality, despite the concentration in the Danish agricultural and real estate sectors. We forecast that DLR will maintain sound asset quality, with a comparably low cost of risk and low non-performing loans, despite its high concentration in Denmark's agricultural and CRE sectors. DLR's asset quality will benefit from its sound risk management and underwriting policies, as well as its loss protection, which results from loss-mitigation agreements between DLR and its loan-distributing banks. We consider that the bank's lending portfolio is vulnerable to high fluctuations in cyclical sectors and a more difficult market environment.

We forecast that DLR will maintain sizable bail-in-able debt instruments to support the 'A-' long-term issuer credit rating. We anticipate that DLR will maintain a very high amount of additional loss-absorbing capacity (ALAC), adding further protection for senior creditors. This results in a one-notch uplift above its 'bbb+' group stand-alone credit profile. We forecast that the bank will keep its ALAC buffer of 5.1%-4.5% of S&P Global Ratings' risk-weighted assets through 2026, compared with 5.4% in 2023.

Outlook

The stable outlook reflects our expectation that the RAC ratio will remain comfortably above 15% over the next two years, thanks to solid retained earnings. We also anticipate that the Danish covered bond market will remain resilient and accessible for DLR. We forecast the bank's revenue generation will be highly concentrated on the Danish agriculture and real estate sectors. We think the loss-mitigation agreements with DLR's owner banks, alongside DLR's robust capitalization, will offset concentration risks and support the bank's overall risk profile.

Downside scenario

We could take a negative rating action over the next two years if DLR's very strong capital position weakens. This could happen if the projected RAC ratio falls below 15% because of an unexpected substantial and protracted deterioration in the bank's profitability, higher loan losses due to a material deterioration in asset quality, or higher capital distributions to owner banks.

Upside scenario

Although we consider the possibility of an upgrade as remote, we could take a positive rating action if the ALAC buffer increased sustainably above 7% and if we considered DLR able to sustain a higher rating level, compared with its peers.

Key Metrics

DLR Kredit A/S--Key ratios and forecasts					
	--Fiscal year ends Dec. 31 --				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	(8.0)	71.8	(5.8)-(7.1)	(10.3)-(12.6)	(10.7)-(13.0)
Growth in customer loans	(3.0)	7.1	5.9-7.2	4.5-5.5	3.6-4.4
Growth in total assets	(2.0)	7.0	5.6-6.8	4.3-5.3	3.5-4.2
Net interest income/average earning assets (NIM)	1.1	1.3	1.1-1.2	1.1-1.2	1.0-1.1
Cost-to-income ratio	27.3	17.2	19.0-19.9	22.7-23.9	27.3-28.7
Return on average common equity	4.7	8.2	6.9-7.7	5.7-6.3	4.6-5.1
Return on assets	0.4	0.7	0.6-0.7	0.5-0.6	0.4-0.4
New loan loss provisions/average customer loans	0.0	0.0	0.0	0.0	0.0
Gross nonperforming assets/customer loans	0.6	0.6	0.5-0.6	0.5	0.4-0.5
Net charge-offs/average customer loans	0.0	0.0	0.0	0.0	0.0
Risk-adjusted capital ratio	17.1	16.7	16.6-17.5	16.2-17.1	16.1-16.9

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' Since DLR Operates Only In Denmark

We use the economic risk and industry risk scores of our Banking Industry Country Risk Assessment (BICRA) to determine a bank's anchor, the starting point for 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 economic and industry risk trends for the Danish banking sector are stable.

Our assessment of low economic risk 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. We forecast real GDP growth in Denmark of 2.2% in 2024 and 2.0% in 2025, spurred by the pharmaceutical sector, which offsets weaker performance and consumer sentiment in other sectors. We anticipate that the difficult operating environment will continue to put some pressure on weaker players, but at manageable levels. Small and midsize enterprises with nonmortgage credit exposures will be most affected.

We believe Danish banks' improved profitability supports their robust capitalization, while the covered bond market provides a stable funding source. Higher interest rates, cost-efficient, stable funding through covered bonds, and relatively low credit cost boosted Danish banks' profitability and facilitated further capital build-up from earnings retention and the funding of typically moderate shareholder dividends. We forecast that Danish banks' sound return on equity (ROE) will improve to 9.0% in 2025, from 7.9% in 2022. Danish banks' ROE still lags that of Nordic peers since muted growth prospects, intense competition in retail mortgages and corporate lending, and higher investments in compliance and digitalization continue to weigh on Danish banks' earnings. Even though banks rely substantially on wholesale funding, market depth and a stable domestic covered bond market, which operates under Denmark's balance principle, bolster stability, as demonstrated by the Danish covered bond market's solid track record in times of stress.

We view the regulatory environment in Denmark as well in line with that of 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 the Danske Bank Estonia case. Yet local banks and regulators have progressed in strengthening the country's overall AML framework. We expect this will continue, considering significant public attention and overall political consensus.

Business Position: Major Funding Vehicle For The Danish Agricultural Sector And Commercial Properties

We anticipate that DLR will maintain its narrow business model, with lending equally split between the Danish agricultural industry and CRE exposures. We view both sectors, each of which represented 50% of DLR's lending as of the first half of 2024, as volatile and cyclical by nature. We consider DLR's comparatively limited and concentrated client base, as well as its revenue dependency on these volatile sectors, weaken its business position, compared with Nordic peers' more diversified and retail-oriented business models.

We expect DLR will successfully defend its solid position as the leading funding vehicle for the Danish agricultural sector and cementing its market share, which exceeded 38% as of half-year 2024. We forecast that by 2025 DLR's market share will be 10%-15% for the CRE sector, 10% for mortgage lending to residential rental and cooperative housing, and 11% for office and retail segments.

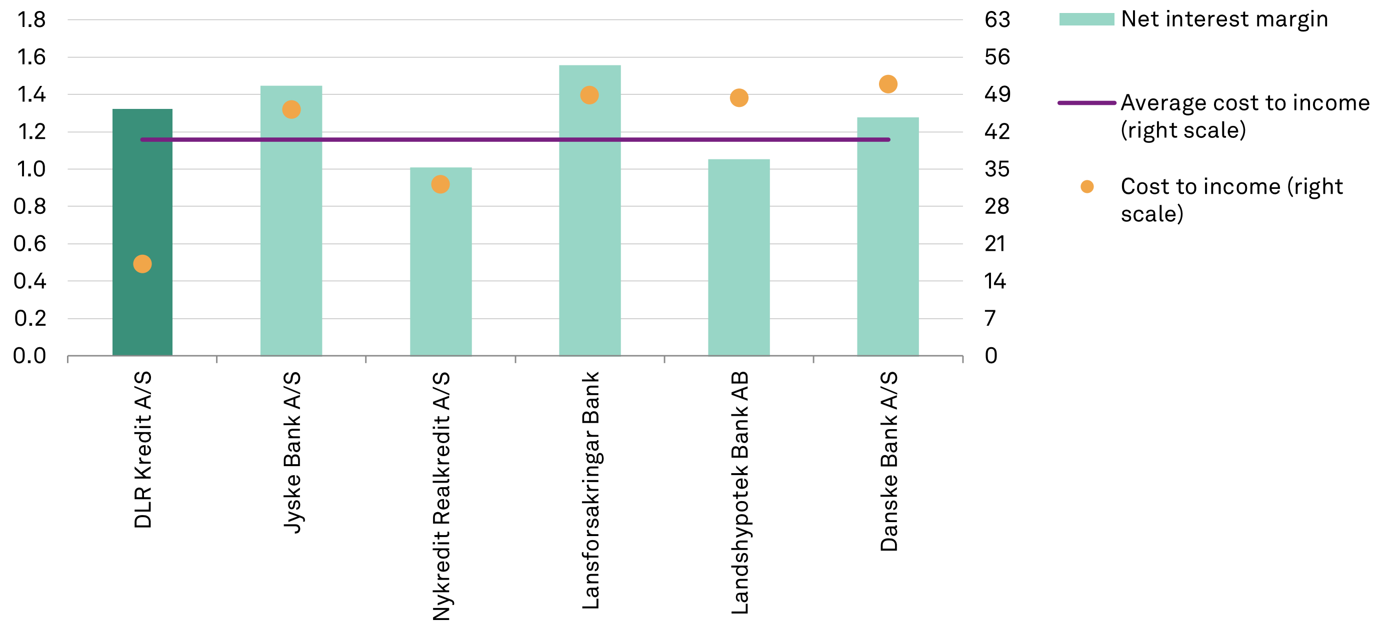
DLR soundly manages its distinct business model. The bank funds and manages mortgages distributed by its 42 owner banks and pays commission in return, while its owner banks provide first-loss guarantees on the referred assets. We consider the owners' support as critical to our assessment of the bank's business and risk position. We think DLR's effective cooperation with its shareholder banks will continue to underpin a stable market position. In our view, the owners' support contributes to the stability of revenues through a steady flow of loans, significantly reduces credit risk through extensive guarantee mechanisms, and allows for full profit retention.

DLR will continue to benefit from its outstanding cost efficiency, despite recurring high investment needs in compliance and IT solutions. The absence of its own costly branch network and the effective management of its cost structure translated into an outstanding cost-to-income ratio of 17.2% as of end-2023 (27.3% as of end-2022), compared with a peer average of 41.0%.

Chart 1

DLR's cost efficiency is very high, compared with Nordic peers

Cost-to-income ratio and net interest margin (%)



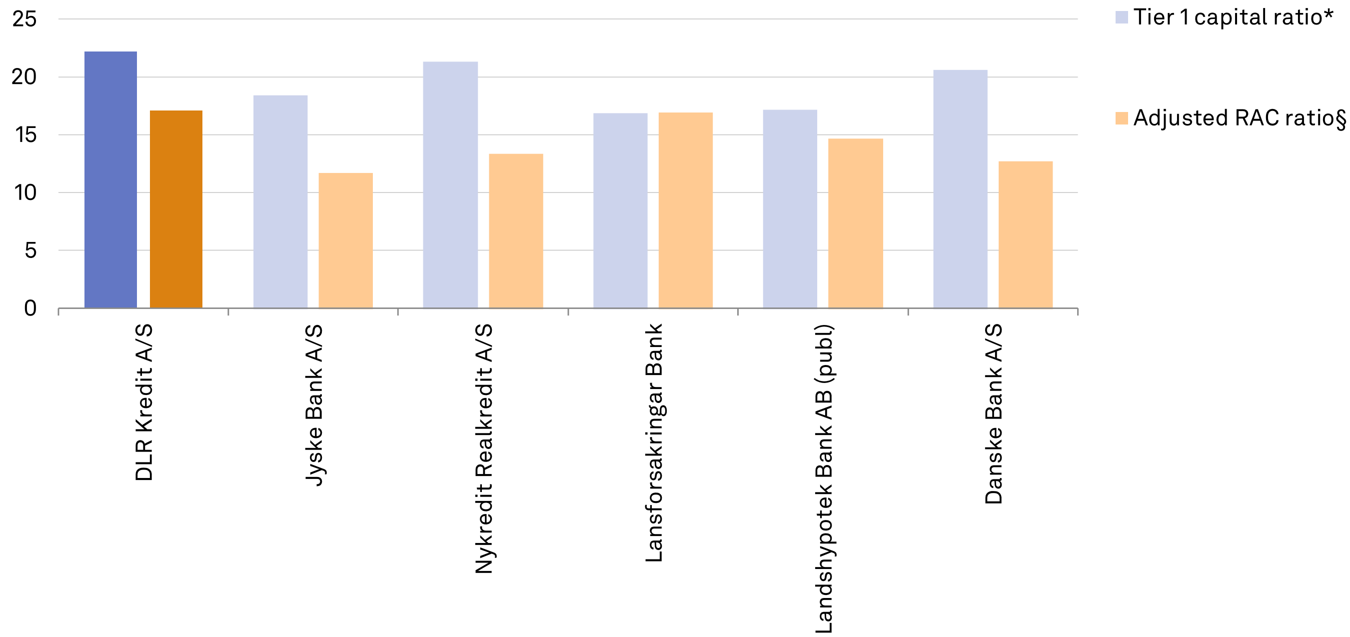
Net interest income to average earning assets. Data as of Dec. 31, 2023. Source: S&P Global Ratings.

Capital And Earnings: Very High Capitalization Will Continue

We project DLR's capitalization will remain a particular rating strength, as indicated by our projected RAC ratio of 16.5%-17.0% over 2024-2026, compared with 16.7% at end-2023. We expect ongoing solid internal capital generation capacity will benefit from a relatively resilient Danish economy, including benefits from higher interest rates, ongoing profit retention, and loss-mitigation agreements with DLR's owner banks. Our base-case projection incorporates strong annual loan growth of about 4%-6% over 2024-2026, as well as inflation-induced growth of non-interest expenses of approximately 6% in 2024 and thereafter.

Chart 2

DLR's solid capital position is in line with that of Nordic peers
S&P Global Ratings risk-adjusted capital versus tier 1 ratios (%)



*Data as of Dec. 31, 2023. §Data as of Dec. 31, 2022. Source: S&P Global Ratings.

We anticipate that DLR's capital ratios will continue to exceed its internal and regulatory targets. The bank reported a regulatory common equity tier 1 capital ratio of 21.9% as of end-June 2024 (22.2% at end-2023), which was well above the regulatory requirement of 15.5%. DLR had a total capital ratio of 23.7% at end-June 2024 (24.0% at end-2023), compared with a regulatory requirement of 16.2%.

Yet DLR's narrow business focus and reliance on interest income somewhat constrains the bank's earnings quality. We project DLR's earnings buffer (S&P Global Ratings' metric that shows the capacity of earnings to absorb through-the-credit-cycle losses) will be in the range of 0.7%-1.2% over 2024-2026, which is below the projected peer average of 1.2%-1.5% over 2024-2026.

Risk Position: Loss Guarantees Somewhat Balance Concentration Risk In Vulnerable Sectors

Our risk position assessment is a slight negative rating factor, refining our view of DLR's risks beyond the capital and earnings assessment. This combines DLR's very high concentration in the vulnerable agricultural and CRE segments. DLR's RAC ratio after diversification of 11.6% as of end-2023 includes a negative concentration charge of 508 bps. This is partly mitigated by DLR's asset quality, which continues to benefit from the bank's sound risk management, risk mitigation concept, and the robust Danish economy.

DLR's CRE financings account for 50% of the total loan portfolio and include loans to residential rental housing (50%), CRE (40%), and owner-occupied dwellings, which include residential farms and other properties (10%). We think these exposures are more vulnerable to structurally high fluctuations in property markets and note our expectation of more difficult markets until 2025. We add that the economic outlook for major Danish agricultural production areas could remain relatively more challenging over the next two years. We further understand that carbon levies on biological processes that were agreed in mid-2024 and will be implemented over 2030-2035 may affect future earnings prospects in the wider agricultural sector. This, in turn, could increase the pressure on vulnerable players, such as dairy farmers, that already suffer from lower wholesale prices, compared with the high levels in 2023. DLR has set aside a management overlay of about Danish krone (DKK) 63 million (about 3% of net agriculture loans as of year-end 2023), given these uncertainties. We believe this will continue to serve the bank well against the sector's potentially weakening operating climate. Consequently, we expect earnings across the wider agriculture sector will remain stable over the next two years and therefore do not foresee a decline in DLR's asset quality.

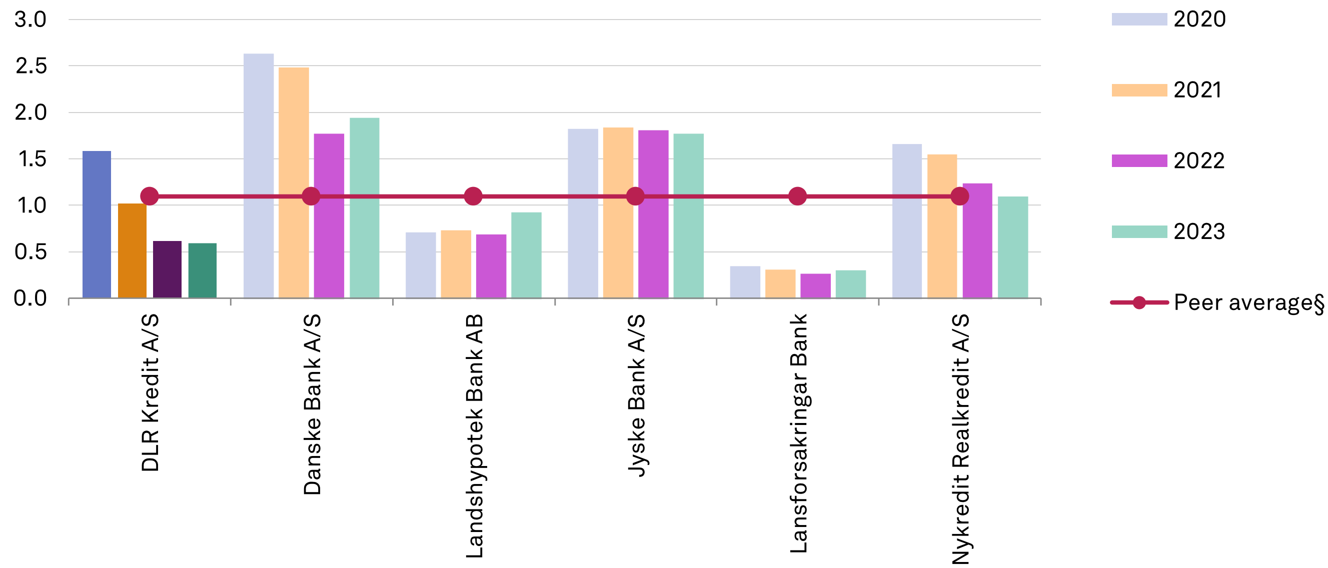
We see increasing economic risk is markedly counterbalanced by DLR's loss-mitigation agreements, universal guarantee concepts between DLR and its loan-distributing banks that cover all loans offered by DLR since the start of 2015. Further, we anticipate the adjustment to the agreement in force since June 30, 2024, reducing the direct guarantee to 2% from 6% while adapting to the capital requirement regulation, will not materially affect DLR's loss coverage. Key elements of the agreement include i) a direct loss guarantee on individual loans of 2% of the loan's outstanding debt for the entire term of the loan, ii) loss offsetting in owner-banks' commissions for up to 10 years, with any delayed adjustment over next year attracting interest of six-month CIBOR plus 600 bps, and iii) a portfolio guarantee based on the 2% guarantee provision on all individual loans distributed by the bank. As of end-2023, 99% of DLR's loan portfolio comprised loans under this agreement.

As a result, we forecast only mild risk cost increases to a manageable 2 bps-3 bps over 2024-2026, after a negligible reversal of loan loss reserves in 2023, which is low compared with Nordic peers. We project that the bank's gross nonperforming loans will remain at about 0.4%-0.6% over 2024-2026, down from 0.6% as of end-2023. This is slightly below Nordic peers' average.

Chart 3

Nonperforming assets remain in line with Nordic peer average

Nonperforming assets* (%)



*S&P Global Ratings-adjusted nonperforming assets/customer loans + other real estate owned. §Data as of Dec. 30, 2023.
Source: S&P Global Ratings..

Funding And Liquidity: Benefits From Resilient Danish Covered Bonds Markets

DLR's funding and liquidity profile is a neutral rating factor and balances DLR's lack of stable retail deposits with the strong funding benefit from the stability of the Danish covered bond market and its unique features. In line with all Danish mortgage banks, DLR does not accept retail deposits and, consequently, 100% of DLR mortgage loans are funded by issuing covered bonds. Because of the balance principle for Danish mortgage lending, DLR's bond maturities match interest rate fixings, rather than loan maturities. DLR therefore relies on short-term funding and has a larger maturity mismatch between assets and liabilities, compared with international peers.

We anticipate that the Danish covered bond market, a key investment target for Danish pension funds, will continue to perform well. Its stress resilience was demonstrated, for example, during the COVID-19 pandemic in 2020 and the financial turbulence at the start of 2022 and 2023, when the covered bond markets remained open. The 2014 Danish covered bond legislation that extends bond maturities by 12 months in the event of a failed auction is another supporting factor because it effectively passes refinancing risks to investors and repricing risks to borrowers.

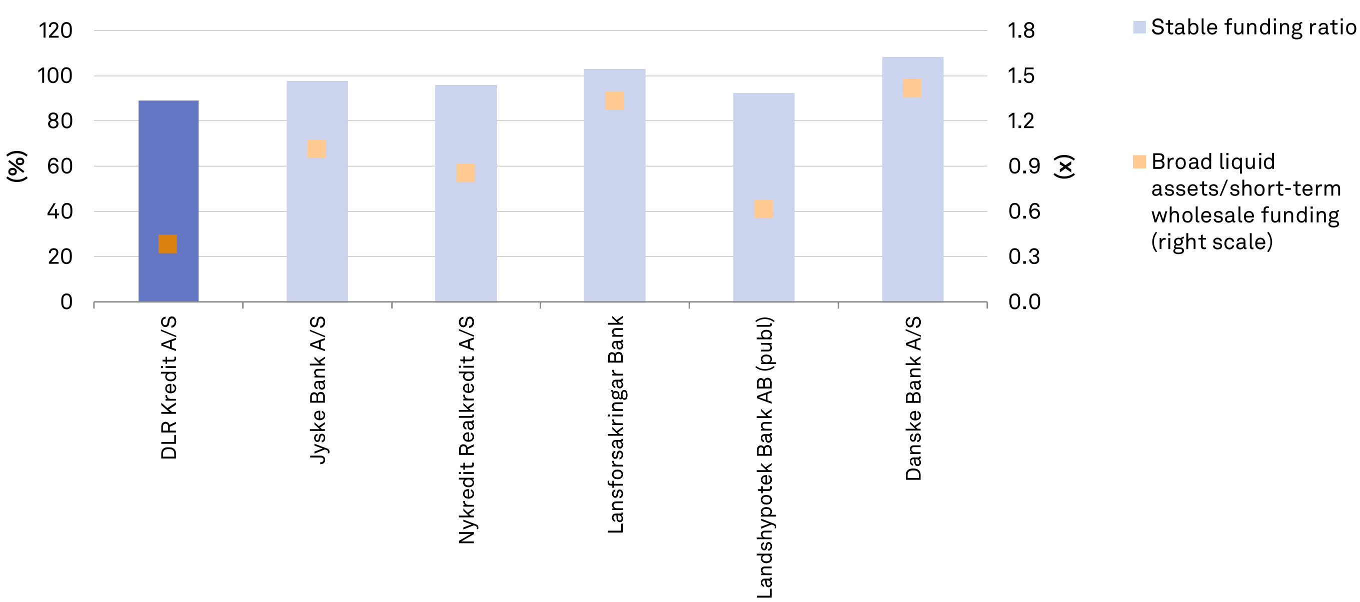
We expect that DLR's well-managed funding profile will show a stable funding ratio at comparatively lower levels. As of Dec. 31, 2023, it stood at 89.1%. Similarly, its regulatory net stable funding ratio amounted to 164% as of end-2023.

We anticipate that DLR will maintain its sound liquidity management--including regular stress testing and backtesting--and its adequate liquidity position. Because of the short-term fixing of DLR's covered bonds, the bank had a low ratio of broad liquid assets to short-term wholesale funding of 0.38x as of end-2023, while its liquidity exceeded the regulatory minimum, with a liquidity coverage ratio of 110% as of end-2023.

While we note that DLR's funding and liquidity indicators remain weak compared with many Nordic peers, we consider that they are more or less in line with the bank's domestic peers and that they benefit from the supporting characteristics of the Danish covered bond market (see "Danish Covered Bond Market Insights 2023," published Nov. 30, 2023).

Chart 4

DLR's higher use of covered bond funding means its ratios are weaker than those of Nordic peers



Data as of Dec. 31, 2023. Source: S&P Global Ratings.

Support: One Notch Of ALAC Support

We include one notch of support above DLR's 'bbb+' stand-alone credit profile because we expect the bank will continue to maintain a high ALAC buffer through 2025, protecting senior bondholders. We forecast that DLR will maintain an ALAC ratio of 4.7%-5.1% of risk-weighted assets over 2024-2026 and that it will adjust its corresponding funding plan, with planned issuances on par with muted customer loan growth.

We view Denmark's resolution regime as effective under our ALAC criteria. This is because we think it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns, following a bail-in of eligible liabilities.

Environmental, Social, And Governance

We consider the effects of environmental, social, and governance (ESG) factors on DLR are broadly in line with those on industry and country peers.

Governance considerations have a neutral effect on DLR's credit quality. The bank has a somewhat complex ownership structure, with 42 shareholder banks. We consider the nine-member board of directors adequately represents the members of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, members of the National Banks in Denmark, and DLR employees.

In 2021, DLR published its corporate social responsibility (CSR) policy, which sets the framework for how the bank deals with social and environmental factors in its business activities, both internally and externally. The framework established a CSR committee, which oversees the strategic ESG targets and their implementation in the bank's business units.

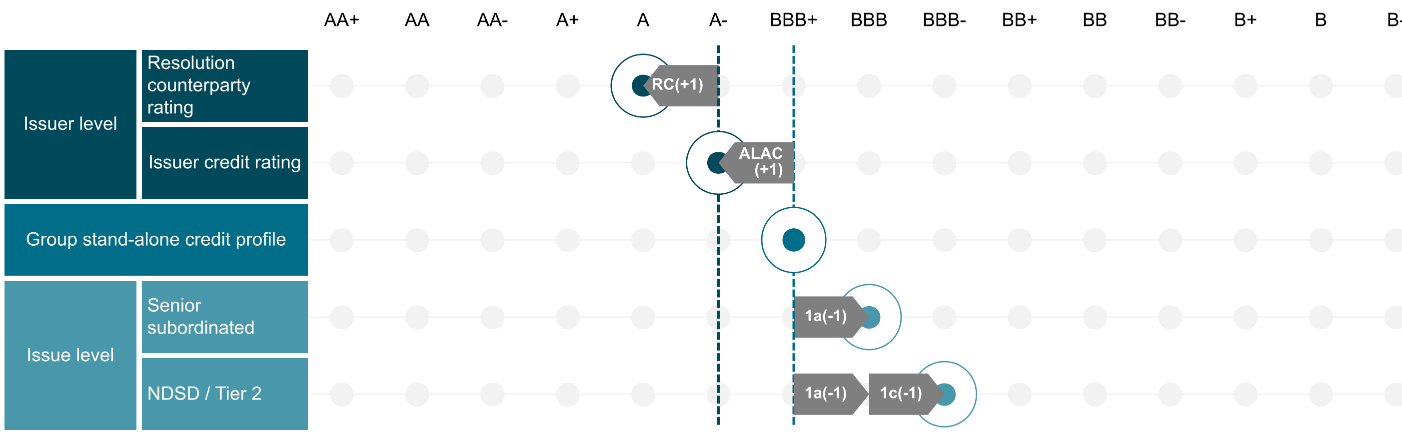
DLR offers green loans and mortgages to its customers, contributing to the green transition of the Danish agricultural and commercial property sectors. The criteria used for granting green mortgages focus on four key areas: Buildings with the highest energy performance certificates; investments in energy improvements; the use of sustainable energy sources, such as windmills or solar cells; and sustainability-certified agriculture, such as an organic or similar certification.

DLR became a signatory to the UN Principles for Responsible Banking, published a "Green Bond Framework," and issued its first green bond in 2022. The amount of green loans that were funded by green bonds increased to DKK4.7 billion in 2023, from up from DKK1.9 billion in 2022. DLR expects an increase in the volume of green loans over the coming years that will support the development of a market for green financing for the sustainable transition of commercial and agricultural properties.

Issue Ratings

We rate DLR's debt instruments according to their respective features.

DLR Kredit A/S: Notching



Key to notching

---- Issuer credit rating

----- Group stand-alone credit profile

RC Resolution counterparty liabilities (senior secured debt)

ALAC Additional loss-absorbing capacity buffer

1a Contractual subordination

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt. NVCC--nonviability contingent capital.

Resolution Counterparty Ratings (RACs)

We assign RCRs of 'A/A-1' to DLR, one notch above the 'A-' long-term issuer credit rating. The RCRs relate to certain senior liabilities that we consider explicitly protected from default in an effective bail-in resolution process.

Additional Rating Factors: None

No additional factors affect the ratings.

Key Statistics

Table 1

DLR Kredit A/S--Key figures

	--Year ends Dec. 31--				
(Mil. DKK)	**2024***	**2023**	**2022**	**2021**	**2020**
S&P Global Ratings-adjusted assets	197,680	192,890	180,244	183,871	181,083
Customer loans (gross)	186,736	182,334	170,288	175,598	167,278
Adjusted common equity	16,898	16,313	15,716	14,996	14,108

Table 1

DLR Kredit A/S--Key figures (cont.)

	--Year ends Dec. 31--				
(Mil. DKK)	**2024***	**2023**	**2022**	**2021**	**2020**
Operating revenues	1,014	2,168	1,262	1,372	1,338
Noninterest expenses	197	372	344	344	315
Core earnings	585	1,347	720	888	749

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

Table 2

DLR Kredit A/S--Business position

	--Year ends Dec. 31--				
(Mil. DKK)	**2024***	**2023**	**2022**	**2021**	**2020**
Total revenues from business line	1,014	2,168	1,262	1,372	1,338
Commercial and retail banking/total revenues from business line	100.00	100.00	100.00	100.00	100.00
Return on average common equity	6.86	8.18	4.67	6.07	5.45

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

Table 3

DLR Kredit A/S--Capital and earnings

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	21.90	22.20	22.50	17.10	17.10
S&P Global Ratings' RAC ratio before diversification	N/A	16.70	17.08	15.42	15.15
S&P Global Ratings' RAC ratio after diversification	N/A	11.63	11.56	10.42	10.32
Adjusted common equity/total adjusted capital	100.00	100.00	100.00	100.00	100.00
Net interest income/operating revenues	124.85	112.50	161.57	140.67	140.06
Cost-to-income ratio	19.43	17.16	27.26	25.07	23.54
Preprovision operating income/average assets	0.84	0.96	0.50	0.56	0.58
Core earnings/average managed assets	0.60	0.72	0.40	0.49	0.42

*Data as of June 30. N/A--Not available. RAC--Risk-adjusted capital.

Table 4

DLR Kredit A/S--Risk-adjusted capital framework data

(Mil. DKK)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings' RWA**	**S&P Global Ratings' average RW (%)**
Credit risk					
Government and central banks	2,641	0	0	6	0
Of which regional governments and local authorities	62	0	0	2	4
Institutions and CCPs	15,153	3,017	20	3,531	23
Corporate	101,820	72,601	71	67,153	66
Retail	74,164	22,761	31	17,199	23
Of which mortgage	74,164	22,761	31	17,199	23
Securitization§	0	0	0	0	0

Table 4

DLR Kredit A/S--Risk-adjusted capital framework data (cont.)					
Other assets†	1,304	1,299	100	1,290	99
Total credit risk	195,081	99,679	51	89,178	46
Credit valuation adjustment					
Total credit valuation	--	0	--	0	--
Market risk					
Equity in the banking book	46	46	100	405	875
Trading book market risk	--	2,682	--	4,023	--
Total market risk	--	2,728	--	4,428	--
Operational risk					
Total operational risk	--	3,001	--	4,065	--
(Mil. DKK)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	105,408	--	97,672	100
Concentration adjustments	--	--	--	42,639	44
RWA after diversification	--	105,408	--	140,310	144
(Mil. DKK)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio			**--S&P Global Ratings' RWA--**		
Capital ratio before		16,044	15.2	16,313	16.7
Capital ratio after‡		16,044	22.2	16,313	11.6

*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 -- Danisk krone. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5

DLR Kredit A/S--Risk position					
	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	4.83	7.07	(3.02)	4.97	6.36
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	43.66	47.77	47.95	46.87
Total managed assets/adjusted common equity (x)	11.70	11.82	11.47	12.26	12.84
Gross nonperforming assets/customer loans + other real estate owned	0.58	0.59	0.62	1.02	1.58
Loan loss reserves/gross nonperforming assets	36.46	34.57	35.01	21.54	18.54

*Data as of June 30. N/A--Not available. RWA--Risk-weighted assets. Source: S&P Global Ratings.

Table 6

DLR Kredit A/S--Funding and liquidity					
	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Long-term funding ratio	85.55	85.60	80.92	81.09	82.84

Table 6

DLR Kredit A/S--Funding and liquidity (cont.)

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Stable funding ratio	89.27	89.11	84.61	83.99	88.84
Short-term wholesale funding/funding base	15.83	15.83	20.93	20.61	18.63
Broad liquid assets/short-term wholesale funding (x)	0.39	0.38	0.29	0.24	0.45
Short-term wholesale funding/total wholesale funding	15.83	15.83	20.93	20.61	18.63
Narrow liquid assets/three-month wholesale funding (x)	2.05	2.02	2.92	2.16	2.58

*Data as of June 30. Source: S&P Global Ratings.

DLR Kredit A/S--Rating component scores

Issuer credit rating	**A-/Stable/A-2**
SACP	bbb+
Anchor	bbb+
Economic risk	2
Industry risk	4
Business position	Moderate
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: June 2024, June 28, 2024
- Danish Covered Bond Market Insights 2023, Nov. 30, 2023
- Tech Disruption In Retail Banking: Country-By-Country Analysis 2023: Leaders And Laggards Emerge, Sept. 27, 2023
- Research Update: Denmark 'AAA/A-1+' Ratings Affirmed; Outlook Stable, Aug. 12, 2023
- Danske Bank Outlook Revised To Stable As Estonia Money Laundering Case Resolved; 'A+/A-1' Ratings Affirmed, Dec. 16, 2022
- Danish Covered Bond Market Insights 2022, Nov. 22, 2022
- The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now, April 21, 2022

Ratings Detail (As Of September 5, 2024)*	
DLR Kredit A/S	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Senior Secured	A+/Stable
Senior Secured	AAA/Stable
Senior Subordinated	BBB
Subordinated	BBB-
Issuer Credit Ratings History	
23-Oct-2019	A-/Stable/A-2
13-Jul-2018	A-/Positive/A-2
19-May-2017	A-/Stable/A-2
Sovereign Rating	
Denmark	AAA/Stable/A-1+

*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.