

Credit Rating Announcement

09 November 2022

Scope Affirms Realkredit Danmark's A+ issuer rating, revises Outlook to Stable

Realkredit Danmark's ratings and Outlooks are aligned with those of its parent, Danske Bank A/S, into which it is fully integrated.

Rating action

Scope Ratings GmbH (Scope) has affirmed the A+ issuer rating and S-1+ short-term debt rating of Realkredit Danmark A/S (RD) and changed the Outlook to Stable from Negative.

Rating rationale

The issuer rating and Outlook on RD are aligned with those of its parent company Danske Bank A/S (Danske) as we consider RD to be a fully integrated subsidiary and therefore apply our top-down approach. RD is a wholly owned specialised mortgage finance subsidiary in Danske group's home market of Denmark. It originates almost exclusively its mortgage loans through Danske for which the latter provides a first loss guarantee. While it has its own governance structure, it is fully integrated into the group, following the same strategy and risk management principles. The loans are funded by covered bonds, which makes the bank a key funding vehicle for Danske group. The revision of the Outlook is related to our view that the downside risks for the group from ongoing regulatory investigations have significantly decreased.

Rating-change drivers

- As RD's issuer rating is aligned with that of its parent, any change for the parent is likely to lead to a concurrent change for RD.
- Weakening of RD's positioning as a core subsidiary within Danske Group.
- Material weakening in RD's standalone financial position and market share in Denmark. This would be of concern if coupled with any sign of reduced parent commitment.

Overview of the rating construct

Operating environment: not applicable

Business model: not applicable

Initial mapping refinement: not applicable

Initial mapping: not applicable

Long-term sustainability: not applicable

Adjusted anchor: not applicable

Earnings capacity and risk exposures: not applicable

Financial viability management: not applicable

Additional rating factors: not applicable

Standalone assessment: not applicable

External support: group membership (fully integrated subsidiary)

Issuer rating: A+

Stress testing & cash flow analysis

No stress testing was performed. No cash flow analysis was performed.

Methodology

The methodology used for these Credit Ratings and/or Outlooks, (Financial Institutions Rating Methodology, 28 January 2022), is available on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at <https://scoperatings.com/governance-and-policies/regulatory/eu-regulation>. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at <https://www.scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales>. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on <https://scoperatings.com/governance-and-policies/rating-governance/methodologies>.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Ratings: public domain, the Rated Entity and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting these Credit Ratings originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Ratings and Outlooks and the principal grounds on which the Credit Ratings and Outlooks are based. Following that review, the Credit Ratings were not amended before being issued.

Regulatory disclosures

These Credit Ratings and Outlooks are issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Ratings and Outlooks are UK-endorsed.

Lead analyst: Christian van Beek, Director

Person responsible for approval of the Credit Ratings: Marco Troiano, Managing Director

The Credit Ratings/Outlooks were first released by Scope Ratings on 29 August 2018. The Credit Ratings/Outlooks were last updated on 1 July 2022.

Potential conflicts

See www.scooperatings.com under Governance & Policies/EU Regulation/Disclosures for a list of potential conflicts of interest related to the issuance of Credit Ratings.

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