

Banks Ratings Navigator		
Navigator date:	August 2019	
Last rating action:	02 Jul 2019	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Denmark	
Country IDR:	AAA Stable	
Last action:	22 Mar 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
02 Jul 19	a	Affirmed
01 Aug 18	a	Affirmed
09 Aug 17	a	Affirmed
Issuer Default Rating (IDR)		
02 Jul 19	A Stable	Affirmed
01 Aug 18	A Stable	Affirmed
09 Aug 17	A Stable	Affirmed
Support Rating Floor (SRF)		
22 Aug 16	WD	Withdrawn
22 Aug 16	NF	Affirmed
08 Sep 15	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
69	DM Europe Retail	
2	Denmark Retail	
Relevant Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Apr 2019)		
Short-Term Ratings Criteria (May 2019)		
Major Nordic Banks 2018 results (Apr 2019)		
Analysts		
Francis Dallaire (+46 85510 9444)		
Michal Bryks (+48 22 338 6293)		

	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating	Institutional Support	Issuer Default Rating
aaa										aaa	AAA	AAA
aa+										aa+	AA+	AA+
aa										aa	AA	AA
aa-										aa-	AA-	AA-
a+										a+	A+	A+
a										a	A	A Stable
a-										a-	A-	A-
bbb+										bbb+	BBB+	BBB+
bbb										bbb	BBB	BBB
bbb-										bbb-	BBB-	BBB-
bb+										bb+	BB+	BB+
bb										bb	BB	BB
bb-										bb-	BB-	BB-
b+										b+	B+	B+
b										b	B	B
b-										b-	B-	B-
ccc+										ccc+	CCC+	CCC+
ccc										ccc	CCC	CCC
ccc-										ccc-	CCC-	CCC-
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Institutional Support				Value		
Parent IDR				A		
Total Adjustments (notches)				+0		
Institutional Support:				A		
Support Factors (negative)				Equalised	1 Notch	2+ Notches
Parent ability to support and subsidiary ability to use support						
Parent/group regulation				✓		
Relative size					✓	
Country risks				✓		
Parent Propensity to Support						
Role in group				✓		
Potential for disposal				✓		
Implication of subsidiary default				✓		
Integration				✓		
Size of ownership stake				✓		
Support track record				✓		
Subsidiary performance and prospects				✓		
Branding					✓	
Legal commitments						✓
Cross-default clauses						✓

Drivers & Sensitivities	
Standalone Strength Drives Ratings	Realkredit Danmark A/S's ratings reflect its strong domestic franchise as the second-largest mortgage lender, its strong capitalisation and its resilient asset quality. The ratings are constrained by the bank's monoline business model and wholesale funding reliance.
Moderate Contagion Risk from Danske's AML Issue	Fitch Ratings believes that Realkredit's risk profile has been relatively unaffected by the Estonian AML issues affecting its parent. However, we believe that capital is to some extent fungible between Danske and Realkredit, and we are likely to retain the VRs within one notch of each other.
Resilient Asset Quality	The Stage 3 loans/gross loan ratio improved to 1.2% at end-March 2019. The loan book remains well collateralised and performed very well in the wake of the financial crisis. Fitch expects loan quality to remain strong, supported by a strong and stable Danish economy.
Good Profitability	We expect profitability to remain low but stable, underpinned by resilient revenue generation, tight cost control and a continued focus on sound underwriting.
Strong Capitalisation	Realkredit's risk-weighted capital ratios compare strongly with those of domestic and international peers, with a Fitch Core Capital ratio of 30.5% end-March 2019, although boosted by relatively low risk weights on mortgage loans. Leverage is good in a European context.
Wholesale Funding Reliance	Risks associated with wholesale funding are mitigated by a large, deep and liquid domestic covered bond market, and access to funding from its parent, if needed. About 20% of Realkredit's bonds mature within a year, which Fitch considers easily manageable.
Stable Outlook	An upgrade of Realkredit's VR is unlikely given its already high ratings for a monoline business model. A downgrade of Realkredit's VR, combined with a downgrade of Danske's ratings, would result in a downgrade of Realkredit's Long-Term IDR.
Sensitive to Funding Access	A downgrade of Realkredit's VR would most likely be a result of it being unable to competitively access wholesale funding markets or if it significantly increases its reliance on international debt investors. A reduced focus on liquidity would also be negative for the VR.

Credit-Relevant ESG Derivation

Realkredit Danmark A/S has 5 ESG potential rating drivers

- ➔ Realkredit Danmark A/S has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

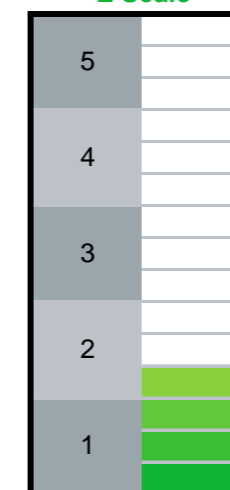
Overall ESG Scale

key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality

E Scale



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

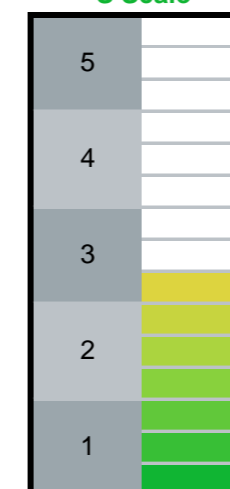
Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile

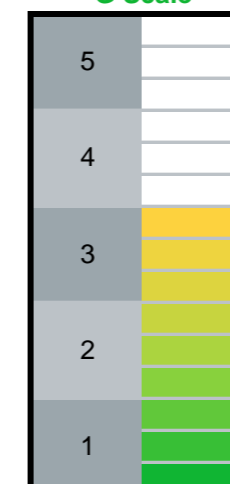
S Scale



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy

G Scale



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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