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Ratings On Three Realkredit Danmark A/S Mortgage Covered Bond Progs Affirmed At 'AAA' Following Review; Outlook Stable

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OVERVIEW

- We have reviewed the performance of three Realkredit Danmark A/S mortgage covered bond programs.
- Our ratings on the mortgage covered bonds issued by Realkredit Danmark are eligible for seven notches of uplift above the issuer credit rating (ICR) on Realkredit Danmark's parent, Danske Bank A/S.
- We are affirming our 'AAA' ratings on the three covered bond programs and all the covered bond issuances under these programs because the available overcollateralization supports the maximum number of notches of uplift from the ICR.
- The stable outlook reflects our view that adverse movements in either the ICR or our measure of the three programs' asset-liability mismatch risk would not automatically trigger a change to the ratings.

LONDON (Standard & Poor's) Sept. 24, 2013--Standard & Poor's Ratings Services today affirmed its 'AAA' long-term ratings on the mortgage bonds ("Realkredit obligationer" [ROs]; Danish legislation-enabled mortgage bonds) issued by Denmark-based Realkredit Danmark A/S's general capital center. We also affirmed our 'AAA' long-term rating and 'A-1+' short-term rating on the mortgage covered bonds ("Særligt Dækkede Realkreditobligationer" [SDROs]; Danish legislation-enabled mortgage covered bonds) issued from Realkredit Danmark's capital centers S and T. The outlooks on these three programs are stable.

The affirmations follow our review of information on the three programs' assets and cash flows as of June 30, 2013.

Realkredit Danmark is a specialized mortgage institution owned by Danske Bank A/S (A-/Stable/A-2). In keeping with our group rating methodology, we consider Realkredit Danmark to be a core entity for its parent Danske Bank A/S. Therefore, we derive the ratings on the covered bonds issued by Realkredit Danmark's capital centers by applying notches of uplift to the long-term issuer credit rating (ICR) on Danske Bank according to our asset-liability mismatch (ALMM) criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published Dec. 16, 2009, on RatingsDirect).

Under our ALMM criteria, the ratings on the three covered bond programs could be seven notches higher than the ICR on Realkredit Danmark. As of June 30, 2013, we assess the ALMM risk of the covered bonds issued by the three Realkredit Danmark capital centers as "low," and we categorize the program in Category 1. The cover pool in all three programs consists predominantly of mortgages originated in Denmark, but also includes a small portion of assets originated outside Denmark. The available overcollateralization is sufficient for the three covered bond programs to achieve the highest rating of 'AAA' and the full potential uplift of seven notches.

The stable outlook reflects our view that the three programs do not use all potential notches of uplift. Therefore adverse movements of the ICR on Realkredit Danmark or the ALMM measure would not automatically result in us changing the ratings on the three covered bond programs. The programs are eligible for seven notches of uplift from the ICR, but currently only make use of six notches to attain a 'AAA' rating. Therefore, we would have to lower the ICR on Danske Bank by more than one notch, or the ALMM would have to move beyond our "moderate" classification, all else being equal, before adversely affecting the rating on the three covered bond programs.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered Bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology And Assumptions For Analyzing Mortgage Collateral In Danish Covered Bonds, May 2, 2012
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And

Assumptions, June 14, 2011

- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Update To The Criteria For Rating German Residential Mortgage-Backed Securities, Jan. 6, 2009
- Cash Flow Criteria For European RMBS Transactions, Nov. 20, 2003
- Rating Pfandbriefe--The Analytical Perspective, Jan. 27, 2003
- Criteria For Rating German Residential Mortgage-Backed Securities, Aug. 31, 2001

Related Research

- Global Covered Bond Characteristics And Rating Summary Q3 2013, Sept. 11, 2013
- General Criteria: Group Rating Methodology, May 7, 2013
- Methodology and Assumptions: Advance Notice Of Proposed Criteria Change: Ratings Above The Sovereign--Structured Finance, April 12, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process, Feb. 7, 2008
- Covered Bond Monitor: Technical Note, Feb. 14, 2006

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