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Ratings Affirmed On Realkredit Danmark's General Capital Center Covered Bonds After Criteria Revision; Outlook Stable

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OVERVIEW

- We have reviewed our ratings on Realkredit Danmark's General Capital Center's mortgage covered bonds under our revised commercial real estate criteria, published on March 31, 2015.
- Following our review, we have affirmed our ratings on the capital center and related issuances.
- The stable outlook on our ratings reflects the unused notches of uplift on the covered bonds.

LONDON (Standard & Poor's) Oct. 29, 2015--Standard & Poor's Ratings Services said today that it has completed its review of its credit ratings on Realkredit Danmark A/S' General Capital Center mortgage covered bond program by applying its revised criteria for commercial real estate assets in covered bonds (see "Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds," published on March 31, 2015). As a result, we have affirmed our 'AAA' long-term ratings on the capital center and related issuances. The outlook on our ratings is stable.

Upon publishing our revised criteria, we had placed our ratings on those covered bond programs that could be affected by a published change in criteria "under criteria observation" (see "Covered Bond Program And Spanish

Multicedulas Ratings Placed Under Criteria Observation," published on April 30, 2015). Following our review, we have removed our "under criteria observation" identifier from the ratings on the covered bonds issued by Realkredit Danmark's General Capital Center.

Under our covered bonds criteria, we organize the analytical process for rating covered bonds into four key stages:

- Performing an initial analysis of issuer-specific factors--legal and regulatory risks and operational and administrative risks--which mainly assess whether a rating on the covered bond may be higher than the rating on the issuer.
- Assessing the starting point for the rating analysis, based on the applicable resolution regimes, to determine the reference rating level (RRL).
- Determining the maximum achievable covered bond rating from an analysis of jurisdictional and cover pool-specific factors.
- Combining the results of the above and incorporating any additional factors, such as counterparty risk and country risk, to assign the final covered bond rating.

After assessing the RRL, to determine a maximum achievable covered bond rating we analyze jurisdictional and collateral support. Our assessment of the expected jurisdictional support for mortgage covered bond programs in Denmark is "very strong" (see "Assessments For Jurisdictional Support According To Our Covered Bond Criteria," published on Dec. 22, 2014). Under our covered bonds criteria, the uplift from the RRL can be up to three notches when the jurisdictional support is assessed as "very strong." Under our analysis of jurisdictional support, we determine a jurisdiction-supported rating level (JRL), which is our assessment of the creditworthiness of a covered bond program once we have considered the level of jurisdictional support, but before giving credit to the amount of collateral.

Following the assessment of the RRL and JRL, we analyze the credit quality of the cover pool and the availability of liquidity support and committed overcollateralization to determine the maximum collateral uplift.

When applicable, we cap our ratings on mortgage covered bond programs under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating. Given the current ratings on Denmark (AAA/Stable/A-1+), the maximum rating on the capital center is 'AAA' (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015).

Lastly, the ratings on the capital center and related issuances are not constrained by legal, operational, or counterparty risks.

The 'AAA' ratings reflect our RRL of 'aa-' and JRL of 'aaa' for the capital center, as well as the coverage of 'AAA' credit risk. We base the RRL on the long-term rating on Danske Bank A/S, Realkredit Danmark's parent company. The

stable outlook on our ratings reflects our view that we would not automatically lower the ratings on the covered bonds if we were to lower our long-term rating on Danske Bank by three notches or less. We could also lower our rating if the credit enhancement needed to maintain the rating were to exceed the available credit enhancement.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Covered Bonds Criteria, Dec. 9, 2014
- Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31, 2012
- Methodology And Assumptions For Analyzing Mortgage Collateral In Danish Covered Bonds, May 2, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003

Related Research

- Danish Covered Bond Index Report H1 2015: Collateral Performance Improves, Aug. 14, 2015
- Covered Bond Monitor: Technical Note, Aug. 12, 2015
- Various Rating Actions On Four Danish Banks After Review Of Government Support And Additional Loss-Absorbing Capacity, July 13, 2015
- Global Covered Bond Characteristics And Rating Summary Q1 2015, June 19, 2015
- Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation, April 30, 2015
- Assessments For Jurisdictional Support According To Our Covered Bond Criteria, Dec. 22, 2014
- Assessments For Target Asset Spreads According To Our Covered Bond Criteria, Dec. 22, 2014
- Banking Industry Country Risk Assessment: Denmark, Dec. 10, 2014

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- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- Credit FAQ: The Danish Covered Bond Market Explained, July 15, 2014

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