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Ratings On Realkredit Danmark's Section 15 Bonds Raised To 'A' Following Bank Rating Actions; Outlook Negative

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OVERVIEW

- On April 29, 2014, we raised our ratings and revised our outlook on Danish bank Danske Bank to 'A/Negative/A-1' from 'A-/Stable/A-2'.
- We generally align our issue ratings on section 15 bonds issued by Realkredit Danmark with the senior unsecured rating of Danske Bank (the parent bank).
- Therefore, we have raised to 'A' from 'A-' our ratings on the section 15 bonds issued out of Realkredit Danmark's Capital Centres S and T and have revised our outlook on these ratings to negative from stable.
- The negative outlook on the ratings on the section 15 bonds reflects the outlook on the senior unsecured debt rating of the issuer's parent bank.

LONDON (Standard & Poor's) May 7, 2014--Standard & Poor's Ratings Services today raised to 'A' from 'A-' the ratings on the section 15 bonds issued out of Realkredit Danmark A/S' Capital Centres S and T. We have revised to negative from stable our outlook on these ratings.

On April 29, 2014, we raised our ratings and revised our outlook on Danish bank Danske Bank A/S to 'A/Negative/A-1' from 'A-/Stable/A-2' (see "Standard & Poor's Takes Various Rating Actions On European Banks Following Government Support Review"). Consequently, we have taken corresponding rating actions on the section 15 bonds issued by Realkredit Danmark.

We have based our analysis of the section 15 bonds on the application of our "Principles For Rating Debt Issues Based On Imputed Promises" criteria, published on Oct. 24, 2013 (hereafter "Imputed Promises criteria"). Section 15 bonds can be classified under paragraph 40 of our Imputed Promises criteria as instruments that lack deferral provisions, or the deferral is expressed as a "temporary shock absorber". Section 15 bonds contain promises that are both credit based and measurable, and include promises for both interest and principal payments.

The terms and conditions of the section 15 bonds are unclear post default of the issuer. Our issue ratings on the section 15 bonds address the timely payment of interest and the ultimate payment of principal. For section 15 bonds we consider that, if the issuer defaults, interest payments on the bonds would be deferred until the senior covered bondholders can be guaranteed payment in full. We therefore "impute" the rating from the senior unsecured rating on the issuer (in this case, Danske Bank, the issuer's parent bank).

RELATED CRITERIA AND RESEARCH

Related Criteria

- Group Rating Methodology, Nov. 19, 2013
- Principles For Rating Debt Issues Based On Imputed Promises, Oct. 24, 2013
- 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
- Principles Of Credit Ratings, Feb. 16, 2011
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Standard & Poor's Takes Various Rating Actions On European Banks Following Government Support Review, April 29, 2014
- Evolution, Not Revolution--Proposed Changes To The Issuance Of Danish Covered Bonds, Jan. 25, 2007

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