

## Outlook Revised To Negative On Realkredit Danmark's Capital Center S And T Section 15 Bonds; 'AA-' Ratings Affirmed

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### OVERVIEW

- Our ratings on Realkredit Danmark's section 15 bonds issued from capital centers S and T reflect the reference rating level for the issuer and the outlook on the senior unsecured debt ratings on the issuer.
- We revised our outlook on Realkredit Danmark's parent, Danske Bank, to negative from positive and affirmed our 'A/A-1' long- and short-term ratings.
- Consequently, we have affirmed our 'AA-' ratings on the section 15 bonds from capital centers S and T and changed our outlook on the ratings to negative.

LONDON (S&P Global Ratings) Oct. 8, 2018--S&P Global Ratings today affirmed its 'AA-' credit ratings on all Danish section 15 bonds issued from Realkredit Danmark A/S' capital centers S and T. At the same time, we changed our outlook to negative from positive on the ratings on the section 15 bonds.

In December 2015 we revised our approach to analyzing section 15 bonds and aligned our ratings on the section 15 bonds to the reference rating level (RRL) of the senior covered bonds (see "Ratings Raised On Danish Section 15 Bonds From Six Capital Centers Following Clarification On Bank Resolution," published on Dec. 11, 2015). This was because we considered the section 15 bonds to have the same protection if there is a bank resolution, as senior covered bonds. In particular, it also reflected the clarification that section

15 bonds will not be subject to a payment deferral if the issuer enters a resolution procedure.

We do not assign any jurisdictional support uplift to section 15 bonds, as we do not consider its volume to be systemically important enough to warrant jurisdictional intervention. Furthermore, we do not consider any collateral-based uplift because we do not believe that the issuers of section 15 bonds will manage their overcollateralization levels in the same way as what we typically expect for covered bonds.

On Sept. 25, 2018, we revised our outlook on Realkredit Danmark's parent Danske Bank to negative from positive and affirmed our 'A/A-1' long- and short-term ratings (see "Danske Bank Outlook Revised To Negative, Hybrids Downgraded, On Further Disclosure On Money Laundering Issues In Estonia"). As our ratings on Realkredit Danmark's section 15 bonds issued from capital centers S and T reflect the issuer's RRL and the outlooks on the issuer's senior unsecured debt ratings, we have consequently affirmed our 'AA-' ratings on the section 15 bonds and revised our outlook on the ratings to negative from positive.

#### POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including our "Covered Bonds Criteria," published on Dec. 9, 2014. However, the resolution regime analysis section of these criteria is under review (see "Methodology For Assigning Financial Institution Resolution Counterparty Ratings," published on April 19, 2018 and "Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings," published on Jan. 31, 2017). As a result of this review, we may amend certain paragraphs of our covered bonds criteria. This change may affect the ratings on the outstanding covered bonds issued under this covered bond program. Until this time, we will continue to rate and surveil these covered bonds using our existing criteria (see "Related Criteria").

#### RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria - Structured Finance - Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

#### RELATED RESEARCH

- Danske Bank Outlook Revised To Negative, Hybrids Downgraded, On Further

Disclosure On Money Laundering Issues In Estonia, Sept. 25, 2018

- Global Covered Bond Characteristics And Rating Summary Q3 2018, Sept. 19, 2018
- Outlook Revised To Positive On Realkredit Danmark's Capital Center S And T Section 15 Bonds; Ratings Affirmed At 'AA-', July 30, 2018
- Research Update: Danske Bank Affirmed At 'A/A-1' On Improving Economic Trend In Denmark; Outlook Remains Positive, July 13, 2018
- Glossary Of Covered Bond Terms, April 27, 2018
- Danske Bank And Jyske Bank Outlooks Revised To Positive On Requirements To Issue Bail-In-Able Debt, April 5, 2018
- Assessments For Jurisdictional Support According To Our Covered Bond Criteria, Nov 3, 2017
- Request For Comment: Methodology For Incorporating The Effect Of Resolution Regimes Into Covered Bond Ratings, Jan. 31, 2017
- Ratings Raised On Danish Section 15 Bonds From Six Capital Centers Following Clarification On Bank Resolution, Dec. 11, 2015

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