

# RatingsDirect®

---

## Ratings Affirmed On Realkredit Danmark's Capital Center T Mortgage Covered Bonds And Section 15 Bonds

**Primary Credit Analyst:**

Tom M Deex, London (44) 20-7176-3603; tom.deex@standardandpoors.com

**Secondary Contacts:**

Nikolaos Anapliotis, London (44) 20-7176-3484; nikolaos.anapliotis@standardandpoors.com

Casper R Andersen, London (44) 20-7176-6757; casper.andersen@standardandpoors.com

OVERVIEW

- We have reviewed the performance of Realkredit Danmark's Capital Center T Danish mortgage covered bond program.
- We are affirming our 'AAA' ratings on the covered bond program and all series of "Særligt Dækkede Realkreditobligationer" covered bonds issued under it because the available overcollateralization supports the maximum number of notches of uplift from the issuer credit rating.
- At the same time, we are affirming our 'A' ratings on the Section 15 covered bonds issued under this capital center.
- The stable outlook on our rating on the Capital Center T program reflects our view that adverse movements in the long-term ICR on Danske Bank would not automatically trigger a change to our ratings.
- Our ratings are based on our applicable criteria. However, please note that some of these criteria are under review. As a result of this review, our future criteria applicable to rating covered bonds may differ from our current criteria. These criteria changes may affect the ratings on the outstanding covered bonds.

LONDON (Standard & Poor's) Oct. 10, 2014--Standard & Poor's Ratings Services today affirmed its 'AAA' credit ratings on Realkredit Danmark A/S' Capital Center T covered bond program and all series of "Særligt Dækkede Realkreditobligationer" (SDRO) covered bonds issued under it. At the same

time, we have affirmed our 'A' ratings on the Section 15 covered bonds issued under this capital center. The outlook on the SDRO bonds is stable, and the outlook on the Section 15 bonds is negative, reflecting the outlook on the senior unsecured debt rating on the issuer's parent bank.

Today's affirmations follow our review of the issuer's information as of June 30, 2014.

We classify the program's ALMM risk as "low" and we have assigned the program to Category 1 of our ALMM criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009 on RatingsDirect). Our ALMM criteria therefore allow a maximum uplift of seven notches from our long-term 'A' issuer credit rating (ICR) on Danske Bank A/S (the parent bank). The cover pool consists entirely of Danish mortgages. The available overcollateralization of 11.51% is sufficient to meet the target credit enhancement of 6.47% associated with a 'AAA' rating. The program can therefore achieve the highest rating of 'AAA' and benefit from the full potential seven-notch ratings uplift on the ICR.

The stable outlook on the Capital Center T SDRO bonds reflects our view that adverse movements in the long-term ICR on Danske Bank would not automatically result in a change to our ratings on the covered bonds. The program is eligible for a seven-notch uplift from the ICR, but currently only makes use of five notches to attain a 'AAA' rating. Therefore, we could only lower the ratings on the covered bonds if we were to lower the long-term ICR on Danske Bank by more than two notches.

Under our imputed promises criteria, section 15 bonds are classified under paragraph 40 as instruments that lack deferral provisions, or the deferral is expressed as a "temporary shock absorber" (see "Principles For Rating Debt Issues Based On Imputed Promises," published Oct. 24, 2013). 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 in the event that the issuer becomes insolvent. 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. The notes would rank pari passu with the senior unsecured debt if the cover pool is not sufficient to repay them. We did not give credit to the cover pool in our analysis of the section 15 bonds. We therefore consider that our ratings on the section 15 bonds should not be substantially different to those on the issuer's senior unsecured debt. As a result, we would generally expect our ratings on the section 15 bonds, including the outlook, to reflect any changes in our ratings on Danske Bank's senior unsecured debt.

POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including those set out in "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009. However, please note that these criteria are under review (see "Request for Comment: Covered Bonds Criteria," "Request for Comment: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities," and "Request for Comment: Updated Cash Flow Assumptions For Modeling Certain Covered Bonds," all of which were published on Sept. 4, 2014).

As a result of this review, our future criteria applicable to rating covered bonds may differ from our current criteria. These criteria changes may affect the ratings on the outstanding covered bonds issued by Realkredit Danmark A/S. Until such time that we adopt new criteria, we will continue to rate and surveil these covered bonds using our existing criteria (see the list of related criteria and research below).

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Sept. 18, 2014
- 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
- General Criteria: Group Rating Methodology, May 7, 2013
- Covered Bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- 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
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs, Sept. 17, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Methodology: Credit Stability Criteria, May 3, 2010

##### Related Research

- Request for Comment: Covered Bonds Criteria, Sept. 4, 2014
- Request for Comment: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered

*Ratings Affirmed On Realkredit Danmark's Capital Center T Mortgage Covered Bonds And Section 15 Bonds*

Bonds And Structured Finance Securities, Sept. 4, 2014

- Request for Comment: Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Sept. 4, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Recent Danish Legislative Changes To Address Refinance Risk Are Unlikely To Affect Our Covered Bond Rating Analysis, April 16, 2014
- Danish Legislative Changes To Address Refinance Risk Are Credit Neutral For Covered Bonds, Nov. 7, 2013
- Banking Industry Country Risk Assessment: Denmark, Oct. 24, 2013
- 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

**Additional Contact:**

Covered Bonds Surveillance; [CoveredBondSurveillance@standardandpoors.com](mailto:CoveredBondSurveillance@standardandpoors.com)

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).