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Transaction Update: Realkredit Danmark A/S Capital Center T Covered Bond Program

Unlimited SDROs ("særligt dækkede realkreditobligationer")

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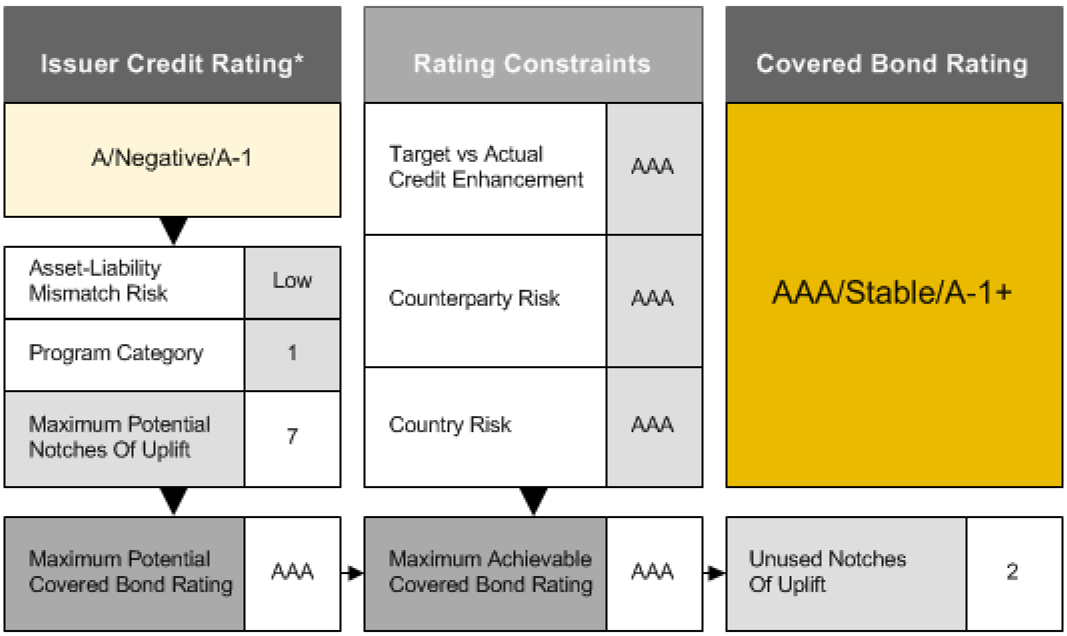
Ratings Detail



*Under Standard & Poor's Ratings Services' group rating methodology, Realkredit Danmark A/S is a core entity of Danske Bank A/S. We therefore apply the notches of uplift to the long-term rating on Danske Bank to derive the rating on the covered bonds.

Program Overview

Table 1

Realkredit Danmark Capital Center T Mortgage Covered Bonds	
Jurisdiction	Denmark
Covered bond type	Legislation-enabled
Underlying assets	Residential and commercial mortgage loans
Outstanding covered bonds (bil. DKK)	406.36
Year of first issuance	2011
Rating at first issuance	AAA
Extendible maturities	Yes (partial)
Target credit enhancement (%)	6.47

Table 1

Realkredit Danmark Capital Center T Mortgage Covered Bonds (cont.)	
Available credit enhancement (%)	11.51

*Based on data as of Jun. 30, 2014.

Main Rating Factors

- Improved credit quality since June 2012.
- Asset-liability mismatch remains low. This is unlikely to shift significantly because the program uses a matched funding strategy.
- Available credit enhancement exceeds the target credit enhancement at the current rating level.

Outlook: Stable

The stable outlook on Realkredit Danmark A/S' Capital Center T mortgage covered bonds reflects the fact that we would not automatically lower our ratings on the bonds if we were to downgrade the issuer, or if asset-liability mismatch (ALMM) risk were to increase. This is because the program is eligible for seven notches of uplift above the long-term 'A' issuer credit rating (ICR) on Danske Bank A/S (the issuer's parent), but currently only uses five notches to achieve a 'AAA' rating.

We would lower our ratings on the covered bonds if we were to lower our ICR on Danske Bank by more than two notches. A change in our ALMM risk measure alone would not affect our ratings on the covered bonds due to the matched cash flow structure, which also means that a revision of our assessment of ALMM risk upward to "moderate" is highly unlikely. We could also lower our rating on the covered bonds if the target credit enhancement were to increase above the available credit enhancement.

Rationale

On Oct. 10, 2014, we affirmed our 'AAA' credit ratings on Realkredit Danmark Capital Center T's covered bond program and all series of covered bonds issued under it (see "Ratings Affirmed On Realkredit Danmark's Capital Center T Mortgage Covered Bonds And Section 15 Bonds").

From our analysis of the legal and regulatory framework for covered bonds in Denmark, we have concluded that the assets in Realkredit Danmark Capital Center T's cover pool are isolated from the risk of the issuer's bankruptcy or insolvency. This asset isolation allows us to assign a higher rating to the covered bond program than the ICR on Danske Bank.

We determine the maximum achievable covered bond rating by analyzing the cover pool's asset credit quality, payment structure, and cash flow mechanics.

As part of our analysis, we reviewed Realkredit Danmark's origination, underwriting, collection, and default management procedures. We believe satisfactory policies are in place to support our ratings on the covered bonds.

The cover pool mostly consists of Danish residential and commercial mortgage loans, with some mortgages granted for properties outside Denmark (less than 7%). We generally analyze the cover pool's credit quality using two key indicators:

- The weighted-average foreclosure frequency (WAFF), which reflects the expected default rate; and
- The weighted-average loss severity (WALS), which describes the expected loss given default.

The pool's overall credit quality has improved due to lower weighted-average loan-to-value ratios (WALTV). Capital Center T's cover pool primarily includes adjustable-rate mortgages (ARM), for which we apply a 20% increase to the base WAFF due to possible payment shock as the loan interest rate is reset.

The program's ALMM risk exposure determines the maximum potential rating on the covered bonds. As of June 30, 2014, the program's ALMM risk exposure was "low" under our ALMM criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009 on RatingsDirect). We classify the program in Category 1 under our ALMM criteria. This reflects the systemic importance of covered bonds in Denmark and the range of funding options available. This combination allows a seven-notch uplift above the long-term ICR on Danske Bank for the covered bonds.

Our analysis as of June 30, 2014, shows that the available credit enhancement is 11.51%. This is greater than the target credit enhancement of 6.47% that is commensurate with a 'AAA' rating for the program under our ALMM criteria.

As there are no further legal, counterparty, or country risk constraints on our rating, we have affirmed our 'AAA' rating on the program.

Our covered bond ratings criteria outlines our rating methodology (see "Covered Bond Ratings Framework: Methodology And Assumptions", published June 26, 2012).

Capital Center T includes section 15 bonds, which are also known as "junior covered bonds." Section 15 of the Danish mortgage covered bond law governs all issuances (new and existing). The issuance of these instruments may fund assets that are eligible as security for covered bonds, in case LTV ratios exceed the regulatory maximum limit. The regulation limits LTV ratios at 80% for residential mortgage loans, and 60% for commercial mortgage loans. Danish section 15 bonds have a secondary claim on all assets in the capital center, in case of insolvency. The whole cover pool equally collateralizes section 15 bonds. They are only subordinate to the claims of regular covered bondholders and derivative counterparties. Under the law, the issuer must invest the proceeds from the sale of the bonds in high quality securities. These securities are registered in the capital center from which the section 15 bonds are issued. Consequently, mortgage banks cannot use section 15 bonds to grant loans above the stated LTV ratio limits after house prices decrease. Danish section 15 bonds protect regular covered bonds if house prices decrease and provide additional overcollateralization.

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

The section 15 bonds' terms and conditions are unclear in the event of issuer default. Our 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 full payment. The notes would rank pari passu with the senior unsecured debt in case the cover pool is insufficient to repay them. We do not give credit to the cover pool in our analysis of the section 15 bonds. In light of these two factors, we consider that our ratings on the section 15 bonds should not be substantially different to that on the issuer's senior unsecured debt. As a result, we would expect our rating on the section 15 bonds to reflect any changes in our ratings on the issuer's senior unsecured debt.

Program Description

Realkredit Danmark has a leading position in the Danish mortgage lending market, second in size to Nykredit. It is an established issuer of Danish mortgage covered bonds, "realkreditobligationer" (ROs) and "særligt dækkede realkreditobligationer" (SDROs). The issuer is a specialist mortgage bank wholly owned by Danske Bank A/S (A/Negative/A-1), the rating on which acts as a starting point in this analysis.

Capital Center T is currently actively issuing, and includes mortgages (backed by both residential and commercial properties) as well as a reserve fund consisting primarily of Danish covered bonds. All of the mortgages included in the cover pool are ARM loans.

Danske Bank acts as the primary collection account. To mitigate counterparty risk, the issuer has replacement language in place, which is in line with our counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013; and the "Counterparty risk" section, below).

The cover pool assets would be ring-fenced if Realkredit Danmark becomes insolvent under the respective Danish legislative framework. Covered bondholders have a primary secured claim against all assets in the cover pool.

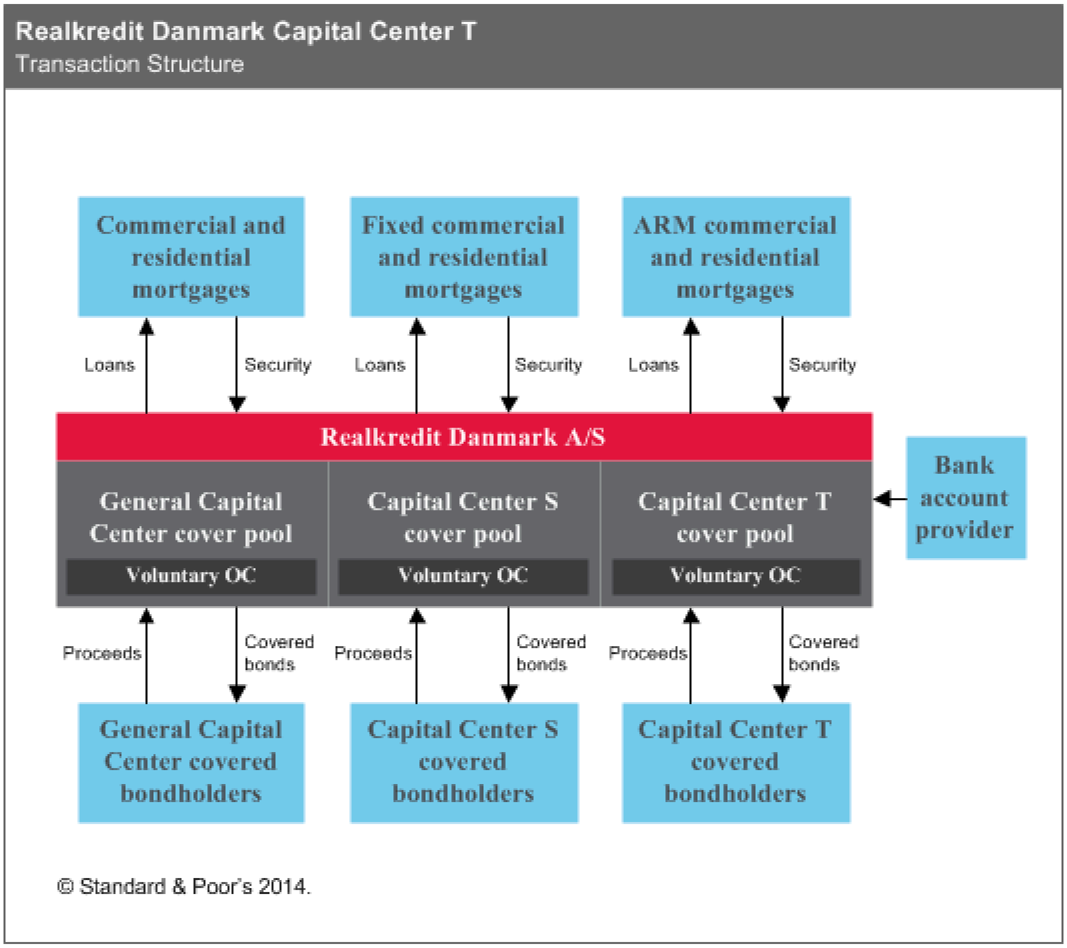


Table 2

Realkredit Danmark Capital Center T Mortgage Covered Bonds Participants			
Role	**Name**	**Rating**	**Rating dependency**
Bank account provider	Danske Bank A/S	A/Negative/A-1	Yes
Bank account provider	Jyske Bank A/S	A-/Stable/A-2	Yes
Bank account provider	Nordea Bank Danmark A/S	AA-/Negative/A-1+	Yes
Bank account provider	Grønlandsbanken*	NR	Yes
Issuer, arranger, servicer, and originator	Danske Bank A/S	A/Negative/A-1	Yes

*Collection account for borrowers in Greenland. The account is swept daily as funds are received. This account is required for loans in Greenland, but the average exposure on this account is less than €10,000.

Issuer-Specific Factors

Legal and regulatory risks

We analyzed legal risk by applying our European legal criteria and our criteria for rating covered bonds (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013, and other criteria articles listed in our covered bond ratings criteria).

In our view, the Danish covered bond framework sufficiently addresses the relevant legal aspects of our covered bond and European legal criteria. This enables us to rate the covered bonds above our long-term ICR on the issuer.

The Danish Covered Bond Act provides the legal framework for the issuance of the Danish covered bonds. The current Covered Bond Act was amended in July 2007, introducing SDROs, which comply with the EU directives Undertakings for the Collective Investment in Transferable Securities (UCITS) and the Capital Requirements Directive (CRD).

Covered bond investors have a primary secured claim against all assets in the cover pool. Under the legal framework, issuers must regularly revalue the collateral for SDROs. Issuers must post additional overcollateralization if the collateral registered for SDROs experiences market value declines. We understand that regulators do not require RO issuers to do this, and therefore ROs will attract different risk weightings under Basel III capital requirements. The ratings on the covered bonds issued out of Capital Center T rely on the issuer's active management of the overcollateralization to support the currently assigned ratings.

To become eligible as collateral, mortgage loans must be entered in the Danish land register. The registration is legally binding and will form the basis of any bankruptcy proceedings. If bankruptcy proceedings have been initiated, a trustee appointed by the bankruptcy court will administer the cover assets. The trustee is ordered by law to meet all payment obligations as they fall due. If payments from cover assets are insufficient to meet the payment obligations, the trustee has the authority to raise additional loans.

The issuer must maintain an overcollateralization of at least 8% of risk-weighted assets. Banking supervision is carried out by the Danish Financial Supervisory Authority (FSA). The FSA has the authority to issue an order with which the issuer must comply. In case of severe or multiple breaches, the FSA may revoke the license.

Operational and administrative risks

On May 27, 2014, we conducted an annual review of Realkredit Danmark's origination, underwriting, collection, and default management procedures for the capital center's cover pool assets. We also reviewed the cover pool's management and administration. We consider that Realkredit Danmark actively manages the cover pool and has strict underwriting and loan management policies. We continue to have frequent contact with the issuer.

Realkredit Danmark is the second largest mortgage bank in Denmark. In our annual meeting, the mortgage bank provided us with an overview of its recent credit performance, which has improved over the previous year. Realkredit Danmark presented an overview of problem loans and how its work-out units assigned to manage the foreclosure process treat these. The level of arrears and problem loans has generally decreased and the presentation did not cause us to identify potential operational risks that had developed since the last management meeting.

Realkredit Danmark introduced a new loan product (FlexKort) in the second half of 2013 as an alternative to the popular F1 (one-year ARM; Flexlån) mortgage loans. FlexKort products are linked to the CITA (Copenhagen Interbank Tomorrow/Next Average) rate, a Danish market-based reference rate, and typically have a longer maturity of three years. As part of our annual meeting, we reviewed the progress of moving customers away from the F1 loans into the CITA loans, which is going well. Realkredit Danmark aims to reduce the volume of one-year ARM loans by 20% by 2019. As of the management meeting, the bank was ahead of schedule with this migration.

We analyzed operational and administrative risk by applying our covered bond ratings criteria.

Cover-Pool Specific Factors

Asset credit quality

We have reviewed the mortgage asset and substitute collateral information as of June 30, 2014. We have analyzed loan-by-loan data from the issuer and applied stresses commensurate with a 'AAA' rating scenario to estimate the WAFF and WALS.

The mortgage assets' overall credit quality has improved, although the WALS has increased slightly compared to June 2013. Capital Center T primarily includes ARM loans. ARM loans carry a 20% increase on the base foreclosure frequency in our analysis, as they have additional risks associated with rising interest rates.

The weighted-average LTV ratio has been steadily decreasing. Under our criteria, we do not make adjustments for loans with LTV ratios below 55%. For loans with LTV ratios above 55%, we apply an increasing multiplier to their base foreclosure frequency. As the LTV ratios of loans in the pool are decreasing, fewer loans carry an increasing multiplier to their base foreclosure frequency and market value decline, leading to lower losses.

In the residential part of the cover pool, a decrease in the WALTV of these loans has reduced the WAFF and WALS. Similarly, a lower WALTV has reduced WAFF for the pool's commercial mortgage assets. The WALS for the pool's commercial mortgage assets has increased due to a larger share of subsidized housing loans, which carry a higher market-value decline (MVD) assumption in our analysis.

We applied our relevant criteria to analyze the mortgage portfolio's credit quality (see "Methodology And Assumptions For Analyzing Mortgage Collateral In Danish Covered Bonds," published on May 2, 2012). Our credit analysis of the residential and commercial mortgage loans involves assessing the cover pool's credit quality by estimating the credit risk associated with the mortgage loans. We then calculate the aggregated risk to assess the cover pool's overall credit quality. We quantify the credit risk associated with the mortgage loans in the pool by estimating the probability of default leading to a portfolio-wide WAFF and its corresponding WALS, which we expect to be realized if foreclosure occurs.

Our credit analysis of the substitute cover pool (also referred to as the "reserve fund"), which comprises covered bonds, includes an asset-by-asset review of underlying securities to estimate the credit risk of each individual exposure. In June 2014, there were 13 obligors to be analyzed. We therefore generate a scenario default rate (SDR) or default probability for the target rating using the concentration of the largest security. All of the reserve fund assets are 'AAA' rated covered bonds and the corresponding SDR is 40%.

Table 3

Realkredit Danmark Capital Center T Mortgage Covered Bonds Pool Composition				
	--June 30, 2014--		--June 30, 2012--	
Asset type	**Value (DKK)**	**Percentage of cover pool**	**Value (DKK)**	**Percentage of the cover pool**
Residential mortgages	227,265,682,166	49.85	149,190,833,792	47.61
Commercial mortgages	182,201,476,107	39.97	131,495,018,284	41.97

Table 3

Realkredit Danmark Capital Center T Mortgage Covered Bonds Pool Composition (cont.)				
Reserve Fund	46,392,008,442	10.18	32,653,759,061	10.42
Total	455,859,166,715		313,339,611,137	

DKK--Danish krone.

Table 4

Realkredit Danmark Capital Center T Mortgage Covered Bonds Key Credit Metrics

	'--June 30,2014--	--June 30,2012--
Average loan size (DKK)	4,244,072	3,844,746.00
Weighted average loan-to-value (LTV) ratio (%)	63.02	64.13
Weighted average loan seasoning (months)*	48.64	42.77
Loans in arrears (% of mortgages)	0.71	1.10
Defaulted loans (% of mortgages)	3.23	0.39
Credit analysis results		
Weighted average foreclosure frequency (WAFF; %)	21.58	24.13
Weighted average loss severity (WALS; %)	31.04	28.87
Asset default risk (%)	2.50	2.50
Asset types		
Residential assets WAFF (%)	14.37	16.75
Residential assets WALS (%)	24.08	24.64
Commercial assets WAFF (%)	30.57	32.51
Commercial assets WALS (%)	35.11	33.66

*Seasoning refers to borrower's relationship term, as loans are often refinanced. DKK--Danish krone.

Table 5

Realkredit Danmark Capital Center T Mortgage Covered Bonds Assets By Loan Size

(DKK '000s)	--Percentage of the cover pool--	
	June 30, 2014	June 30, 2012
Residential assets		
0-500	4.06	4.87
500-1,000	16.61	16.55
1,000-1,500	21.75	21.23
1,500-2,000	18.43	18.19
2,000-2,500	13.42	13.22
2,500-3,000	8.59	8.54
Greater than 3,000	17.15	17.39
Commercial assets		
0-500	0.55	0.60
500-1,000	1.72	1.93
1,000-1,500	2.02	2.30
1,500-2,000	2.03	2.41
2,000-2,500	1.95	2.31

Table 5

Realkredit Danmark Capital Center T Mortgage Covered Bonds Assets By Loan Size (cont.)		
2,500-3,000	1.75	2.09
Greater than 3,000	89.98	88.36

DKK--Danish krone.

Table 6

Realkredit Danmark Capital Center T Mortgage Covered Bonds Loan-To-Value Ratios		
(%)	**--Percentage of the cover pool--**	
	June 30, 2014	**June 30, 2012**
Residential assets		
0-60	29.58	30.13
60-70	15.74	49.53
70-80	32.71	
80-90	16.82	18.49
90-100	4.05	0.95
Above 100	1.10	0.90
Weighted-average LTV ratio	68.15	67.25
Commercial assets		
0-60	53.75	52.67
60-70	14.75	20.28
70-80	15.24	14.98
80-90	8.01	7.79
90-100	1.09	1.02
Above 100*	7.16	3.27
Weighted-average LTV ratio	60.17	60.60

*Loans with an LTV above 100% are primarily related to subsidized housing mortgage loans, which typically have a guarantee for a portion of the loan balance. LTV--Loan-to-value.

Table 7

Realkredit Danmark Capital Center T Mortgage Covered Bonds Loan Seasoning		
Remaining term to maturity (months)	**--Percentage of the portfolio--**	
	June 30, 2014	**June 30, 2012**
Residential assets		
Less than 18 months	17.85	23.83
18-24	7.38	7.38
24-36	13.20	21.78
36-48	9.45	15.66
48-60	16.93	5.73
More than 60	34.66	24.70
Weighted-average loan seasoning (months)	51.08	40.90
Commercial assets		
Less than 18 months	28.90	19.95

Table 7

Realkredit Danmark Capital Center T Mortgage Covered Bonds Loan Seasoning (cont.)		
18-24	8.43	7.25
24-36	12.52	14.17
36-48	7.85	13.71
48-60	8.26	11.04
More than 60	33.06	32.35
Weighted-average loan seasoning (months)	45.59	44.90

Note: Seasoning refers to borrower's relationship term, as loans are often refinanced.

Table 8

Realkredit Danmark Capital Center T Mortgage Covered Bonds Geographic Distribution Of Loan Assets		
Top five concentrations	**--Percentage of the cover pool--**	
	June 30, 2014	**June 30, 2012**
Residential assets		
Central Denmark Region	16.85	18.51
North Denmark Region	5.21	7.12
Region Zealand	19.67	21.69
Region of Southern Denmark	14.73	18.01
Capital Region of Denmark	43.53	34.67
Total	100.00	100.00
Commercial assets		
Central Denmark Region	19.43	21.45
North Denmark Region	8.32	9.53
Region Zealand	12.58	13.45
Region of Southern Denmark	23.14	24.73
Capital Region of Denmark	29.89	30.10
Other	6.64	0.74
Total	100.00	100.00

Payment structure and cash flow mechanics

We analyze cash flow risk by applying our relevant ALMM criteria (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009, and "Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads," published on April 24, 2012).

Our analysis of the covered bonds' payment structure shows that cash flows from the cover pool assets would be sufficient, at the existing rating level, to make timely payments of interest and principal to the covered bondholders. By applying defaults and prepayments in our analysis, the program is exposed to ALMM risk. Such features could include pass-through liabilities or committed liquidity arrangements.

We determine the maximum potential ratings uplift on a program by combining our assessment of its ALMM risk and program categorization. We classify the program in category 1, which reflects the issuer's ability to raise funds through both borrowing and asset sales in a country where covered bonds have a well-established history and high systemic market importance.

We assess ALMM risk by calculating the percentage of the cover pool that shows a mismatch between the maturity of the assets and the maturity date of the liabilities. In our cash flow analysis as of June 30, 2014, the ALMM measure is 0%, which we classify as "low" under our ALMM criteria. This is the level of ALMM risk we usually observe in Danish mortgage covered bonds.

Our ALMM criteria permit a maximum potential seven-notch ratings uplift on the ICR for covered bonds that fall in category 1 and have "low" ALMM risk. This means Realkredit Danmark Capital Center T's mortgage covered bonds can achieve maximum ratings of 'AAA' if the available credit enhancement is at least equal to the target credit enhancement and if other factors, such as counterparty or country risk, do not constrain our ratings.

We analyzed the cash flows under 'AAA' credit stresses, as well as liquidity, interest rate, and currency stresses to reflect that the pool does not have recourse to derivatives but relies on "natural hedging." The terms of the issued bonds match those of the underlying mortgages due to the balance principle. We also ran different default timing and prepayment patterns. We ran two default patterns, one in which defaults occur earlier in a hypothetical recession ("front-loaded"), and another in which defaults occur later in the recession ("back-loaded"). For prepayments, we ran a "low" scenario, with a 0.5% conditional prepayment rate (CPR) and a "high" scenario with 24% CPR.

In the past, we have observed Realkredit Danmark's prudent management of overcollateralization for Capital Center T, in line with observed risks. Typically, we have seen a cushion between the level of overcollateralization and the target credit enhancement. The risk of the program moving to the "moderate" ALMM category is highly unlikely due to the matched cash flow structure. According to the balance principle of Danish covered bonds, the asset and liability maturities have to match by law.

The cover pool's improved credit quality in June 2014 has helped to reduce the target credit enhancement to 6.47%. There aren't any constraints from counterparty or country risk and the target credit enhancement is well below the observed 11.51% of overcollateralization. We can therefore apply the full seven notches of uplift to the covered bonds. However, only five notches are required for the bonds to achieve a 'AAA' rating.

Table 9

Realkredit Danmark Capital Center T Mortgage Covered Bonds ALMM Metrics

	June 30,2014	June 30,2012
Asset WAM (years)	13.88	14.34
Liability WAM (years)	15.60	16.21
Maturity gap (years)	(1.72)	(1.87)
ALMM (%)	0	0
ALMM classification	Low	Low
Maximum uplift above issuer rating (notches)	7	7
Target credit enhancement for maximum uplift (%)	6.47	6
Target credit enhancement for first notch of uplift (%)	2.5	2.5
Available credit enhancement (%)	11.51	11.54

ALMM--Asset-liability maturity mismatch. WAM--Weighted-average maturity.

Additional Factors

Counterparty risk

We have identified several counterparty risks to which the covered bonds could be exposed. However, these are mitigated through either structural mechanisms, or the Danish Covered Bond Act. Therefore, we consider that they do not constrain our ratings on the covered bonds.

Commingling risk. The collection accounts are not held in Capital Center T's name, but in Realkredit Danmark's name. This introduces potential commingling risk. The funds in the accounts are commingled with the funds collected for the other Realkredit Danmark capital centers, as well as Realkredit Danmark's other funds.

Our European legal criteria distinguish between situations where the commingling of funds result in a loss or a freeze of the funds. Under the Danish covered bond legislation, the bondholders have the right to obtain the funds. Therefore, we do not consider the cash to be lost to the capital center, but could be frozen for a period.

Under Danish legislation, cash is only eligible as a substitute asset and cannot replace an asset in a cover pool and still fulfill the balance principle. Cash holdings on transaction accounts are generally settled intraday. However, banks can invest in short-term deposits to maintain match funding under the balance principle. Any assets, including cash, that are held as substitute collateral must be registered in the cover pool's reserve fund.

Set-off risk. The issuer is not a deposit-taking institution. The program is therefore not exposed to set-off risk.

Bank accounts providers. Several banks provide accounts for the program, which exposes the cover pool to counterparty risk. Incoming cash is invested in a defined group of high-quality assets intraday. As a result, the cash balance on any collection accounts is managed to be as close to zero as possible.

To mitigate bank account and commingling risk, the issuer has replacement language in place, which is in line with our counterparty criteria. The issuer commits to holding less than 5% cash with commercial banks that are rated at least 'BBB/A-2'. If the bank account provider does not meet this ratings requirement, Realkredit Danmark will make commercially reasonable efforts to replace the account holding bank with a bank that meets this criterion within 30 days.

The cover pool includes swaps on the section 15 bonds, but these swaps have been excluded from the cash-flow analysis.

Section 15 bonds

Realkredit Danmark issues section 15 bonds from Capital Center T. The bonds fund additional collateral for the benefit of the capital center. The issuer has currently issued Danish krone (DKK) 26.5 billion of covered bonds from the capital center. Section 15 bonds fund 5.85% of the available overcollateralization. We rate the section 15 bonds issued from Realkredit Danmark's Capital Center T 'A'.

In our opinion, section 15 bondholders are unlikely to receive full payment of principal and interest and may not receive any interest on deferred interest if the issuer defaults. Therefore, we generally align our issue ratings on the section 15 bonds with the senior unsecured debt ratings on the issuers. The reasons for this are twofold.

First, the notes' terms and conditions do not clearly define the final maturity of the bonds if the issuer defaults. If the cover pool is insufficient to repay the section 15 bonds, the notes rank pari passu with the senior unsecured bondholder's claims on the issuer.

Second, in order for the section 15 bonds to maintain the seniority of their claim to unsecured creditors, additional assets would need to be available in the capital center after the covered bondholders are repaid. We consider that the issuer is unlikely to manage the cover pool to secure payments on the section 15 bonds. This is because, by law, the issuer must act to benefit the covered bonds. In our opinion, the availability of additional assets strongly corresponds to the issuer's strength. As a result, our ratings on the section 15 bonds reflect any changes in our ratings on the issuer's senior unsecured debt.

Country risk

We analyze country risk by applying our nonsovereign ratings criteria (see "Methodology and Assumptions For Ratings Above The Sovereign—Single Jurisdiction Structured Finance," published on Sept. 18, 2014).

Our nonsovereign ratings criteria permit a maximum six-notch ratings uplift above the sovereign rating for mortgage covered bonds with assets in an investment-grade country (where the sovereign rating is 'BBB-' or higher).

Our long-term 'AAA' sovereign credit rating on Denmark therefore does not cap our ratings on Realkredit Danmark Capital Center T's mortgage covered bonds.

Potential Effects Of Proposed Criteria Changes

Our ratings are based on our applicable criteria, including those set out in the criteria articles "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 26, 2012; Please note that these criteria are under review (see "Request for Comment: Updated Cash Flow Assumptions For Modeling Certain Covered Bonds" and "Request for Comment: Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities," both published 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. 2014
- General 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
- 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
- General Criteria: 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 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

Related research

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