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Transaction Update: Realkredit Danmark A/S Capital Center S Mortgage Covered Bonds

Unlimited SDROs ("særligt dækkede realkreditobligationer")

Primary Credit Analyst:

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

Secondary Contacts:

Nikolaos Anapliotis, London +44 207 176 3484; nikolaos.anapliotis@standardandpoors.com

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

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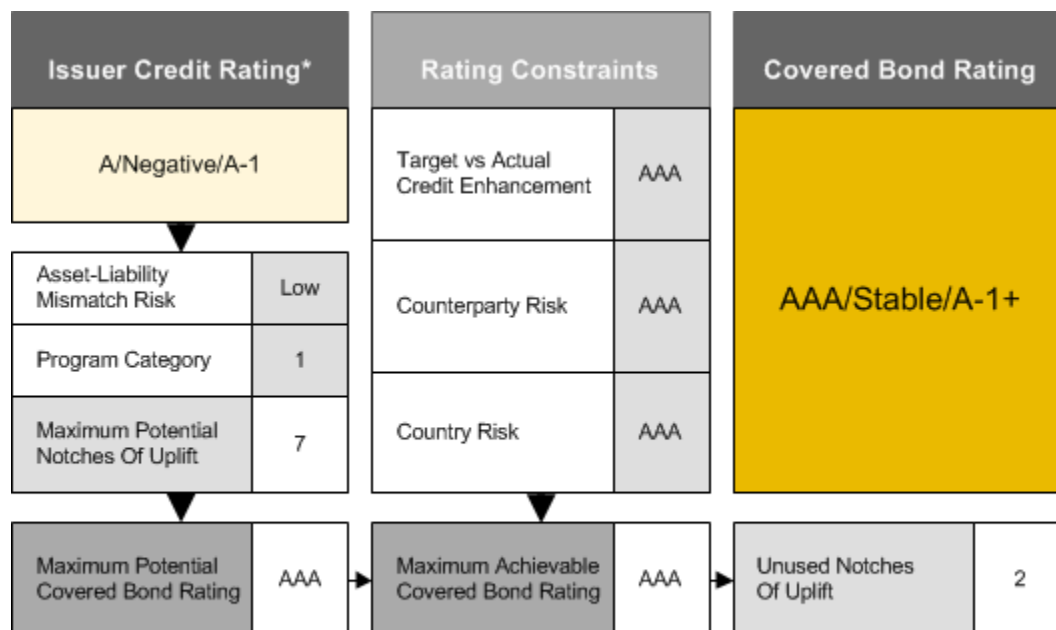
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Ratings Detail



*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 ratings on the covered bonds.

Program Overview

Table 1

Realkredit Danmark Capital Center S Mortgage Covered Bonds	
Jurisdiction	Denmark
Covered bond type	Legislation-enabled
Underlying assets	Residential and commercial mortgage loans
Outstanding covered bonds (bil. DKK)	213.53
Year of first issuance	2007
Rating at first issuance	AAA
Extendible maturities	No
Target credit enhancement (%)	5.64
Available credit enhancement (%)	10.71

*Based on data as of June 30, 2014.

Main Rating Factors

- Improved credit quality since June 2013.
- 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 S 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 our 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 increasing our assessment of ALMM risk 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. 30, 2014, we affirmed our 'AAA' credit ratings on Realkredit Danmark Capital Center S's covered bond program and all series of covered bonds issued under it (see "Ratings Affirmed On Realkredit Danmark's Capital Center S 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 S'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 there are satisfactory policies to support our ratings on the covered bonds.

The cover pool comprises Danish residential and commercial mortgage loans. 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 been stable since June 2013. Capital Center S's cover pool 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 proportion of ARM loans has been decreasing, and is expected to continue decreasing, as the issuer refinances these loans into another capital center.

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). 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 our long-term ICR on Danske Bank for our ratings on the covered bonds.

Our analysis as of June 30, 2014, shows that the available credit enhancement is 10.71%. This is greater than the 5.64% target credit enhancement 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 on June 26, 2012).

Capital Center S 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 loan-to-value (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 our rating on the issuer's senior unsecured debt. As a result, we would expect our ratings on the Section 15 bonds to reflect any changes in our rating 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 Realkredit A/S. 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), our rating on which is a starting point in this analysis.

Capital Center S is currently actively issuing, and includes mortgages (backed by both residential and commercial properties), as well as a reserve fund primarily comprising Danish covered bonds. While the cover pool currently includes both fixed-rate mortgages and adjustable-rate mortgages (ARM), we would expect the proportion of ARM loans to decline as these loans are refinanced using another capital center.

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

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

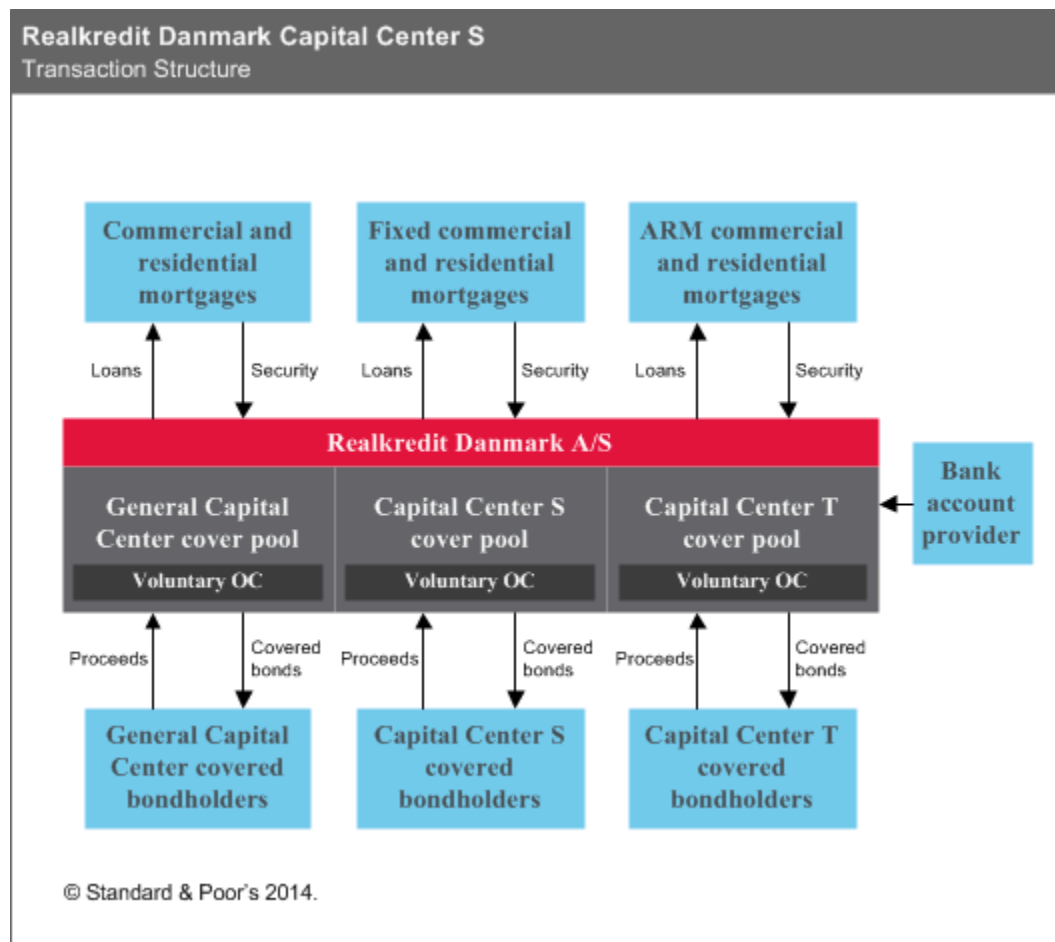


Table 2

Realkredit Danmark Capital Center S 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 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. The ratings on the covered bonds issued out of Capital Center S 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 begin, 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 gave us 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 which manage the foreclosure process treat these. Arrears and problem loans have generally decreased and the presentation did not cause us to identify potential operational risks that had developed since the last management meeting.

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 been stable, although the WALs has increased slightly compared to June 2013. Capital Center S includes ARM loans, although the proportion of ARM loans in the pool has been decreasing as these loans are refinanced through Capital Center T. 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 proportion of commercial loans included in the cover pool will impact the credit quality, in our view, as they have higher base assumptions for foreclosure frequency and market-value decline. Under our criteria, mortgages backed by commercial property have higher WAFF and WALs assumptions. As of June 2014, the proportion of mortgages back by commercial property was 34.43%, up from 33.84% in June 2013.

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 cover pool's residential part, a decrease in the weighted-average LTV of these loans has reduced the WAFF and WALs. Similarly, a lower weighted-average LTV has reduced WAFF and WALs for the pool's commercial mortgage assets. The combined WALs has increased due to a difference in the way the results of the individual sub-pools have been combined. In the current analysis, the WALs of the residential and commercial WALs results are aggregated by the stressed defaulted balance (WAFF times outstanding balance). In the previous analysis, the WALs of the sub-pools was aggregated using only the outstanding balance. We consider the current approach to be a more accurate reflection of the overall credit risk.

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. 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 S Mortgage Covered Bonds Pool Composition					
Asset type	--June 30, 2014--		--June 30, 2012--		
	Value (DKK)	Percentage of cover pool (%)	Value (DKK)	Percentage of the cover pool (%)	
Residential mortgages	138,921,381,907	59.22	150,513,936,572	59.52	
Commercial mortgages	72,961,312,142	31.10	76,994,903,733	30.45	

Table 3

Realkredit Danmark Capital Center S Mortgage Covered Bonds Pool Composition (cont.)				
Reserve fund	22,705,254,270	9.68	25,358,097,447	10.03
Total	234,587,948,319		252,866,937,753	

Table 4

Realkredit Danmark Capital Center S Mortgage Covered Bonds Key Credit Metrics		
	June 30, 2014	June 30, 2012
Average loan size (DKK)	3,252,880	3,212,534.60
Weighted average loan-to-value (LTV) ratio (%)	61.86	64.81
Weighted average loan seasoning (months)*	37.18	35.72
Loans in arrears (% of mortgages)	0.47	0.31
Defaulted loans (% of mortgages)	1.93	1.96
Credit analysis results		
Weighted average foreclosure frequency (WAFF; %)	18.14	18.48
Weighted average loss severity (WALS; %)	30.20	28.69
Asset default risk (%)	2.50	2.50
Asset types		
Residential assets WAFF (%)	13.47	14.09
Residential assets WALS (%)	23.15	24.41
Commercial assets WAFF (%)	27.02	27.04
Commercial assets WALS (%)	36.90	37.06

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

Table 5

Realkredit Danmark Capital Center S Mortgage Covered Bonds Pool Assets By Loan Size		
(DKK '000s)	Percentage of the cover pool (%)	
	June 30, 2014	June 30, 2012
Residential assets		
0-500	5.24	5.08
500-1,000	23.33	22.25
1,000-1,500	25.92	25.95
1,500-2,000	18.22	18.54
2,000-2,500	11.67	12.07
2,500-3,000	6.12	6.44
Greater than 3,000	9.50	9.67

Table 6

Realkredit Danmark Capital Center S Mortgage Covered Bonds Loan-To-Value Ratios		
(%)	Percentage of the cover pool (%)	
	June 30, 2014	June 30, 2012
Residential assets		
0-60	31.21	28.58

Table 6

Realkredit Danmark Capital Center S Mortgage Covered Bonds Loan-To-Value Ratios (cont.)		
60-70	16.36	15.44
70-80	24.82	23.68
80-90	20.67	25.22
90-100	5.24	6.21
Above 100	1.70	0.84
Weighted-average LTV ratio	62.88	67.38
Commercial assets		
0-60	52.92	50.23
60-70	13.78	13.82
70-80	13.06	16.44
80-90	7.82	10.71
90-100	1.27	1.96
Above 100*	11.15	6.85
Weighted-average LTV ratio	59.92	59.79

*Loans with an LTV above 100% are primarily related to subsidised 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 S Mortgage Covered Bonds Loan Seasoning Distribution		
Remaining term to maturity (months)	Percentage of the portfolio (%)	
	June 30, 2014	June 30, 2012
Residential assets		
Less than 18 months	26.67	43.63
18-24	19.16	7.67
24-36	19.52	19.13
36-48	16.42	10.47
48-60	7.24	5.52
More than 60	10.62	13.15
Weighted-average loan seasoning (months)	32.41	30.61
Commercial assets		
Less than 18 months	23.66	31.38
18-24	13.47	5.50
24-36	12.99	14.33
36-48	11.70	4.84
48-60	4.36	7.66
More than 60	33.16	36.22
Weighted-average loan seasoning (months)	46.27	45.71

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

Table 8

Realkredit Danmark Capital Center S 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	17.37	17.34
North Denmark Region	6.06	5.95
Region Zealand	20.20	20.45
Region of Southern Denmark	18.37	17.99
Capital Region of Denmark	38.01	38.26
Total	100.00	100.00
Commercial assets		
Central Denmark Region	20.00	20.15
North Denmark Region	8.37	8.28
Region Zealand	12.63	13.38
Region of Southern Denmark	21.63	20.73
Capital Region of Denmark	36.99	37.08
Other	0.39	0.37
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 was 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 above our long-term ICR for covered bonds that fall in category 1 and have "low" ALMM risk. This means that Realkredit Danmark Capital Center S'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 S, 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 5.64%. There aren't any constraints from counterparty or country risk and the target credit enhancement is well below the observed 10.71% 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 S Mortgage Covered Bonds ALMM Metrics		
	June 30, 2014	June 30, 2012
Asset WAM (years)	13.29	13.48
Liability WAM (years)	14.59	15.04
Maturity gap (years)	(1.30)	(1.56)
ALMM (%)	0	0
ALMM classification	Low	Low
Maximum uplift above issuer rating (notches)	7	7
Target credit enhancement for maximum uplift (%)	5.64	5.51
Target credit enhancement for first notch of uplift (%)	2.5	2.5

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 S'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 account 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 current 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 we have excluded these swaps from the cash-flow analysis.

Section 15 bonds

Realkredit Danmark issues Section 15 bonds from Capital Center S. The bonds fund additional collateral for the benefit of the capital center. The issuer has currently issued Danish krone (DKK) 2 billion of Section 15 bonds from the capital center, which fund 0.94% of the available overcollateralization. We rate the Section 15 bonds issued from Realkredit Danmark's Capital Center S '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 non-sovereign ratings criteria (see "Methodology and Assumptions For Ratings Above The Sovereign—Single Jurisdiction Structured Finance," published on Sept. 18, 2014).

Our non-sovereign 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 S'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 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. 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,

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- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Surviving Stress Scenarios: Assessing Asset Quality of Public Sector Covered Bond Collateral, Sept. 30, 2003

Related research

- Ratings Affirmed On Realkredit Danmark's Capital Center S Mortgage Covered Bonds And Section 15 Bonds, Oct. 30, 2014
- 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 Bonds And Structured Finance Securities, Sept. 4, 2014
- Request for Comment: Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Sept. 4, 2014
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Additional Contact:

Covered Bonds Surveillance; CoveredBondSurveillance@standardandpoors.com

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