

NON-RATING ACTION COMMENTARY

Realkredit Danmark's CC S & CC T CVB Ratings Resilient to Pandemic

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Fitch Ratings-Frankfurt-04 February 2021: Danish mortgage covered bond programmes (Saerligt Daekkede Realkreditobligationer, SDRO) are resilient to the potential economic impact of the coronavirus pandemic given their three-notch buffer against an issuer downgrade, Fitch Ratings says.

The 'AAA' ratings of both programmes are based on Realkredit Danmark A/S's Long-Term Issuer Default Rating (IDR) of 'A' and the various uplifts above the IDR granted to the programmes. The two mortgage programmes issued from Realkredit are the SDRO Capital Centre S (CC S) and Capital Centre T (CC T) programmes. One of the main differences between the two programmes is the interest-rate type of the assets: CC S contains predominantly fixed-rate assets for the life of the loan, while variable-rate assets are refinanced through CC T.

Both programmes' cover pools consist of residential and commercial cover assets. CC S comprises 68% residential assets and 32% commercial assets, while the respective figures for CC T are 56% and 44%. Commercial loans within Realkredit cover pools are SME loans in such sectors as retail, real estate and agriculture.

Both programmes benefit from a cushion between the over-collateralisation (OC),

which Fitch relies upon in its analysis, and Fitch's 'AAA' break-even OC, as well as the three-notch buffer against an issuer downgrade. Also, payment holiday take-ups in Denmark have been limited. Nevertheless, Fitch expects the OC cushions to reduce as a consequence of the coronavirus crisis.

Fitch also performed a downside sensitivity scenario stress by increasing the cover pools' probability of default and decreasing recovery expectations on the mortgage loans. The additional stresses would lead to an increase of the 'AAA' break-even OC, but the current OC still provided sufficient protection for the 'AAA' ratings on the programmes.

More detailed information on the two covered bond programmes and how they compare is available in the report " Realkredit Danmark's Capital Centres S & T Covered Bond Programmes - Peer Review" at www.fitchratings.com or by clicking the link above.

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