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Various Rating Actions On Danish Banks On EU Bank Recovery And Resolution Directive To Be Implemented In Denmark

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- Denmark will implement the EU Bank Recovery and Resolution Directive (BRRD) bail-in power with effect from June 1, 2015, ahead of most EU countries.
- While exempt from bail-in, mortgage banks (realkreditinstitut) in Denmark will be subject to a 2% buffer of unweighted loans on top of existing capital requirements.
- We believe that extraordinary government support is likely to become less predictable in the near term, but we continue to see unresolved questions about how the legislation may operate in practice.
- We are affirming our ratings on three Danish banks (Jyske Bank, Danske Bank A/S, and Nordea Bank Danmark) and placing on CreditWatch negative our ratings on two Danish banks (Nykredit Realkredit and DLR Kredit).

STOCKHOLM (Standard & Poor's) May 12, 2015--Standard & Poor's Ratings Services today took various rating actions on Danish banks relating to the upcoming implementation of the BRRD bail-in power in Denmark. The Danish parliament approved the laws implementing the directive in its final reading on March 26, 2015. The new laws will come into force on June 1, 2015. Austria, Germany, and the U.K. implemented the bail-in power in January 2015, and we expect most EU countries to do so in January 2016.

As a result of the new laws, we think that extraordinary government support for commercial banks is likely to become less predictable in Denmark. We have therefore placed our ratings on some Danish banks on CreditWatch with negative implications. However, we continue to see unresolved questions about how the

legislation may operate in practice, and there are certain unique features in the Danish implementation of BRRD regarding the resolution strategies for mortgage banks and the implications for their senior creditors. All of the rated Danish banks have mortgage bank operations. We intend to continue reviewing the laws and discuss their practical implications with the Danish authorities before we take a final decision on the status of extraordinary government support for banks in Denmark.

As a result of our review of all our bank ratings in Denmark, we have taken the following rating actions:

- Placed on CreditWatch with negative implications the 'BBB+/'A-2' long- and short-term counterparty credit ratings on DLR Kredit A/S.
- Placed on CreditWatch with negative implications the 'A+/'A-1' long- and short-term counterparty credit ratings on Nykredit Realkredit A/S and its core subsidiary Nykredit Bank A/S.
- Affirmed our 'A-/'A-2' long- and short-term counterparty credit ratings on Jyske Bank A/S and its core subsidiary BRFKredit A/S. The outlook on both entities remains stable.
- Affirmed our 'A/'A-1' long- and short-term counterparty credit ratings on Danske Bank A/S. The outlook remains negative.
- Affirmed our 'AA-/'A-1+' long- and short-term counterparty credit ratings on Nordea Bank Danmark A/S. The outlook remains negative.

We have not revised any of our ratings on the hybrid capital instruments (that is, tier 1 and tier 2 regulatory capital instruments) issued by Danish banks. We already consider that investors in these instruments are unlikely to benefit from systemic support.

For a full list of the counterparty credit ratings and outlooks on the Danish banks we rate, see "Ratings List" below.

NYKREDIT REALKREDIT

For Nykredit Realkredit and its core subsidiary Nykredit bank, we believe that the two notches of government support we currently incorporate into the ratings may be at risk if we deem Denmark's government to be less likely to provide extraordinary support to the banking sector. We currently do not expect the stand-alone credit profile (SACP) to strengthen sufficiently to mitigate a potential loss of government support. In addition, while we note that the bank has made improvements that have strengthened its funding profile, we still see a reliance on short-term wholesale funding. In addition, a deviation from the improving funding trend could lead us to revise downward our SACP for Nykredit.

DLR KREDIT A/S

The placement on CreditWatch with negative implications reflects the possibility that we might remove the one notch of government support we currently factor into the ratings. Previously, we expected DLR to strengthen its capital position to the extent that the potential loss of government support would be mitigated by an increasing capital level, more specifically that our risk-adjusted capital ratio (RAC) ratio would sustainably surpass

15%. We believe this is no longer certain and we could therefore lower the ratings should we assess extraordinary support in Denmark to be uncertain. In addition, while we note improvements in DLR's funding profile, we still assess that there is a reliance on short-term wholesale funding. A deviation from the improving funding trend could lead to a downward revision of our SACP on DLR.

JYSKE BANK A/S

Our affirmation of the ratings with a stable outlook on Jyske Bank A/S and core subsidiary BRFKredit A/S reflects our view that a potential loss of government support would be mitigated by increasing group capital levels. The RAC ratio was 10.0% on Dec. 31, 2014, and we see potential for it to grow annually by 30-40 basis points over the next two years to a level consistent with a "strong" assessment of capital and earnings.

DANSKE BANK A/S

We have affirmed our ratings and retained the negative outlook on Danske Bank A/S, reflecting our view that we may lower the long-term counterparty credit rating by up to two notches if we consider that extraordinary government support is less predictable. However, we believe that the bank has the potential to continue improving its earnings generation to a level in line with peers', which could cause us to remove the negative adjustment notch we currently apply to the ratings. In addition, we see potential for the bank to achieve a RAC ratio sustainably above 10%. All considered, there is, in our view, at least a one-in-three chance that we could lower the rating over the next two years.

NORDEA BANK DANMARK

We have affirmed the ratings and retained the negative outlook on Nordea Bank Danmark, which we view as a "core" subsidiary of Swedish parent Nordea Bank AB. We believe that any potential extraordinary government support provided to the parent would be directly or indirectly made available to the Danish subsidiary and therefore we align the ratings on the Danish subsidiary with the supported group credit profile. We expect to address support for the group, including Nordea Bank Danmark and other subsidiaries, when we review the supportiveness of the Swedish government.

CREDITWATCH RESOLUTION

We expect to resolve the CreditWatch placements no later than the end of July. During this period, we intend to review the extent to which the new laws and other reforms create an effective resolution framework and reduce implicit government support. The rating outcome for each institution will reflect whether we reduce or remove extraordinary government support notches from the ratings, as well as entity-specific factors, such as potential changes to banks' SACPs. In addition, we would also assess if there is potential for ratings uplift from additional loss-absorbing capacity (see "Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity," published April 27, 2015 on RatingsDirect).

RELATED CRITERIA AND RESEARCH

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And

Assumptions, Jan. 29, 2015

- Group Rating Methodology, Nov. 19, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013

RATINGS LIST

CreditWatch Action

	To	From
DLR Kredit A/S		
Counterparty Credit Rating	BBB+/Watch Neg/A-2	BBB+/Stable/A-2
Nykredit Realkredit A/S		
Counterparty Credit Rating	A+/Watch Neg/A-1	A+/Negative/A-1
Nykredit Bank A/S		
Counterparty Credit Rating	A+/Watch Neg/A-1	A+/Negative/A-1
Ratings Affirmed		
Jyske Bank A/S		
Counterparty Credit Rating	A-/Stable/A-2	
BRFkredit A/S		
Counterparty Credit Rating	A-/Stable/A-2	
Danske Bank A/S		
Counterparty Credit Rating	A/Negative/A-1	
Nordea Bank Danmark A/S		
Counterparty Credit Rating	AA-/Negative/A-1+	

NB: This list does not include all the ratings affected.

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