

November 5, 2008

Research Update:

**Nykredit Realkredit A/S Assigned
'A+' L-T Ratings, Outlook Stable;
Covered Bonds Rated 'AAA'**

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Rationale

On Nov. 5, 2008, Standard and Poor's Ratings Services assigned its 'A+' long-term counterparty credit ratings to Denmark-based mortgage lender Nykredit Realkredit A/S (Nykredit). At the same time, the 'A-1' short-term counterparty credit ratings on Nykredit were affirmed. The outlook is stable.

At the same time, Standard & Poor's assigned 'AAA' credit ratings to Særligt Dækkede Obligationer issued via Nykredit Capital Centre E and Realkreditobligationer issued by Nykredit Capital Centre C and Nykredit Capital Centre D. At the same time, Standard & Poor's assigned a 'AAA' rating to Realkreditobligationer issued by Totalkredit A/S Capital Centre C. Totalkredit is a subsidiary of Nykredit. The ratings on Nykredit's General Capital Centre (covered bond program) were raised to 'AAA' from 'AA', reflecting the fact that our analysis of the capital centre is now based on detailed information on its asset quality and cash flow profile rather than the previous notching approach. Full reports on the covered bonds issued by each capital centre will follow shortly.

The total issue volume covered by the new 'AAA' issue ratings currently amounts to Danish krone (DKK) 871 billion (€117 billion). The credit quality of the underlying assets is good but the maintenance of the 'AAA' ratings will depend on the ability and willingness of the respective issuers to provide overcollateralization levels equal to or above the regulatory limits.

The ratings on Nykredit reflect the group's leading position in the Danish mortgage lending market, conservative risk management, stable core earnings, and robust capitalization. They also factor in the group's successful integration of Totalkredit A/S and continued cooperation with local and regional banks in Denmark. The ratings are constrained by the low geographic and business diversification of the group, although the growing banking franchise is contributing increasingly to core income.

With total assets of DKK 1.08 trillion (\$186 billion at DKK 5.8 to \$1) as at June 30, 2008, Nykredit ranks as the country's second-largest financial services group and leading mortgage lender. The group controls about 40% of the Danish mortgage loan market and a small, though successful banking subsidiary, Nykredit Bank A/S (A+/Stable/A-1).

The recent turbulence in the global credit markets has taken its toll on the group's investment portfolio, which generated a loss of DKK1.2 billion in the first half of 2008. Given the widening of spreads in the third quarter of 2008, we expect a further large impact on profitability. As a result of the losses in the first half, Nykredit's net income was severely impacted and declined to DKK442 million, compared with DKK2.2 billion in the corresponding period in 2007. However, the group's income from its core business operations

remained strong thanks to its solid franchise and cost-efficiency. We expect Nykredit to continue delivering stable core profits, although bottom line results are likely to remain subdued by losses in its investment portfolio. For the first half of 2008, Nykredit reported annualized net income of 0.07% of average assets, much lower than the average 0.30%-0.35% reported by the group over the past five years.

Nykredit's very good asset quality reflects the group's conservative credit risk policies, both in terms of customer assessment and loan-to-value. Despite sharp declines in domestic house prices in the past 18 months and the deceleration of the Danish economy, Nykredit's asset quality has remained very good. As at June 30, 2008, Nykredit reported negligible gross nonperforming assets equivalent to 0.09% of total gross loans. Provisioning for bad and doubtful debts has been at record low levels for the past five years. Such debt levels are expected to rise in the near future from cyclical lows, although any increase is expected to be only moderate, given the country's low levels of unemployment, high savings of Danish households, and low loan-to-value ratios.

Given its mutual status, Nykredit has a track record of managing capital conservatively, on the basis of stable profits and conservative risk management in a low-margin business. At June 30, 2008, it reported a regulatory core Tier 1 ratio of 16.4% under the recently implemented Basel II rules, compared with 9.4% at year-end 2007. This capitalization is very strong and well above that of other similarly rated financial institutions in the Nordic region.

We consider Nykredit to be of high systemic importance within the Danish banking system. The current tight conditions in the global money markets have prompted the Danish financial authorities to take several actions to extend liquidity to the banking sector. The Danish central bank has launched a number of new lending facilities involving further lending against collateral. On Oct. 10, 2008, the Danish parliament approved the Act on Financial Stability, whereby all deposits and senior unsecured debt with Danish banks will be guaranteed for a two-year period. As a mortgage credit institution, Nykredit participates in the scheme through its wholly-owned bank subsidiary, Nykredit Bank.

Outlook

The stable outlook reflects our expectation that Nykredit's asset quality will remain resilient to Denmark's weak property markets and the deterioration of the country's economic outlook. In addition, it reflects our expectation that Nykredit will continue its efforts to diversify into non-mortgage business while maintaining its conservative capitalization strategy.

A positive rating action is unlikely at this stage. The ratings could become under pressure if there is a larger-than-expected deterioration in the group's asset quality and earnings. In addition, the ratings could be lowered if there is an unexpected reduction of the group's current capitalization levels following full implementation of Basel II or acquisitions of troubled small Danish banks.

Ratings List

New Ratings; Ratings Affirmed

	To	From
Nykredit Realkredit A/S Counterparty Credit Ratings	A+/Stable/A-1	--/--/A-1

NB: The list does not include all ratings affected.

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