

# *Danske Hypotek – investor presentation*

March 2019





# Agenda

- 1 Danske Bank Group - Covered bond universe
- 2 Danske Bank - Personal Banking SE
- 3 Danske Hypotek - Structure and expected development
- 4 Danske Hypotek - Funding
- 5 Appendix - Nordic macro
- 6 Contacts

# *Danske Bank Group*

*- Covered bond universe*

# Danske Bank covered bond universe, a transparent pool structure<sup>1</sup>

Danske Bank	
	<p><b>Residential mortgages from</b></p> <ul style="list-style-type: none"> <li>• Denmark, D-pool</li> <li>• Norway, I-pool</li> <li>• Sweden, Danske Hypotek AB</li> <li>• Finland, Danske Mortgage Bank Plc</li> </ul>
	<p><b>Commercial mortgages from</b></p> <ul style="list-style-type: none"> <li>• Sweden and Norway, C-pool</li> </ul>
REALKREDIT Danmark	
	<p><b>Pass-through principle based on mortgages from primarily Denmark</b></p> <ul style="list-style-type: none"> <li>• Capital Centre T, Adjustable-rate mortgages</li> <li>• Capital Centre S, Fixed-rate callable mortgages</li> </ul>
	



<sup>1</sup> The migration to Danske Hypotek of Swedish residential loans from Danske Bank's I-pool and Swedish residential-like loans from Danske Bank's C-pool is ongoing. Details of the composition of individual cover pools can be found on the respective issuers' website.

*Danske Bank – Personal Banking SE*  
*- Strategy in Sweden*

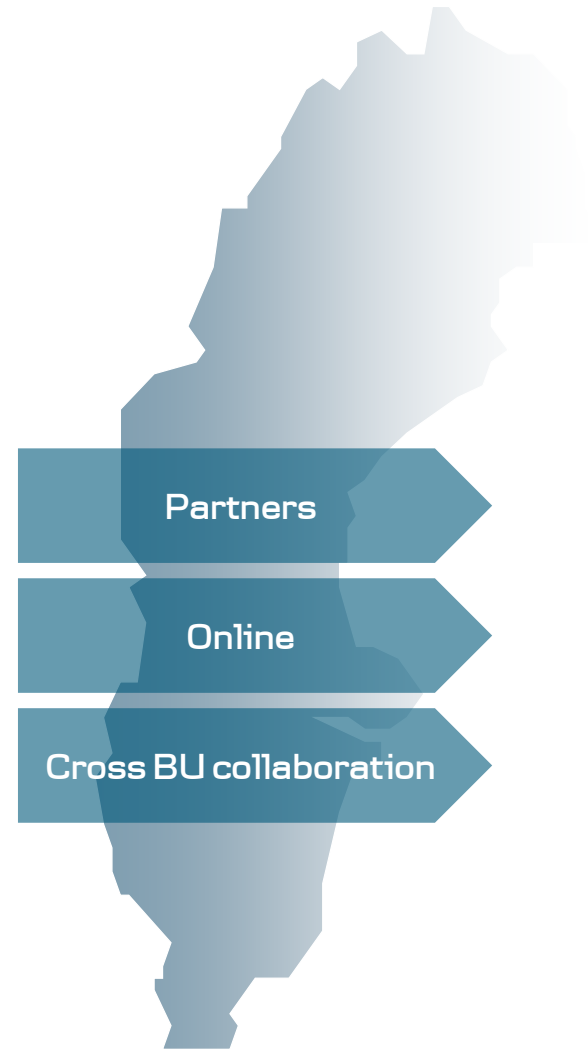


*A challenger  
in a dynamic Swedish market*

# Balanced organic growth



Strengthening our position in the Swedish market



# Growing with controlled risks

☑ Target the right customers



► Strategic partnerships

☑ Early actions to mitigate risks



► Ahead of regulations

## SACO & TCO customers

- ✓ Higher credit quality than average
- ✓ Higher use of digital tools and channels than average
- ✓ Faster to broaden their relation than average

## Strategic partners



650,000 members

23 affiliated associations

Launch  
February 2016



1,300,000 members

14 affiliated associations

Launch  
April 2017

## Early actions to mitigate risks

- ✓ Debt-to-income (DTI) caps
- ✓ Amortisation requirements
- ✓ LTV cap on high priced properties in Stockholm



# *Online with customer Holistic Approach*

## ☑ Digital interfaces and processes



▶ Digital on-boarding of new customers

## ☑ Focus on customer value



▶ Life event based solutions

## ☑ Simplicity & transparency



▶ Customer Program

## ☑ Customer relations digital



▶ Online meetings

# Strong mortgage portfolio



## Mortgage portfolio compared to market average <sup>1</sup>

- ✓ Higher resilience in stress tests
- ✓ Higher household income
- ✓ Higher amortization rate
- ✓ Larger share in urban areas



## Share of Swedish mortgage market Dec, 2018

Market share	3.8%
Share of market growth	8,2%

1) Finansinspektionen, The Swedish Mortgage Market, April 2018

# *Danske Hypotek*

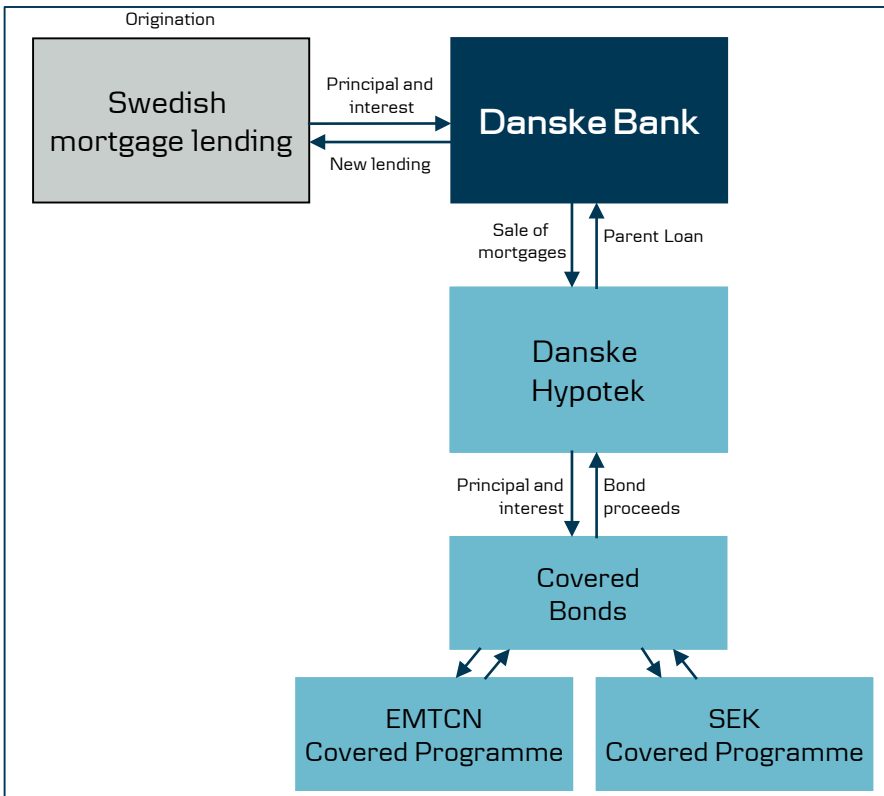
*- Structure and expected development*

# Purpose and Structure

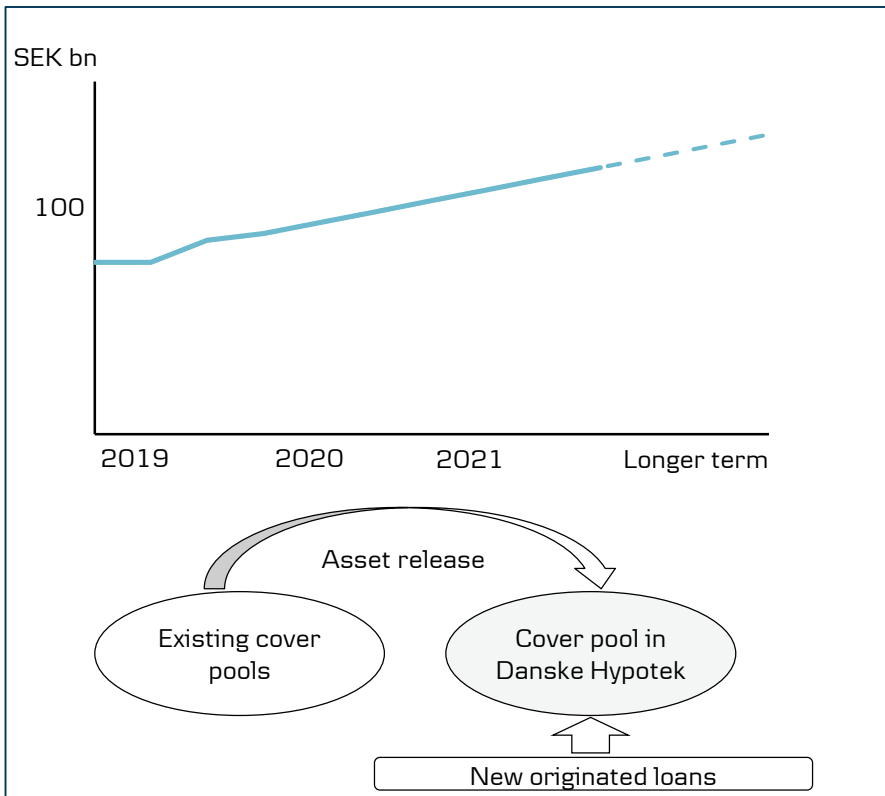
Danske Bank Group has a strong commitment to the Swedish mortgage market

- Ensure stable funding for our customers through the cycle
- Long term funding solution for continued growth of Swedish retail mortgage business
- Market communication; strong commitment to the Swedish Market

## Danske Hypotek - Structure

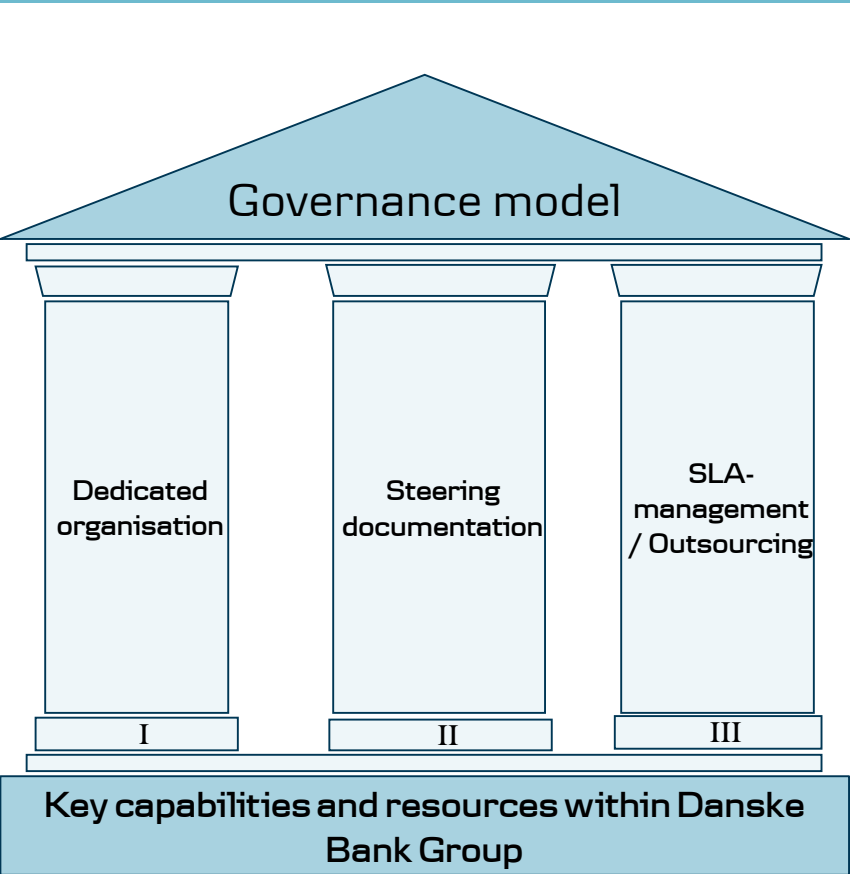


## Danske Hypotek pool (incl. indicative future transfer capacity)



# Governance model

## Funding, Hedging, Liquidity and Capitalisation

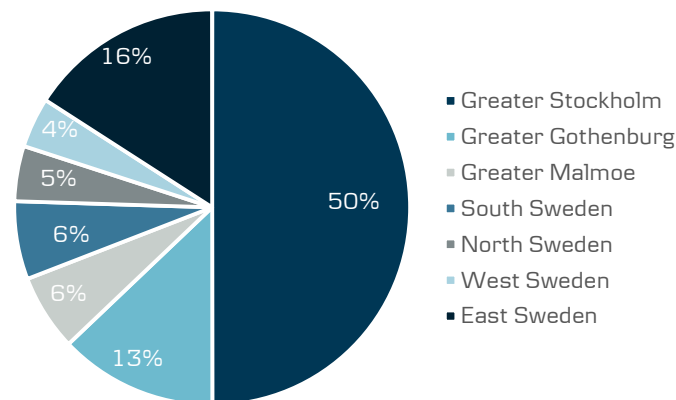
<p><b>Governance model</b></p>  <p>The diagram illustrates the Governance model as a classical building. The roof is labeled "Governance model". It is supported by three columns: "Dedicated organisation" (labeled I), "Steering documentation" (labeled II), and "SLA-management / Outsourcing" (labeled III). The entire structure sits on a base labeled "Key capabilities and resources within Danske Bank Group".</p>	<p><b>Funding</b></p> <ul style="list-style-type: none"> <li>• Danske Hypotek will primarily fund itself in the Swedish Covered Benchmark market</li> <li>• EMTCN programme mainly for complementary capacity purposes</li> <li>• Danske Hypotek's primary interim source of liquidity will be through a parent loan</li> </ul>
	<p><b>Hedging</b></p> <ul style="list-style-type: none"> <li>• Danske Bank A/S is Danske Hypotek's primary swap counterpart</li> <li>• On the liability side, all cash flows from issued bonds are swapped to 3m Stibor based flows</li> <li>• On the asset side, all cash flows from the mortgages are swapped to 3m Stibor based flows</li> </ul>
	<p><b>Liquidity and capitalisation</b></p> <ul style="list-style-type: none"> <li>• Danske Hypotek meets SFSA liquidity requirements</li> <li>• Danske Hypotek is compliant with capital requirements as stated in e.g. CRR/CRD IV as well as specific Swedish regulation and guidelines on capital requirements</li> </ul>

# Danske Hypotek Cover pool characteristics

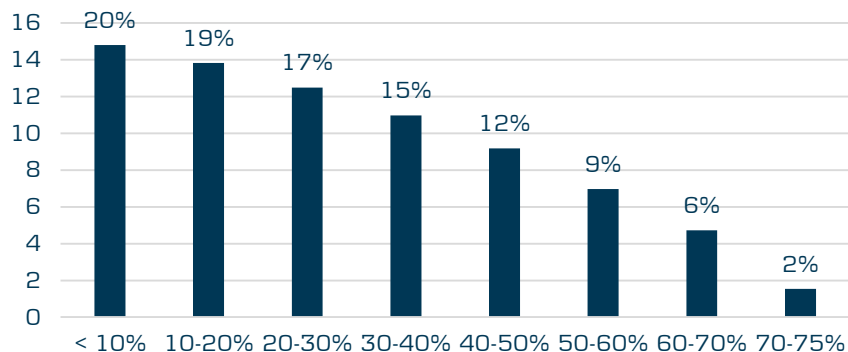
As of end December 2018

Pool notional	SEK 74.5bn
Collateral type	100% residential mortgages to private individuals (Retail)
Number of loans	69,148
Number of borrowers	35,897
Number of properties	37,333
Average loan size	SEK 1.078 m
Property type	42% tenant owner rights, 58% single-family housing,
WALTV	59.1%
WA seasoning	3.4 years
Repayment type	57% amortizing, 43% interest only
Pool type	Dynamic
Rate type	72% floating rate, 28% fixed rate
Issuance notional	SEK 47.6bn
OC	56.6%
Geographical location	100% Sweden
Pool cut-off date	28-12-2018

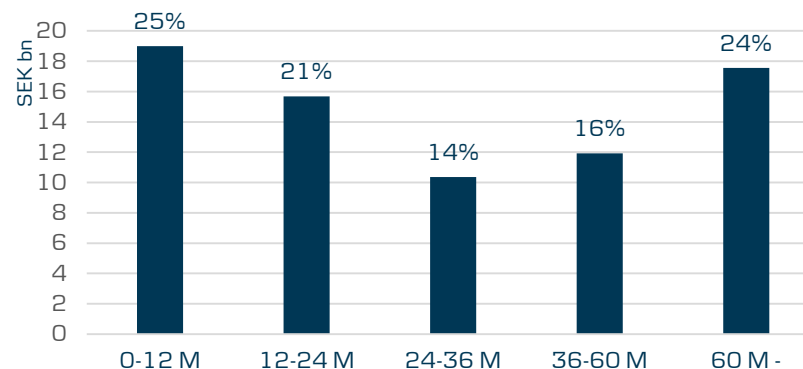
Regional distribution by loan volume; %



Volumes by LTV buckets; SEKbn



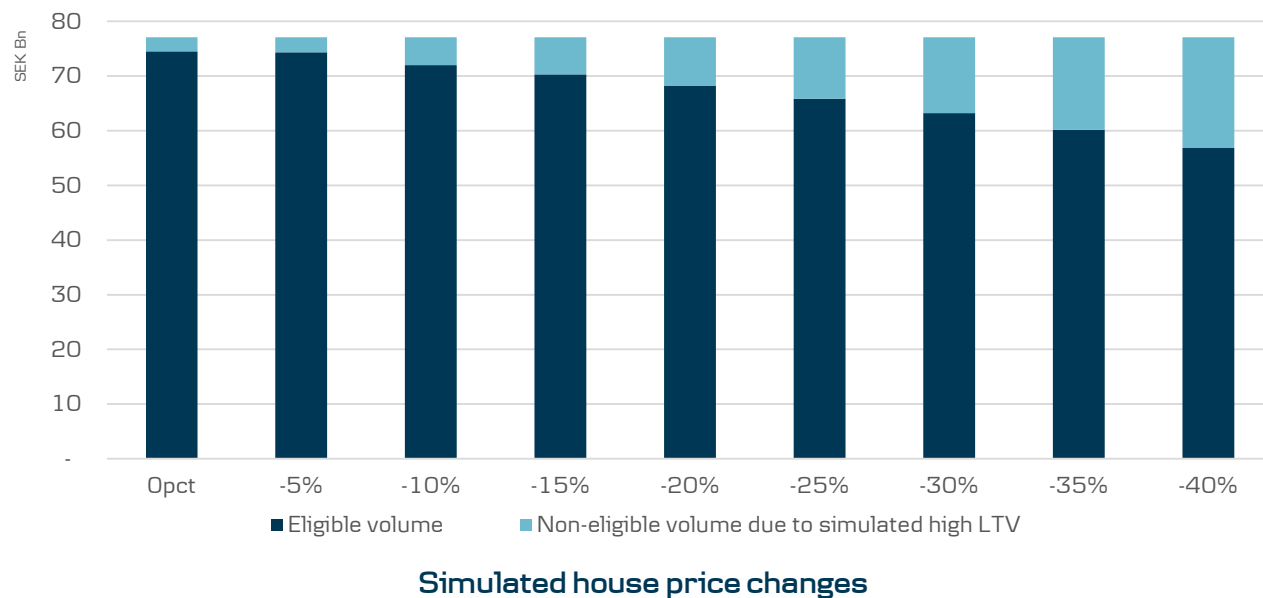
Volumes by seasoning, months; SEKbn



# LTV stress tests on market values in the cover pool

As of end December 2018

LTV stress test<sup>1</sup>; SEKbn



## Key points

### Moderate effects

- A 20 pct. fall in house prices implies that just over 8% of today's eligible assets becomes non-eligible
- A 40 pct. fall in house prices implies that almost 24% of today's eligible assets becomes non-eligible

<sup>1</sup> Effect of simulated market value declines. Pool cut date 28-12-2018

# Danske Hypotek: Available assets for future cover pool — Overview



The relevant aggregate Swedish mortgage assets currently available on the Danske Bank Group balance sheet including mortgages of SEK 78bn already transferred into Danske Hypotek<sup>1</sup> is shown below. The timing of each transfer to Danske Hypotek will be determined close to the actual relevant transfer dates. Key determinants will be demand from investors and development in the Swedish loan book

Characteristics	Personal Banking loans	Business Banking loans	Total loan book
	Potential assets in phase one (including mortgages of SEK 78bn already transferred into Danske Hypotek)	Potential assets in phase two	Potential assets in total
Collateral type	100pct residential mortgages to private individuals (retail)	100pct residential mortgages to owners of multi-family properties	74pct retail, 26pct Multi-Family
Pool notional	SEK 112.6bn	SEK 33.5bn	SEK 146bn
Number of loans	106,227	2,423	108,650
Number of borrowers	52,821	1,485	54,303
Number of properties	55,440	2,583	58,023
Average loan size	SEK 1.060m	SEK 13.8m	SEK 1.343m
Property type	41% tenant owner rights, 55% single family housing, 4% holiday housing	22% cooperative housing, 78% rental housing	44% Retail, 38% cooperative housing and 18% rental housing
WA LTV (Indexed)	62%	54%	60%
WA seasoning	3.9 years	1.7 years	3.3 years
WA remaining term	30.5 years	2.2 years	23.0 years
Pool type	Dynamic	Dynamic	Dynamic
Rate type	65% floating rate, 35% fixed rate	79% floating rate, 21% fixed rate	68% floating rate, 32% Fixed rate
Geographical location	100% Sweden	100% Sweden	100% Sweden
Pool cut date	28-12-2018	28-12-2018	28-12-2018

<sup>1</sup> For more details on the cover pool currently within Danske Hypotek, please refer to [www.danskehypotek.se](http://www.danskehypotek.se).



# *Danske Hypotek - Funding*

*[www.danskehypotek.se](http://www.danskehypotek.se)*

## *Danske Hypotek and the Swedish benchmark market*

**Our ambition is to be recognized by investors as an established benchmark issuer**

### **Our tools:**

- Market maker agreements with all major participants
- Repo facility that allows market makers to cover short positions - as a lender of last resort
- Included in OMRX and SHB index
- The ability to tap the bonds when we see demand based on daily quotes on our bonds
- The ability to buy-back when the bonds are approaching maturity

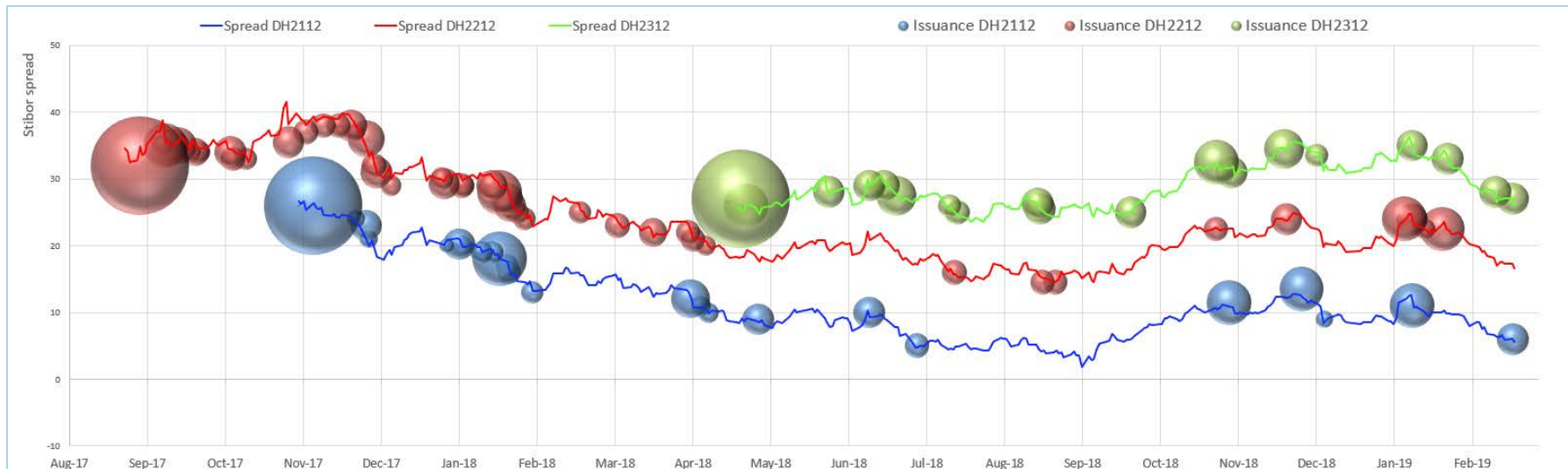
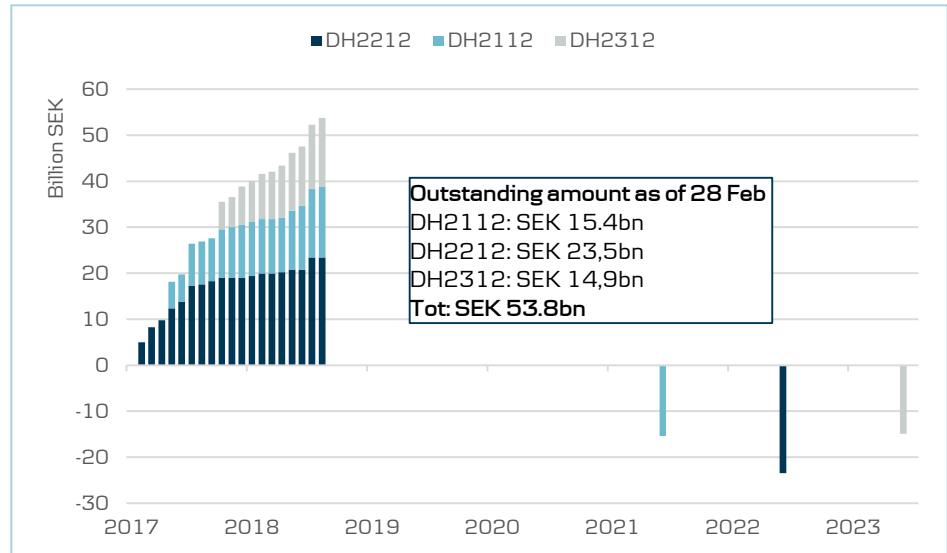
### **Our targets:**

- Continue to build liquid benchmark curve during the coming years. This will take priority over private placements in other formats
- All benchmarks bonds to be LCR level 1 at launch
- Continue to approach the market in a consistent, transparent and predictable manner

**Long term commitment to the Swedish market**

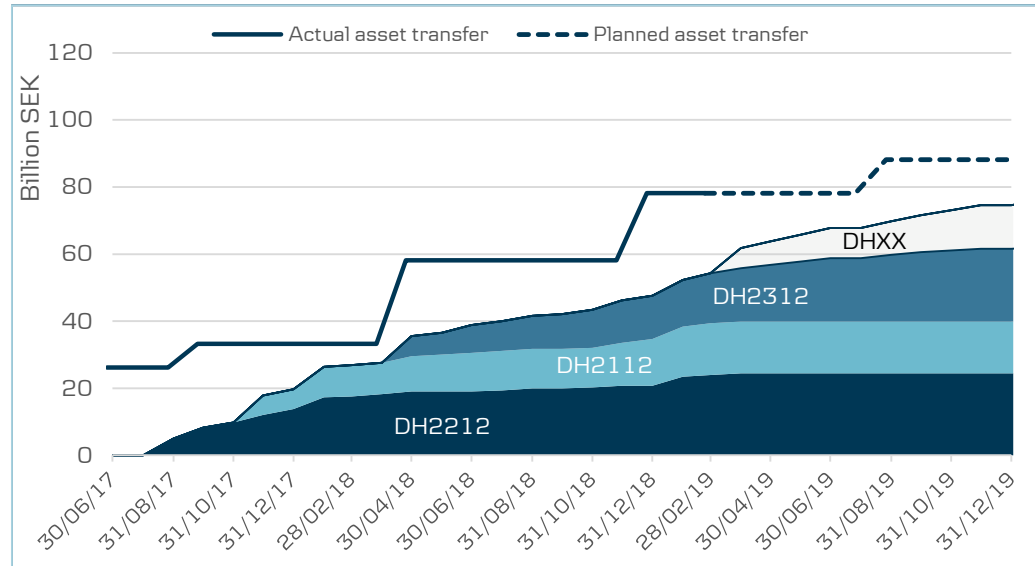
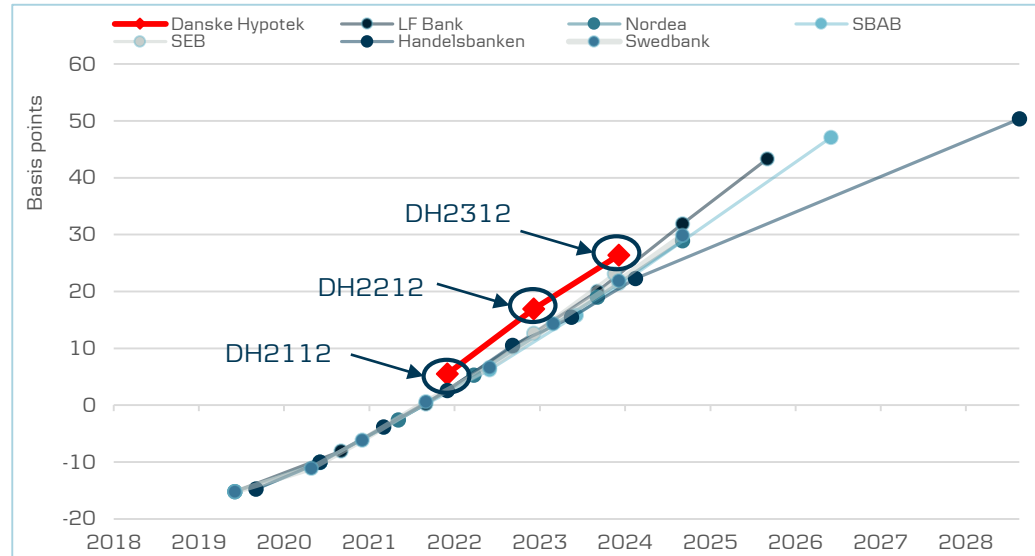
# Danske Hypotek - Covered bond funding

- Transferred SEK 78bn of mortgage assets to Danske Hypotek from Danske Bank
- Established a benchmark curve with 3 outstanding bonds.
  - All bonds AAA rated by S&P
- As per 28<sup>th</sup> of February a total outstanding of SEK 54bn of bonds
- Daily quoting of prices and ongoing issuance of bonds



# Danske Hypotek - Plans going forward - 2019

- Continue to maintain liquidity in our outstanding bonds with daily quotes via our market makers
- Fourth Benchmark bond to be launched during H1, subject to market conditions
- Intention to issue 1-2 benchmark bonds per year the coming years
- Target funding volume of SEK 25-30bn during 2019
- Planned asset transfer of SEK 10bn during H2 and hence increasing loan portfolio from SEK 78bn to SEK 88bn (expected).



## Key takeaways on Danske Hypotek

1.

Danske Hypotek is a wholly-owned subsidiary of Danske Bank

2.

Swedish Credit Market Company, (Kreditmarknadsbolag), supervised by Finansinspektionen (SFSA) resembling the setup from other Swedish Benchmark issuers

3.

100% Swedish mortgages. Sufficient asset volume available to enable building of liquid benchmark curve.

4.

Transparent and predictable issuer behaviour in the Swedish Benchmark Market i.e. taps, buybacks, dedicated market makers

5.

Three Benchmark bonds issued since 2017 with a total outstanding of SEK 54bn

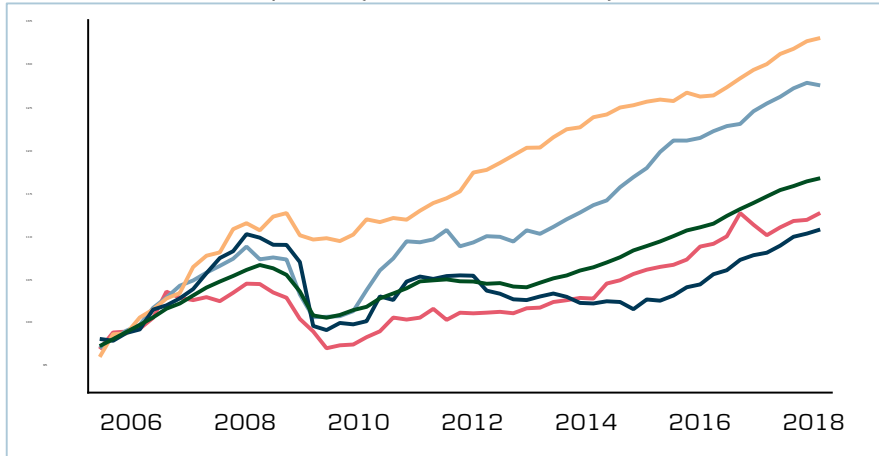
# *Appendix*

*- Nordic macro*

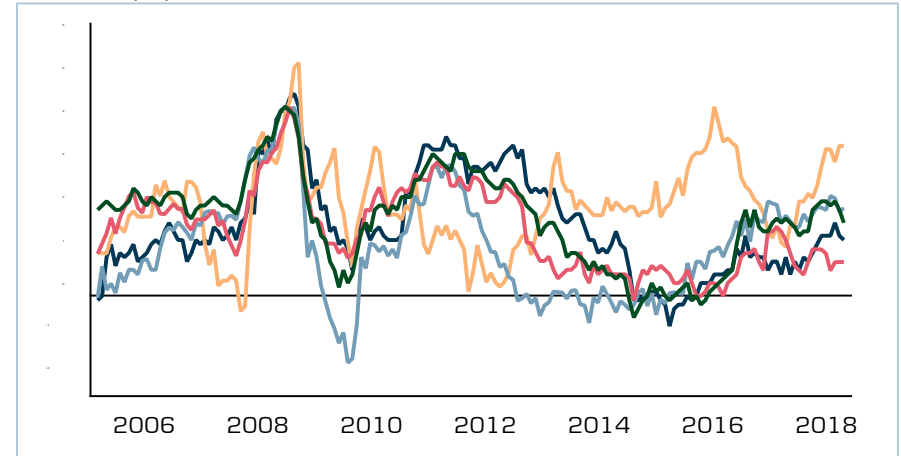
# Nordic macroeconomics

— Denmark — Sweden — Norway — Finland — EU

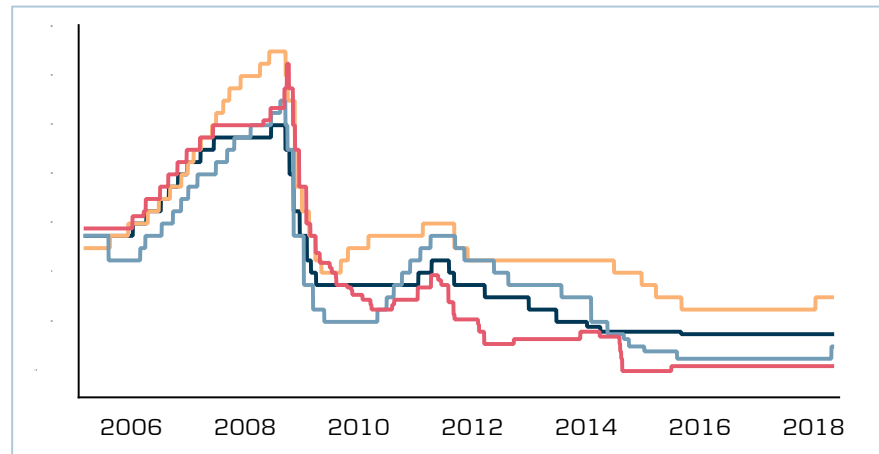
Real GDP, constant prices (index 2005 = 100)



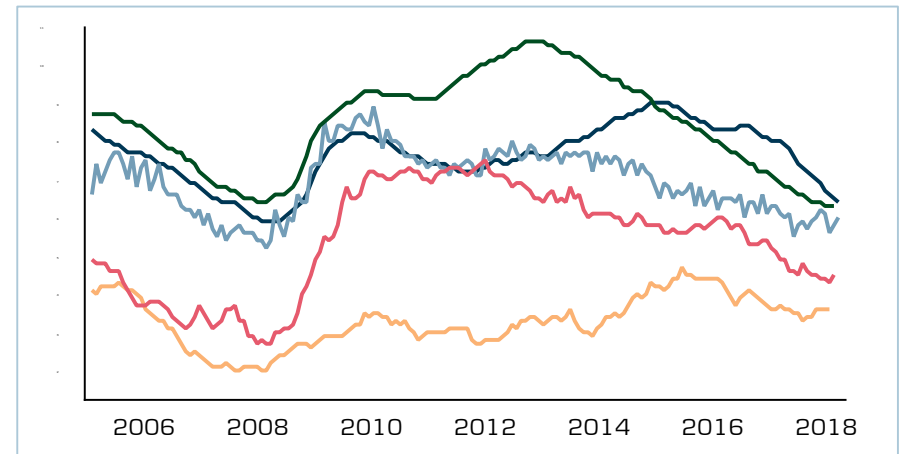
Inflation (%)



Interest rates, leading (%)



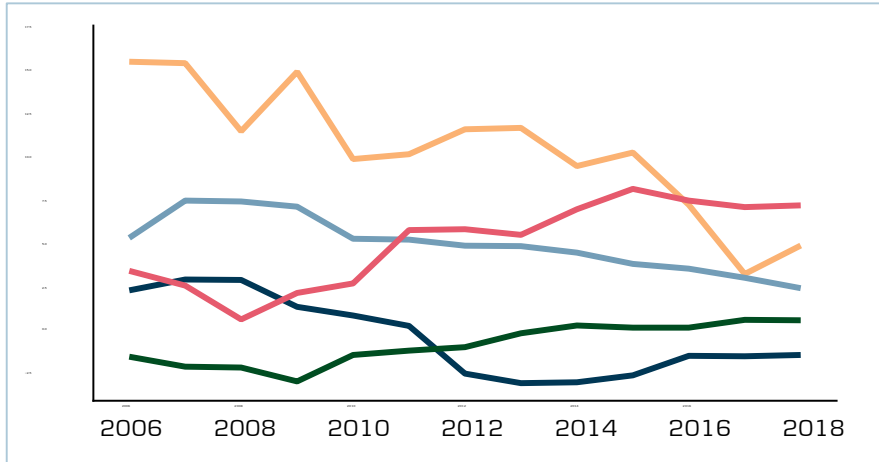
Unemployment (%)



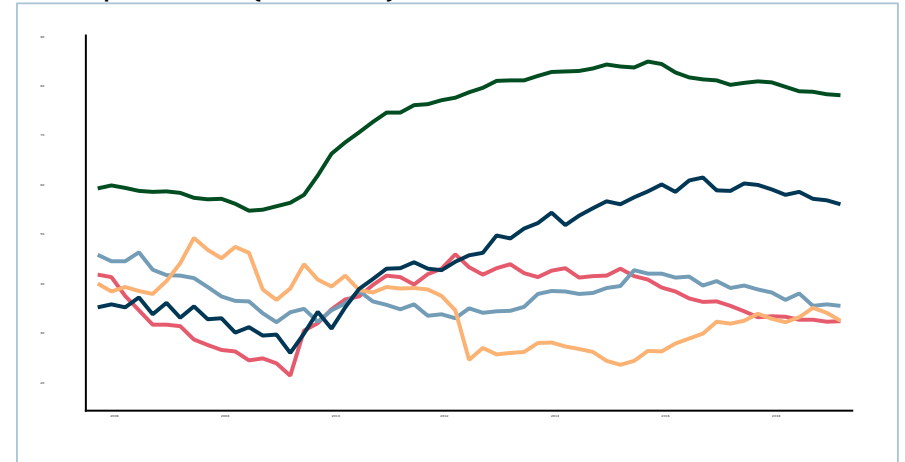
# Nordic macroeconomics

Denmark Sweden Norway Finland EU

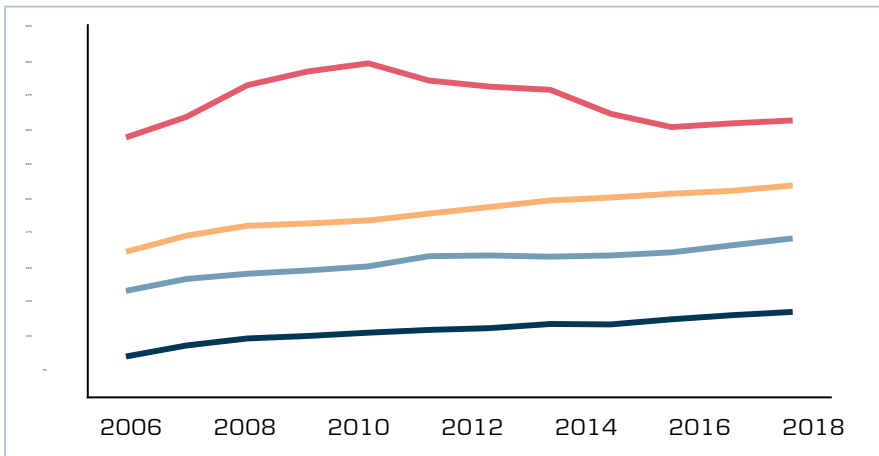
Current account (surplus+ / deficit-, % of GDP)



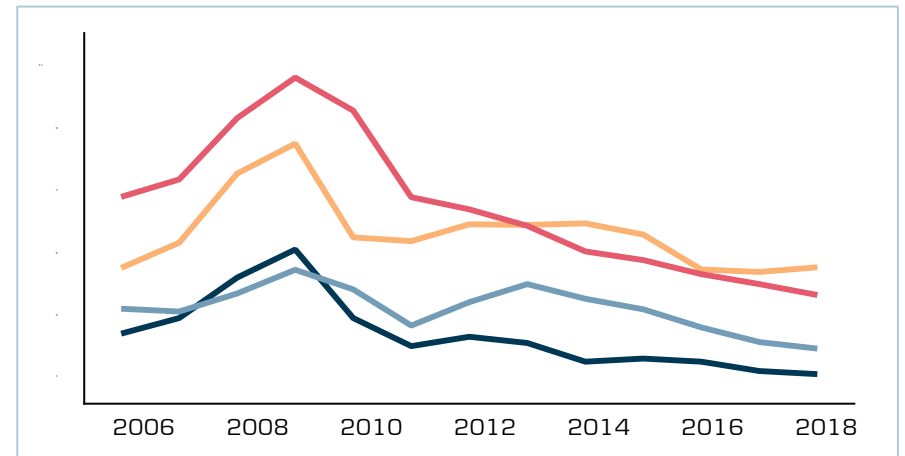
Gross public debt (% of GDP)



Household debt burden (% of disposable income)



Household interest burden (% of disposable income)

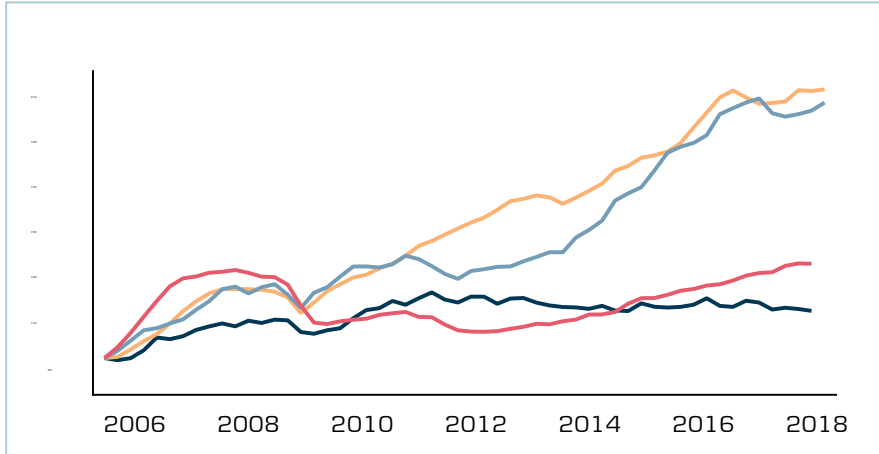




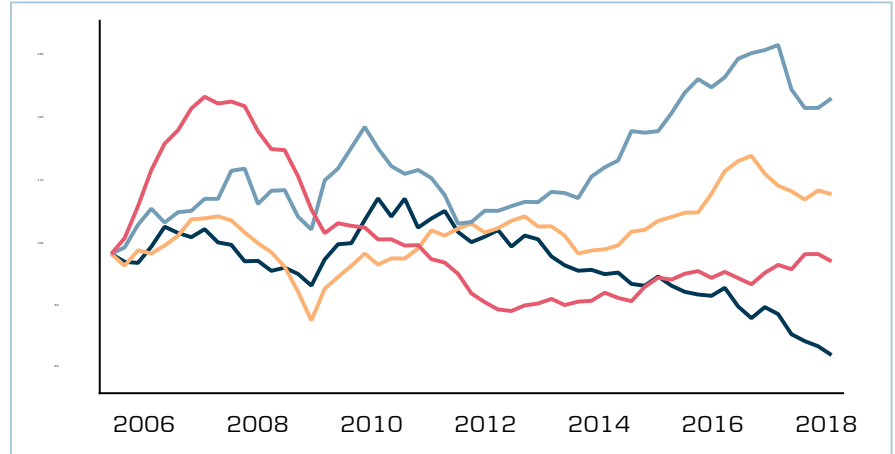
# Nordic housing markets

— Denmark — Sweden — Norway — Finland

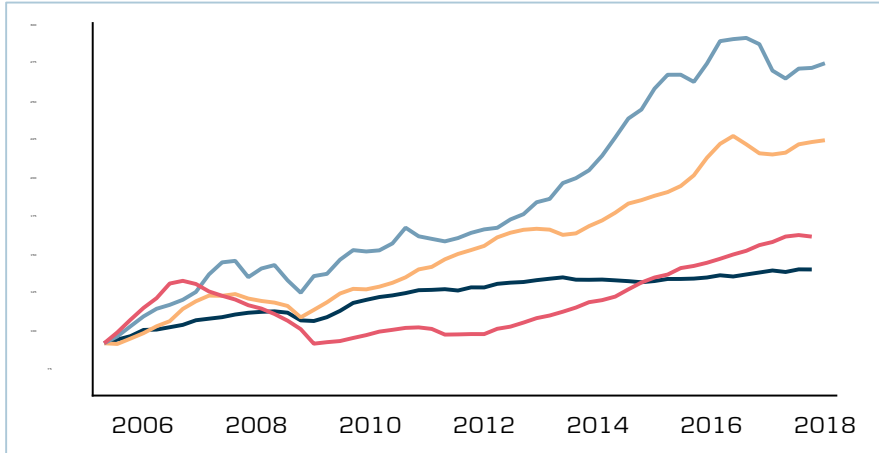
Property prices (index 2005 = 100)



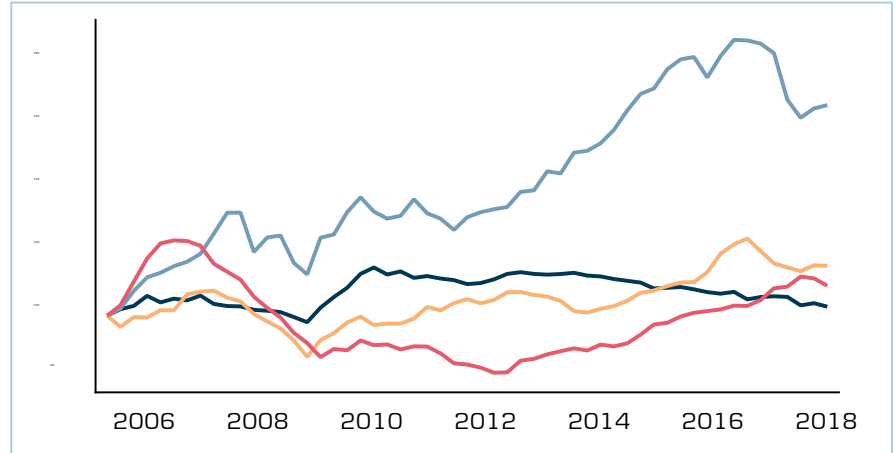
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



Apartment prices/nom. GDP (index 2005 = 100)



# *Danske Hypotek - Contacts*

*[www.danskehypotek.se](http://www.danskehypotek.se)*

# Contacts



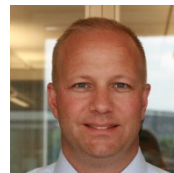
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