

# Danske Hypotek - investor presentation



#### Agenda

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# Danske Bank Group

- Covered bond universe



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

#### Danske Bank



#### Residential mortgages from

- Denmark, D-pool
- Norway, I-pool
- Sweden, Danske Hypotek AB
- Finland, Danske Mortgage Bank Plc

#### Commercial mortgages from



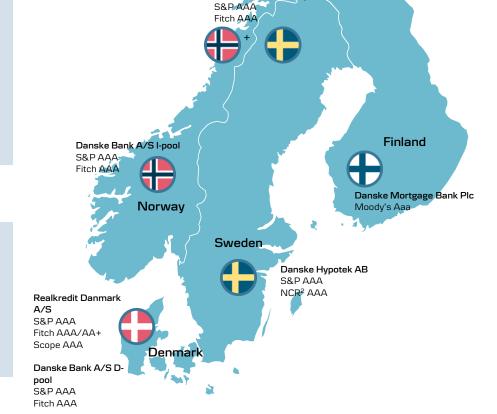
Sweden and Norway, C-pool

#### Danmark

### Pass-through principle based on mortgages from Denmark primarily



- · Capital Centre T
  - Adjustable-rate mortgages
- Capital Centre S
  - Fixed-rate callable mortgages



Danske Bank A/S C-pool

<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

<sup>&</sup>lt;sup>2</sup> Nordic Credit Rating (NCR)



# Danske Bank - Personal Banking SE

- Strategy in Sweden

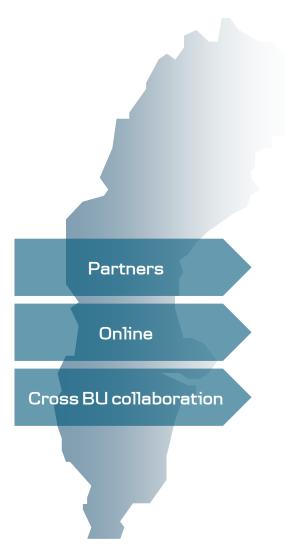




## Balanced organic growth



Strengthening our position in the Swedish market





## Growing with controlled risks

#### ☑ Target the right customers



#### ☑ Early actions to mitigate risks



#### SACO & TCO customers

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



650,000 members

23 affiliated associations

Launch February 2016

#### Strategic partners



1,300,000 members

14 affiliated associations

Launch April 2017

#### rs



650.000 members

140.000 savers

Launch Jan 2020

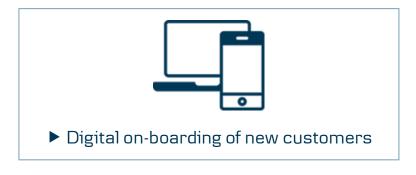
#### Early actions to mitigate risks

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



## Online with customer Holistic Approach

☑ Digital interfaces and processes





☑ Simplicity & transparency

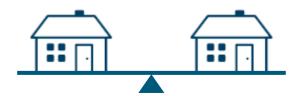


☑ Customer relations digital





## Strong mortgage portfolio



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

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



# Share of Swedish mortgage market Apr, 2020

Market share 3.8%

Share of market growth 8,2%



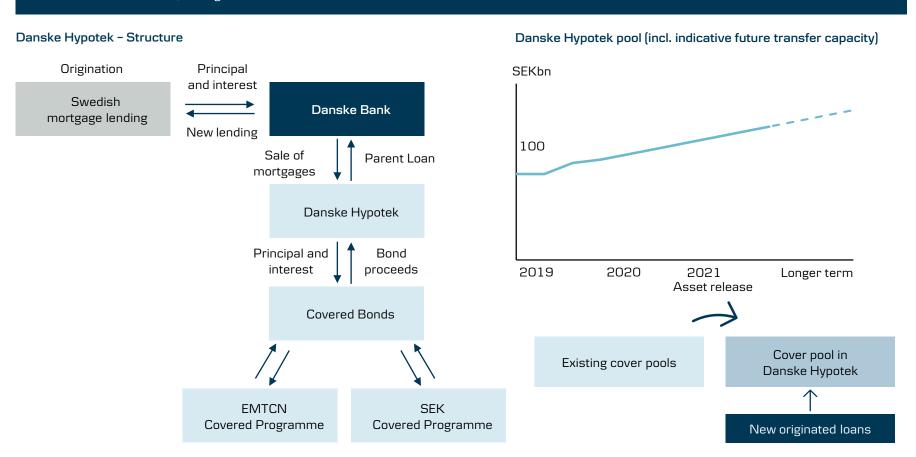
# Danske Hypotek - Structure and expected development



#### Purpose and Structure

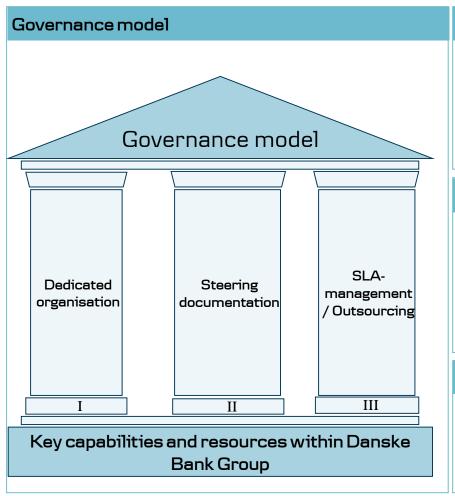
#### Danske Bank Group has a strong commitment to the Swedish mortgage market

- 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





#### Governance model Funding, Hedging, Liquidity and Capitalisation



#### **Funding**

- Danske Hypotek primarily funds itself in the Swedish Covered Benchmark market
- EMTCN programme mainly for complementary capacity purposes
- Danske Hypotek's primary interim source of liquidity is through a parent loan

#### Hedging

- Danske Bank A/S is Danske Hypotek's primary swap counterpart
- On the liability side, all cash flows from issued bonds are swapped to 3m Stibor based flows
- On the asset side, all cash flows from the mortgages are swapped to 3m Stibor based flows

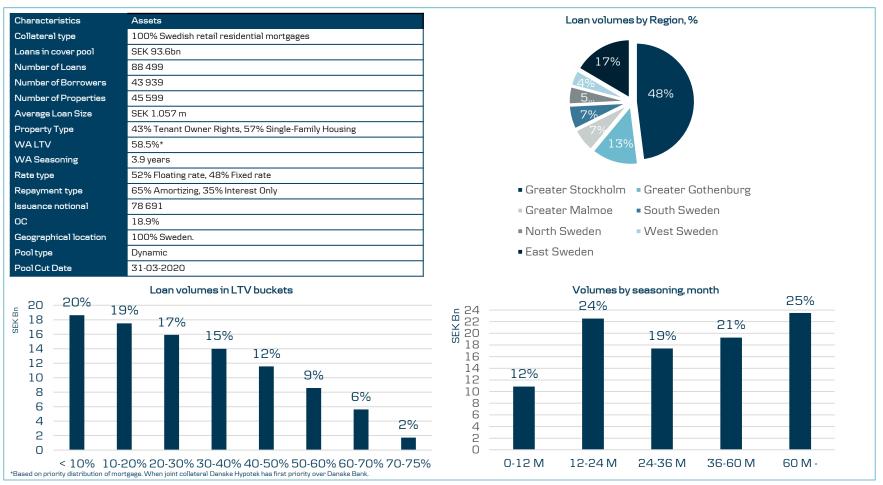
#### Liquidity and capitalisation

- · Danske Hypotek meets SFSA liquidity requirements
- 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



#### Danske Hypotek Cover pool characteristics

As of end March 2020





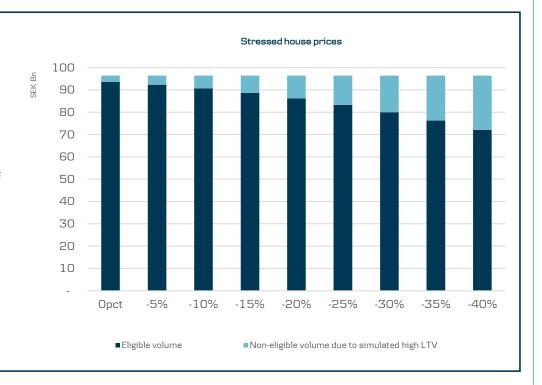
#### Effect of house price sensitivity on LTV and eligible assets

#### House price sensitivity\*

#### Key points

#### Moderate effects

- A 20 pct. fall in house prices implies that 8% of todays eligible assets becomes non-eligible.
- A 40 pct. fall in house prices implies that 23% of todays eligible assets becomes non-eligible.
- Danske Hypotek can withstand a large decline in the market without breaching any OC requirements.



\*Effect of simulated market value declines. Pool cut date 31-03-2020



# 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 110bn already transferred into Danske Hypotek (as of 31 May 2020) 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 110bn 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	90pct retail, 10pct Multi-Family
Pool notional	SEK 122.7bn	SEK 13.5bn	SEK 136,2bn
Number of loans	116,308	1,195	117,503
Number of borrowers	56,146	716	56,862
Number of properties	58,637	2,836	61,473
Average loan size	SEK 1.055m	SEK 11.3m	SEK 1.159m
Property type	44% tenant owner rights, 56% single family housing	39% cooperative housing, 61% rental housing	51% Retail, 43% cooperative housing and 6% rental housing
WA LTV (Indexed)	60%	51%	59%
WA seasoning	4.2 years	1.7 years	3.9 years
WA remaining term	30.5 years	2.3 years	27.7 years
Pool type	Dynamic	Dynamic	Dynamic
Rate type	44% floating rate, 56% fixed rate	63% floating rate, 37% fixed rate	46% floating rate, 54% Fixed rate
Geographical location	100% Sweden	100% Sweden	100% Sweden
Pool cut date	31-03-2020	31-03-2020	31-03-2020



# Danske Hypotek - Funding 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:

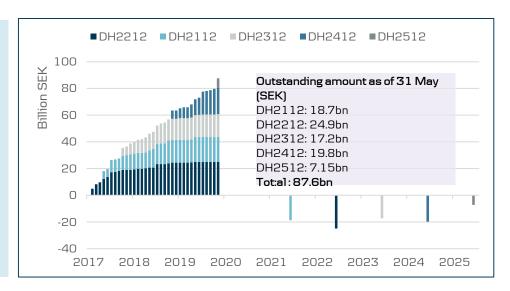
- Continue to build liquid benchmark curve during the coming years. This will take priority over private placements in other formats
- All benchmark bonds to be LCR level 1 at launch
- Continue to approach the market in a consistent, transparent and predictable manner

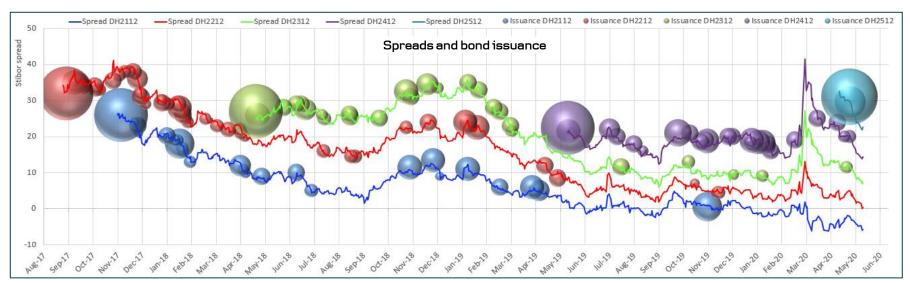
Long term commitment to the Swedish market



#### Danske Hypotek - Covered bond funding

- Mortgage asset volume amounts to SEK 110bn as per 31 May
- Established a benchmark curve with five outstanding bonds
  - All bonds rated AAA by S&P and NCR
- As per 31 May 2020 total outstanding covered bonds of SEK 87.6bn
- Daily quoting of prices and ongoing issuance of bonds

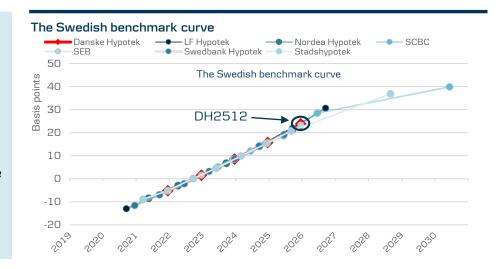


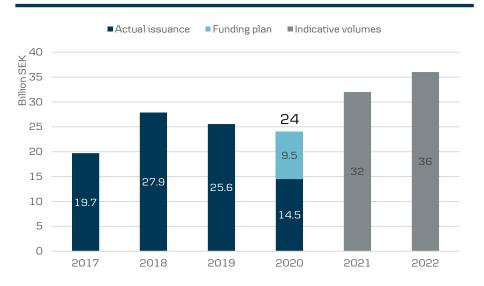


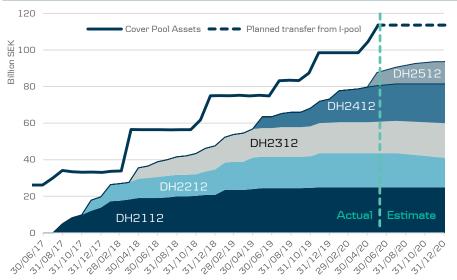


#### Danske Hypotek - Plans going forward - 2020

- Continue to maintain liquidity in our five outstanding bonds with daily quotes via our market makers
- Target funding volume of SEK 24bn during 2020 (SEK 14.5bn executed as of 31 May 2020)
- Intention to issue 1-2 benchmark bonds per year the coming years
- Intention to maintain a volume of approximately SEK 110bn in the loan portfolio throughout 2020
- Start being ready for buy-backs in the shortest bond, DH2112







#### Key takeaways on Danske Hypotek

Danske Hypotek is a wholly-owned subsidiary of Danske Bank

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

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

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

Five Benchmark bonds issued since 2017 with a total outstanding of SEK 87.6bn

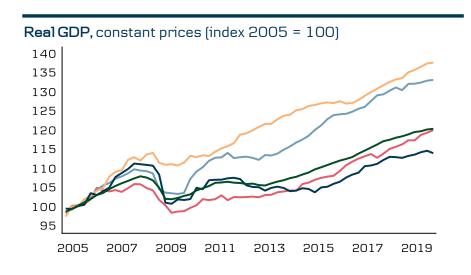


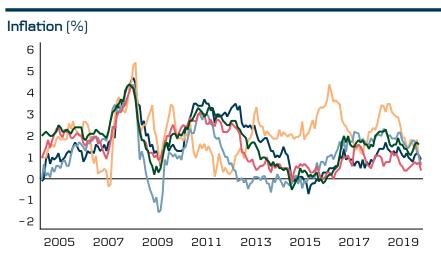
# Appendix - Nordic macro



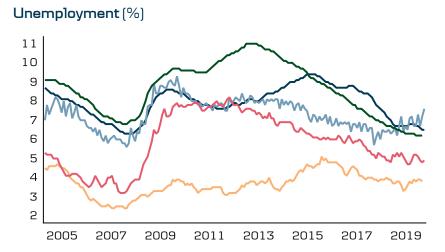
#### Nordic macroeconomics









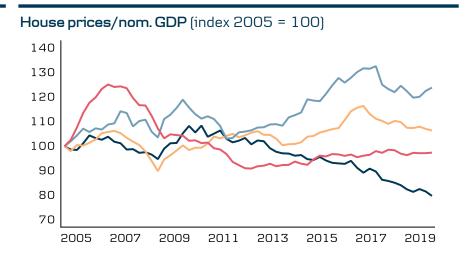




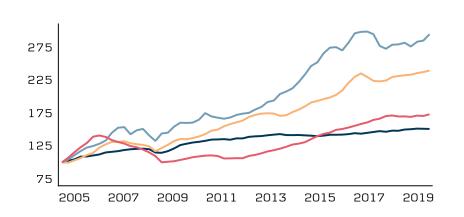
#### Nordic housing markets



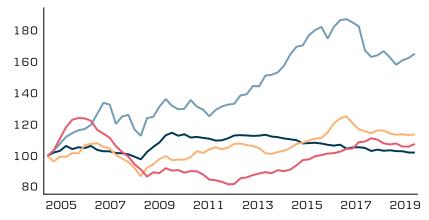
# Property prices (index 2005 = 100) 230 210 190 170 150 130 110 90



Apartment prices (index 2005 = 100)



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





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