

# *Danske Hypotek – investor presentation*

# 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>



### 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



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

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



<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>2</sup> Nordic Credit Rating (NCR)

Details of the composition of individual cover pools can be found on the respective issuers' website

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

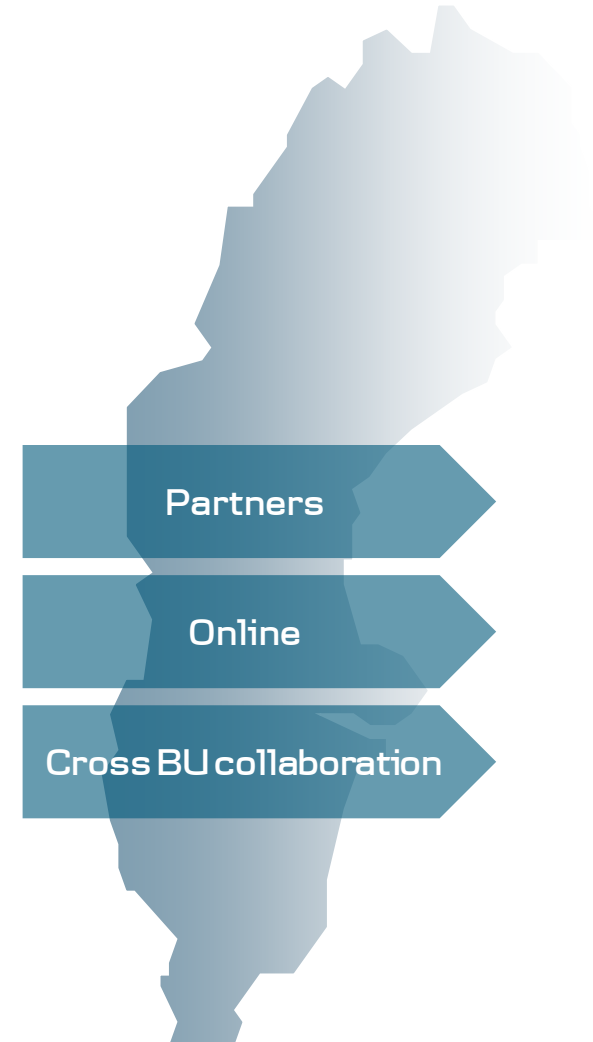


*A challenger  
in a dynamic Swedish market*

# *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



650,000 members

23 affiliated associations

Launch February 2016

## Strategic partners



1,300,000 members

14 affiliated associations

Launch April 2017



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



▶ Digital on-boarding of new customers

☑ Focus on customer value



▶ Life event based solutions

☑ Simplicity & transparency



▶ Customer Program

☑ Customer relations digital



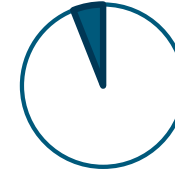
▶ Online meetings

# Strong mortgage portfolio



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

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



## Share of Swedish mortgage market , 2020

Market share	3.8%
Share of market growth	4.2%

1) Finansinspektionen, The Swedish Mortgage Market , 2019

# *Danske Hypotek*

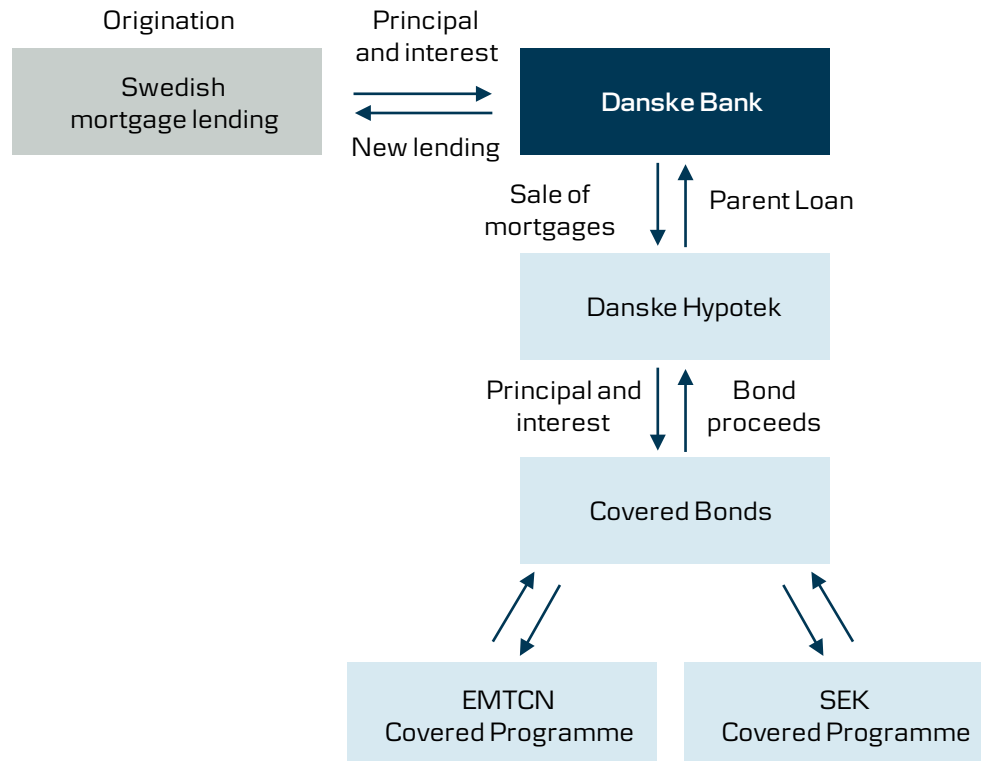
*- Structure and expected development*

# Purpose and Structure

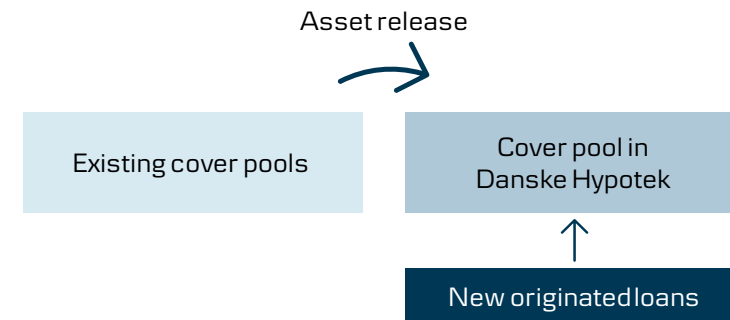
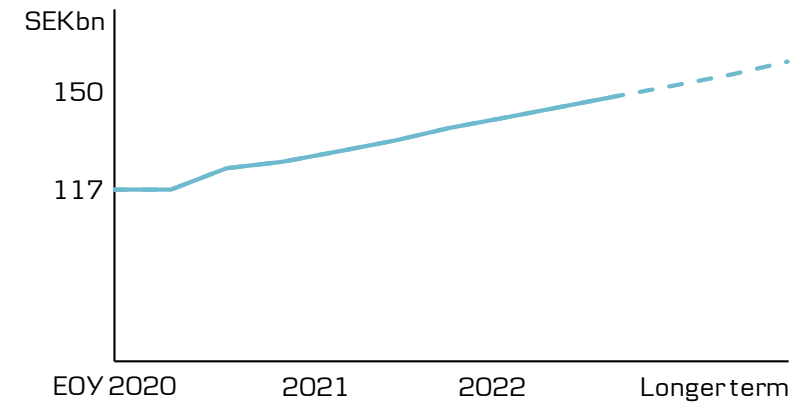
Danske Bank Group has a strong commitment to the Swedish mortgage market

- 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

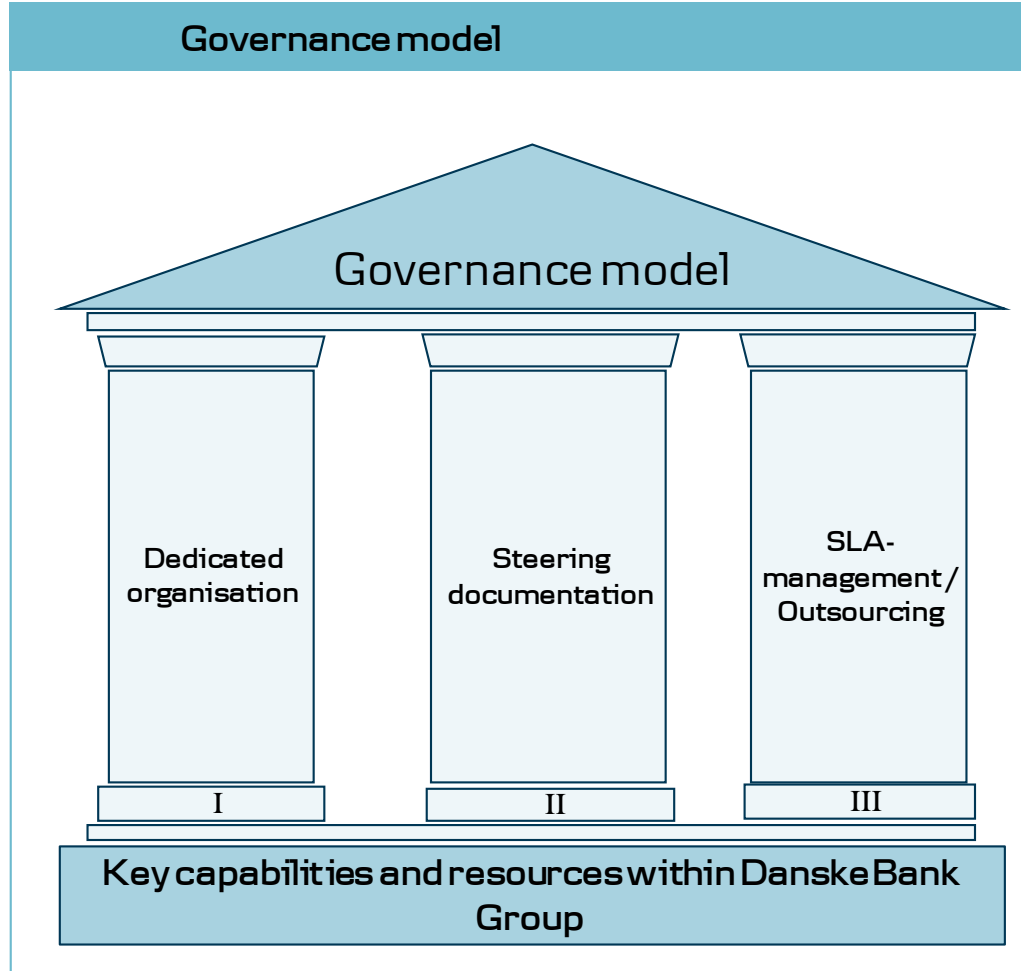


Danske Hypotek pool (incl. indicative future transfer capacity)



# Governance model

## Funding, Hedging, Liquidity and Capitalisation



### 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

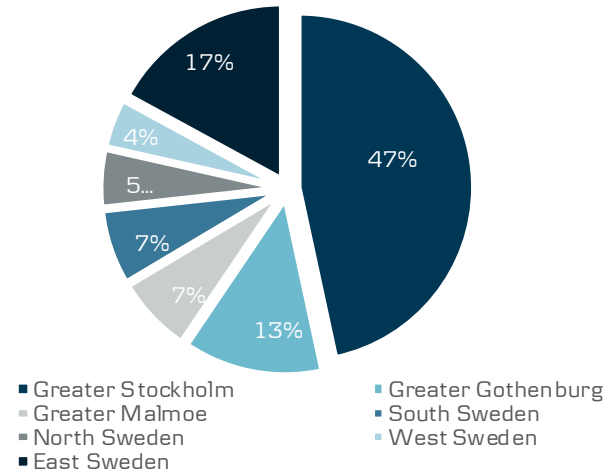
- Danske Hypotek meets SFSA liquidity requirements
- Danske Hypotek is compliant with capital requirements as stated in e.g. CRR/CRD IV as well as specific Swedish regulation and guidelines on capital requirements

# Danske Hypotek Cover pool characteristics

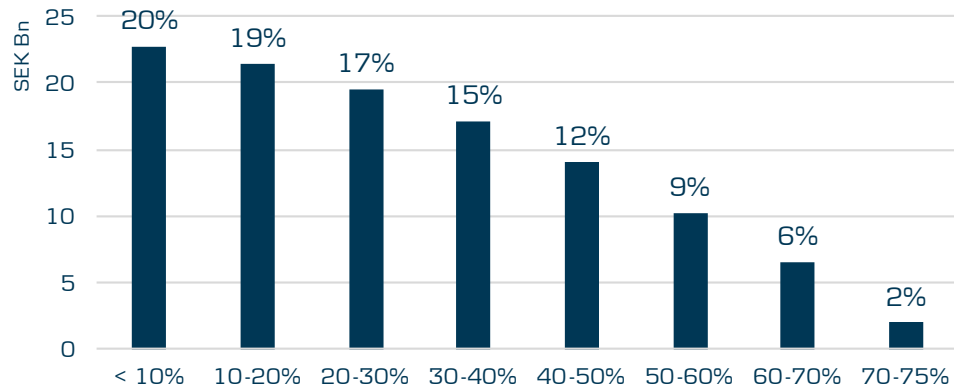
## As of end December 2020

Characteristics	Assets
Collateral type	100% Swedish retail residential mortgages
Loans in cover pool	SEK 113.8bn
Number of Loans	109 050
Number of Borrowers	52 323
Number of Properties	54 069
Average Loan Size	SEK 1.044 m
Property Type	42% Tenant Owner Rights, 58% Single-Family Housing
WA LTV	58%*
WA Seasoning	4.2 years
Rate type	37% Floating rate, 63% Fixed rate
Repayment type	58% Amortizing, 42% Interest Only
Issuance notional	90 936
OC	26%
Geographical location	100% Sweden.
Pool type	Dynamic
Pool Cut Date	31-12-2020

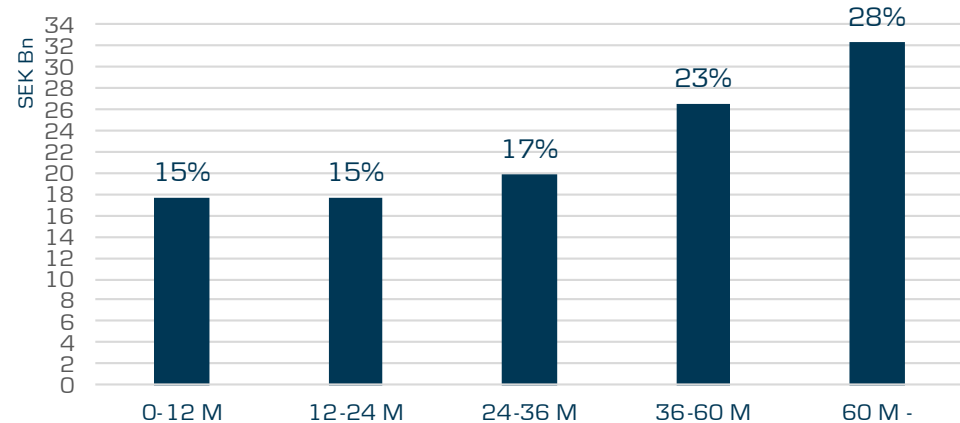
Loan volumes by Region, %



Loan volumes in LTV buckets



Volumes by seasoning, month



\*Based on priority distribution of mortgage. When joint collateral Danske Hypotek has first priority over Danske Bank.

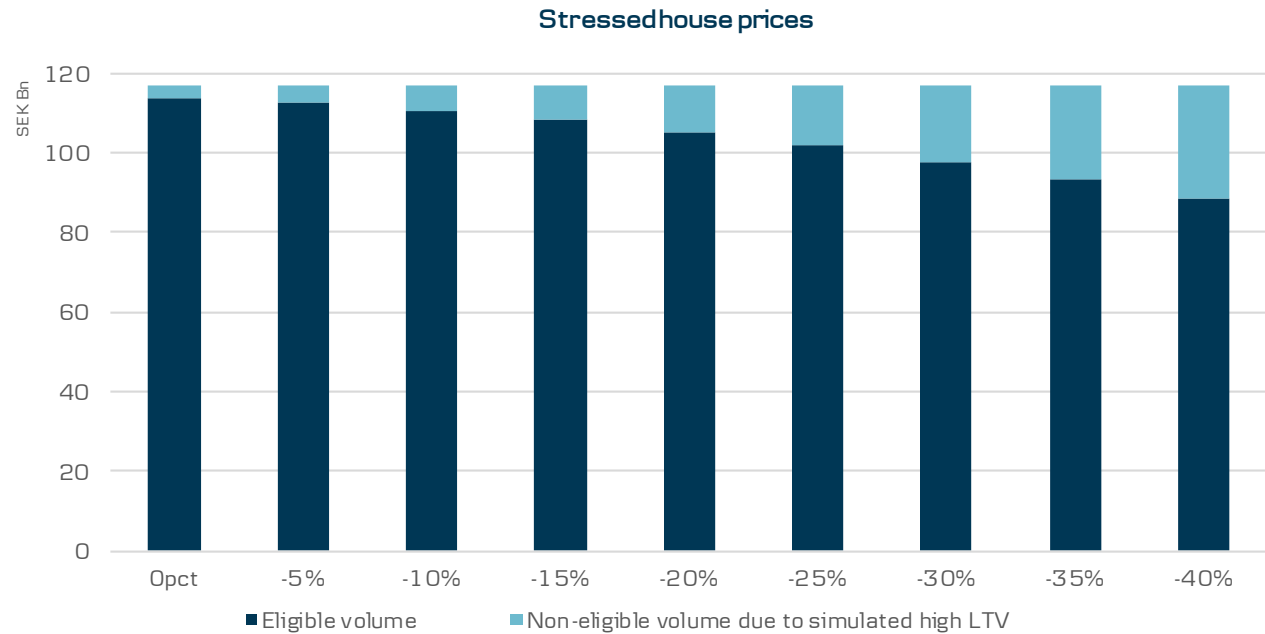
# Effect of house price sensitivity on LTV and eligible assets

House price sensitivity\*

## Keypoints

Moderate effects

- A 20 pct. fall in house prices implies that 7.5% of today's eligible assets becomes non-eligible.
- A 40 pct. fall in house prices implies that 22% of today's 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 31-12-2020

# 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 114bn already transferred into Danske Hypotek (as of 31 December 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 114bn 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	82pct retail, 18pct Multi-Family
Pool notional	SEK 128.3bn	SEK 28.4bn	SEK 156,6bn
Number of loans	119,609	2,465	122,074
Number of borrowers	57,929	1,444	59,373
Number of properties	58,637	2,836	61,473
Average loan size	SEK 1.072m	SEK 11.5m	SEK 1.283m
Property type	44% tenant owner rights, 56% single family housing	38% cooperative housing, 62% rental housing	45% Retail, 43% cooperative housing and 12% rental housing
WA LTV (Indexed)	60%	49%	58%
WA seasoning	4.2 years	1.7 years	3.7 years
WA remaining term	30.8 years	2.2 years	24.8 years
Pool type	Dynamic	Dynamic	Dynamic
Rate type	37% floating rate, 63% fixed rate	58% floating rate, 42% fixed rate	40% floating rate, 60% Fixed rate
Geographical location	100% Sweden	100% Sweden	100% Sweden
Pool cut date	31-12-2020	31-12-2020	31-12-2020

• <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

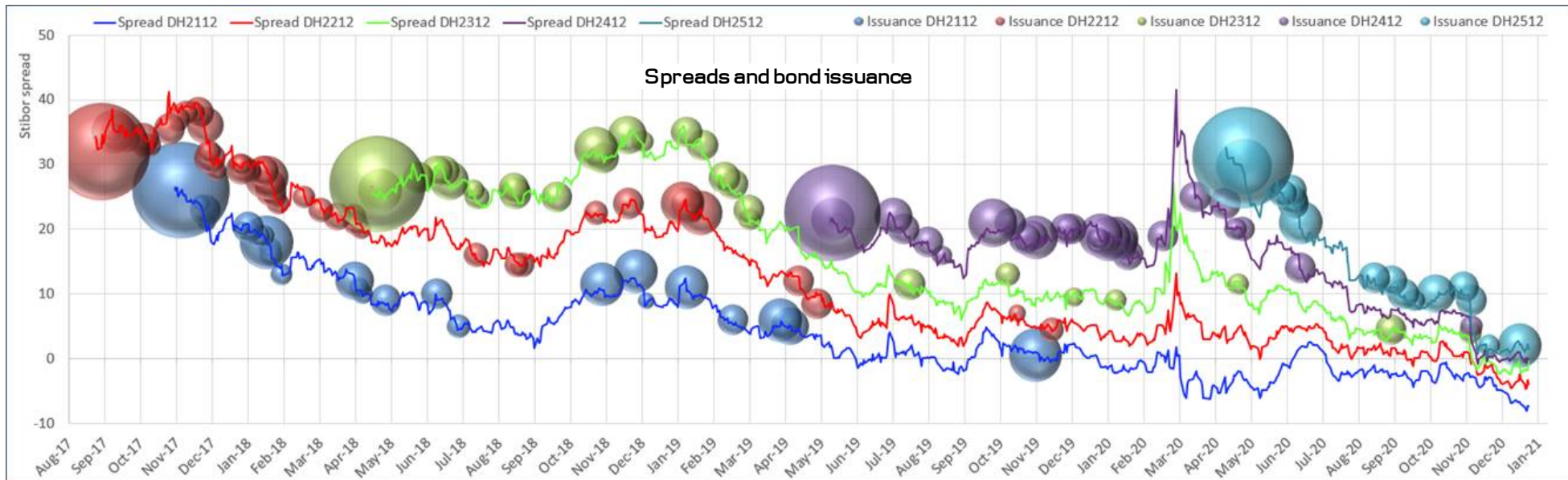
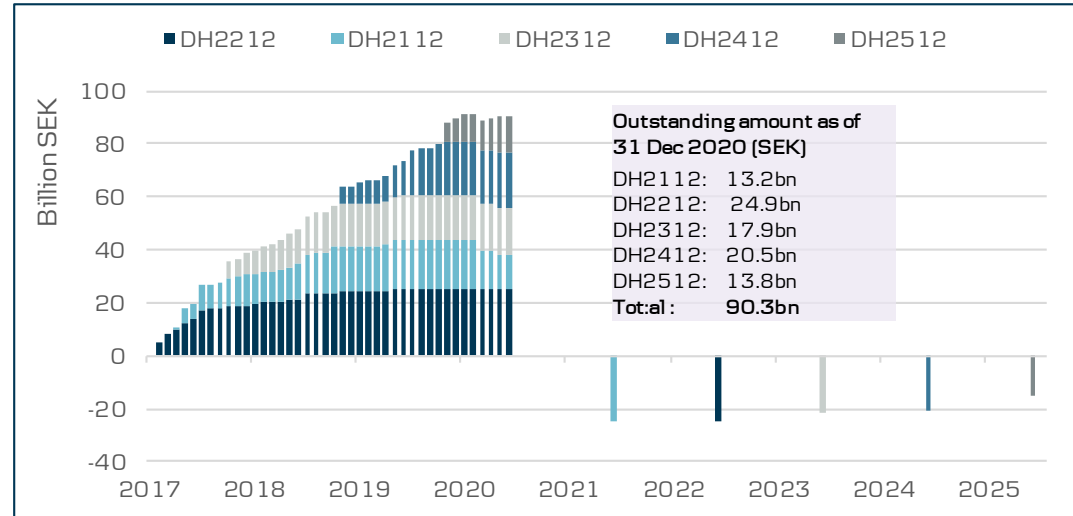
### **Our targets:**

- Continue to build liquid benchmark curve during the coming years. This will take priority over private placements in other formats
- All 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

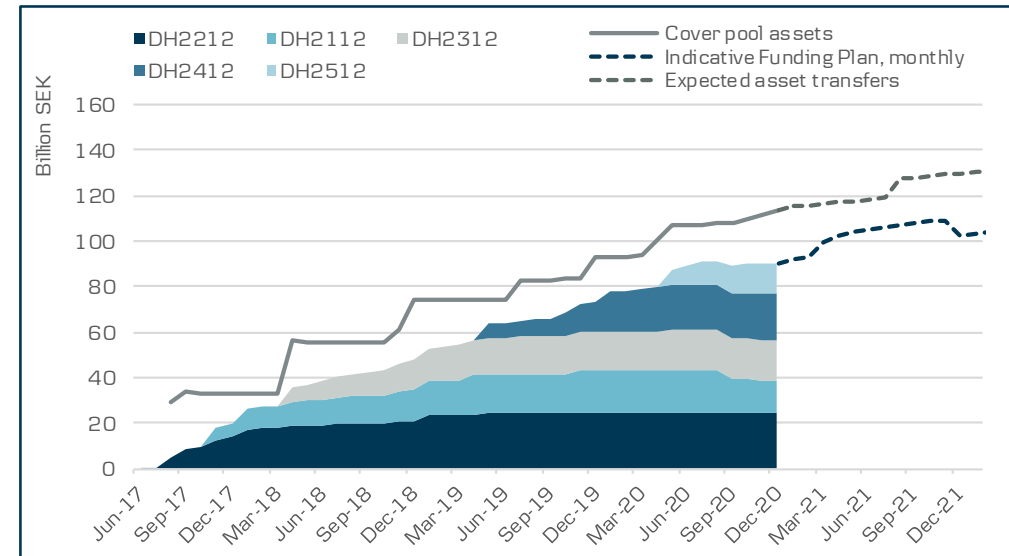
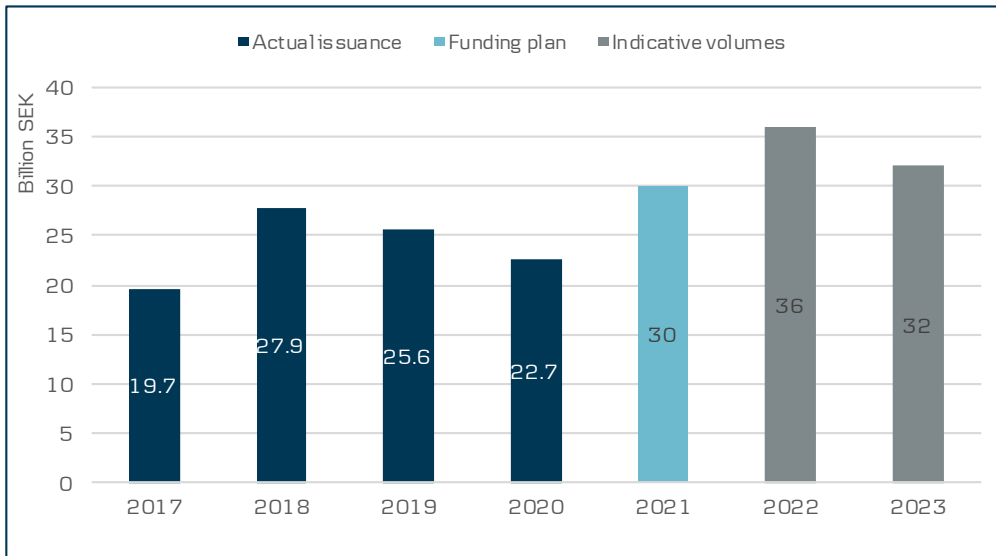
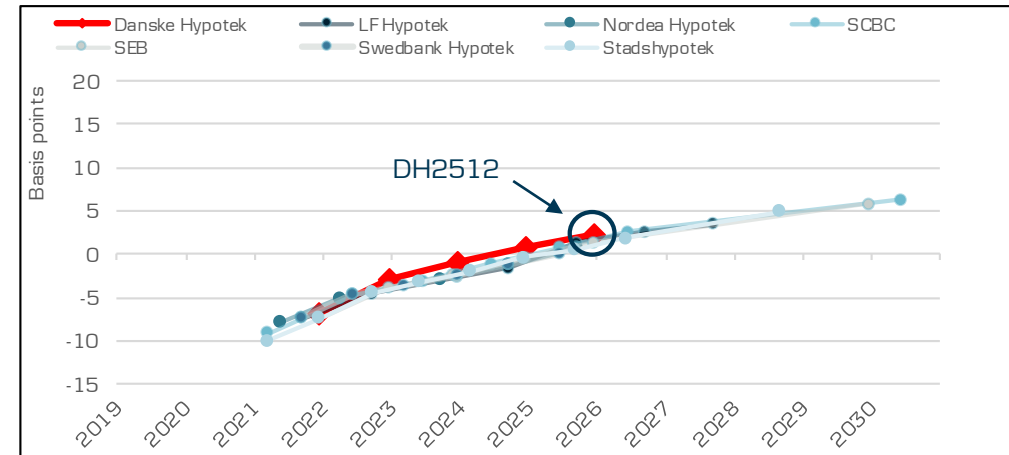
- Mortgage asset volume amounts to SEK 117bn as per 31 December
- Established a benchmark curve with five outstanding bonds
  - All bonds rated AAA by S&P and NCR
- As per 31 December 2021 total outstanding covered bonds of SEK 90.3bn
- Buy-backs of SEK 5,4bn in DH2112 during 2020
- Daily quoting of prices and ongoing issuance of bonds



# Danske Hypotek - Plans going forward - 2021

- Continue to maintain liquidity in our outstanding bonds with daily quotes via our market makers
- Target funding volume of around SEK 30bn during 2021 (SEK 5bn executed as of 31 January 2021)
- Intention to issue 1-2 benchmark bonds per year the coming years
- Intention to increase volume to approximately SEK 130bn in the loan portfolio by end of 2021
- Will be available for buy-backs well in due time before maturity (buy-backs in DH2112 started in September 2020)

The Swedish benchmark curve



## *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

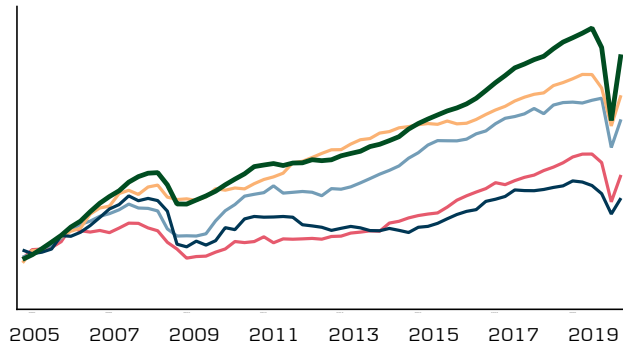
Five Benchmark bonds issued since 2017 with a total outstanding of SEK 90.3bn

*Appendix*  
*- Nordic macro*

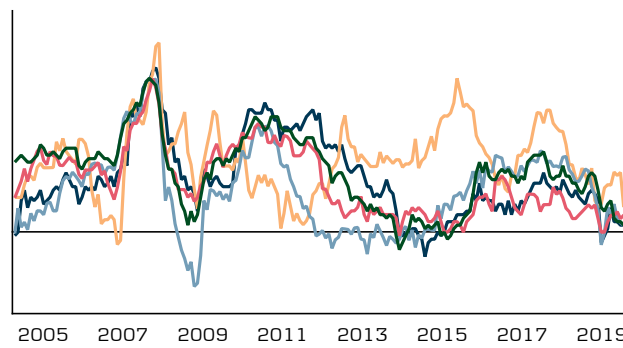
# Nordic macroeconomics

— Denmark — Sweden — Norway — Finland — EU

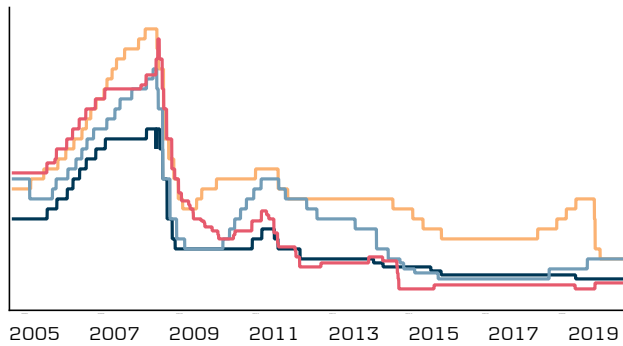
Real GDP, constant prices (index 2005 = 100)



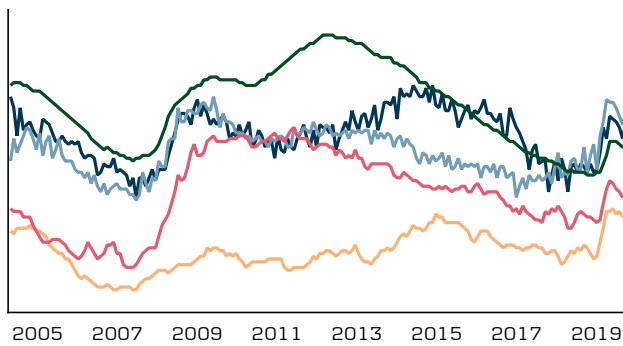
Inflation (%)



Interest rates, leading (%)



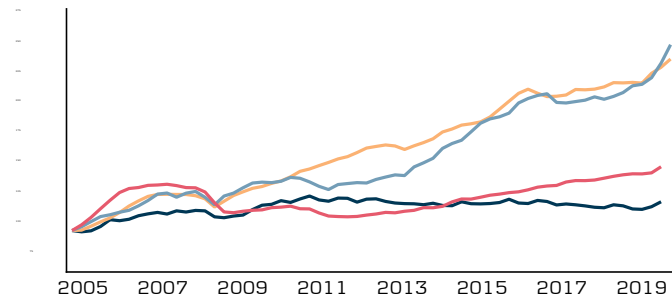
Unemployment (%)



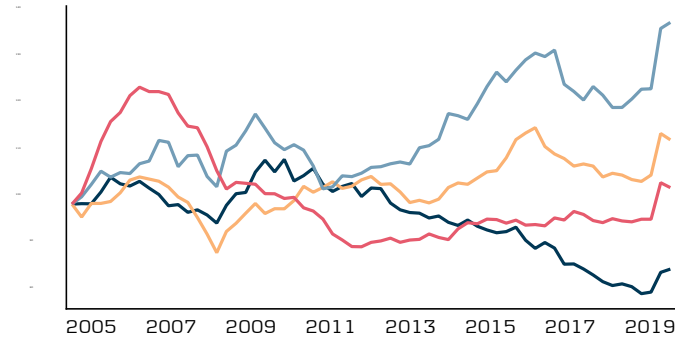
# Nordic housing markets

— Denmark — Sweden — Norway — Finland

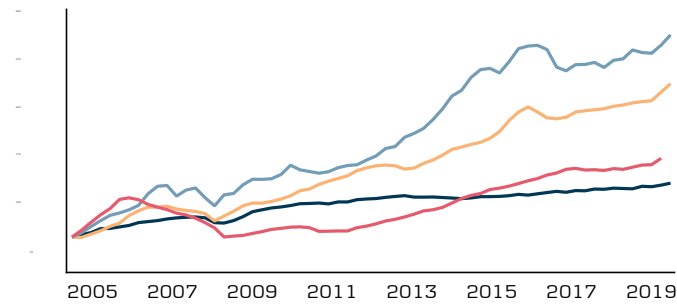
Property prices (index 2005 = 100)



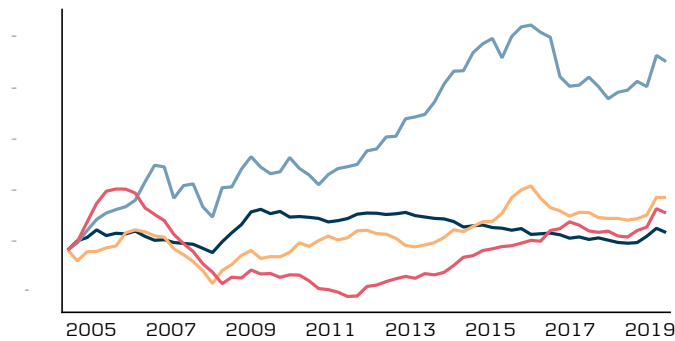
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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





# *Danske Hypotek - Contacts*

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

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