

# *Danske Hypotek – investor presentation*

Q1 2022

# 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

## 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

## REALKREDIT 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 – Personal Banking SE*

*- Strategy in Sweden*

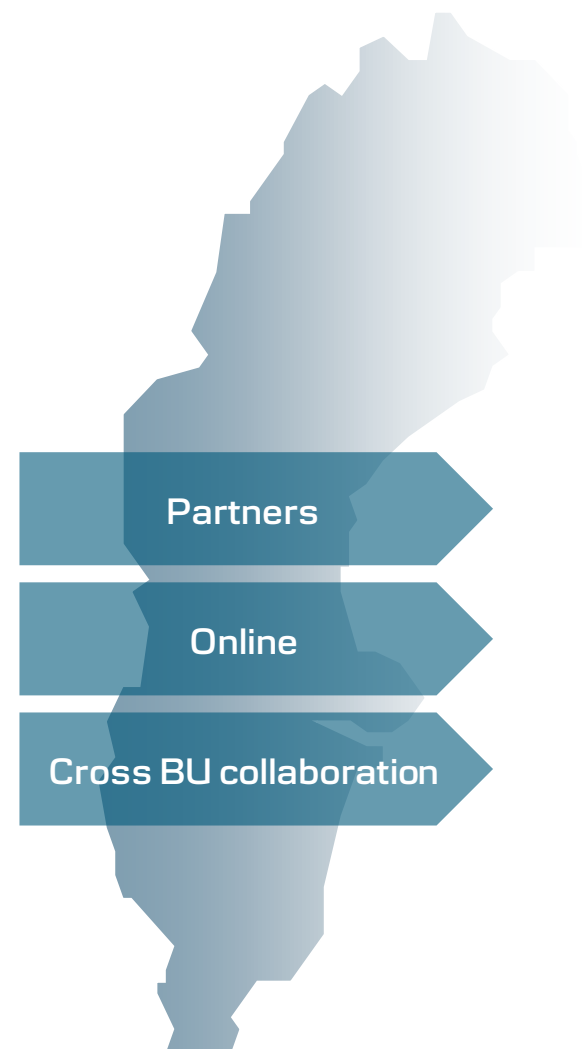
# *A challenger in a dynamic Swedish market*



# *Balanced organic growth*



Strengthening our position in the Swedish market



# Growing with controlled risks

## ☑ Target the right customers



► Strategic partnerships

## ☑ Holistic advice



► Financial confidence

### 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



650.000 members

120.000 savers

Launch Jan 2020

### Holistic advice

- ✓ More than a mortgage
- ✓ On-demand advisory
- ✓ Sustainable Private economy focus





# Online with customer Holistic Approach

## ✓ Digital interfaces and processes



► Digital on-boarding of new customers

## ✓ Focus on full customer journey



► Life event based solutions

## ✓ Simplicity & transparency



► Digital convenience

## ✓ Customer relations digital



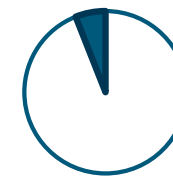
► Online meetings

## Balanced organic growth



### 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 2021

Market share 3.6%

1) Finansinspektionen, The Swedish Mortgage Market, 2021

# *Danske Hypotek*

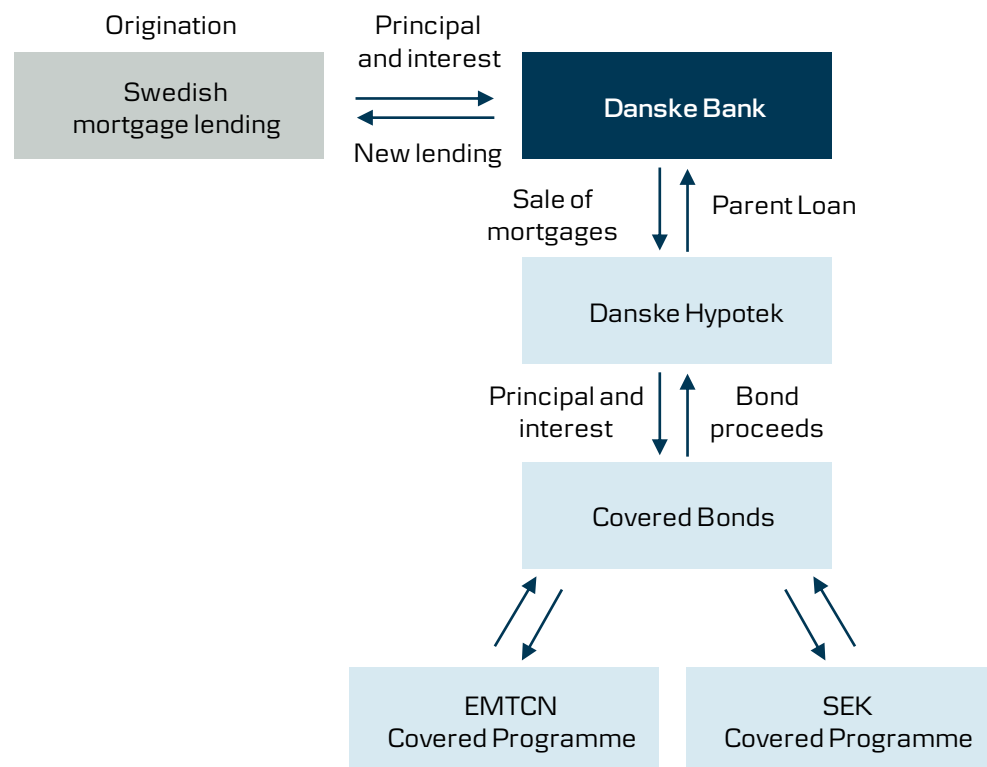
*- Structure and expected development*

# Purpose and structure

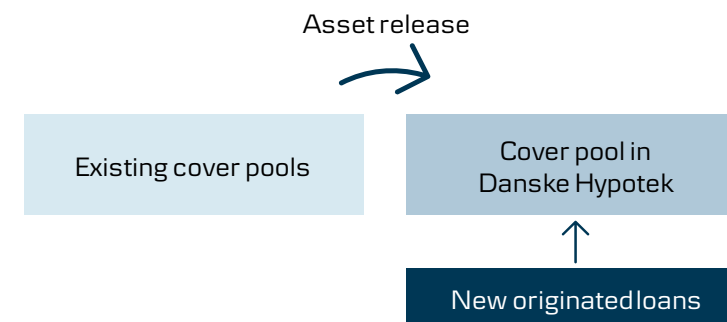
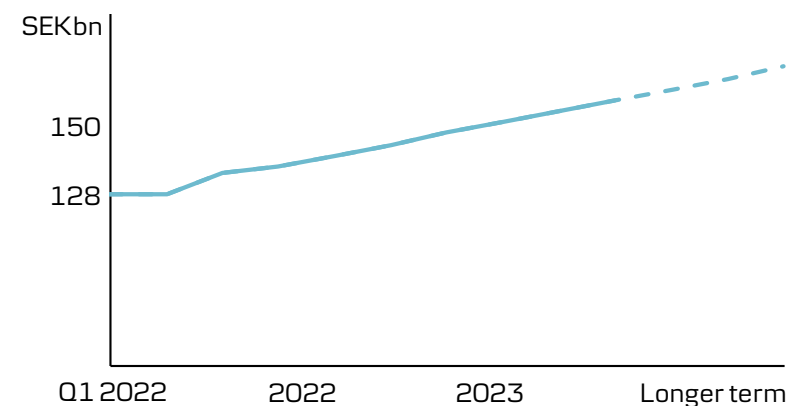
Danske Bank Group has a strong commitment to the Swedish mortgage market

- 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

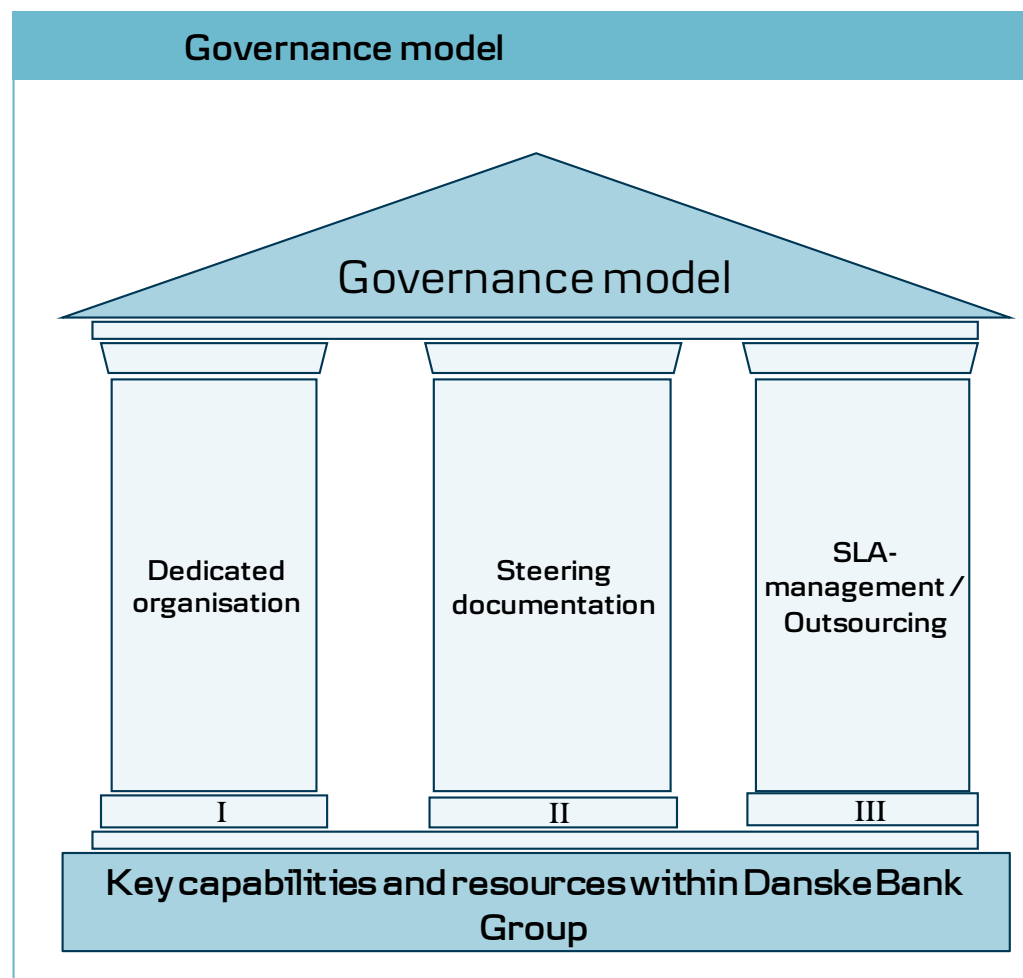


## Danske Hypotek pool (incl. indicative future transfer capacity)



# 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

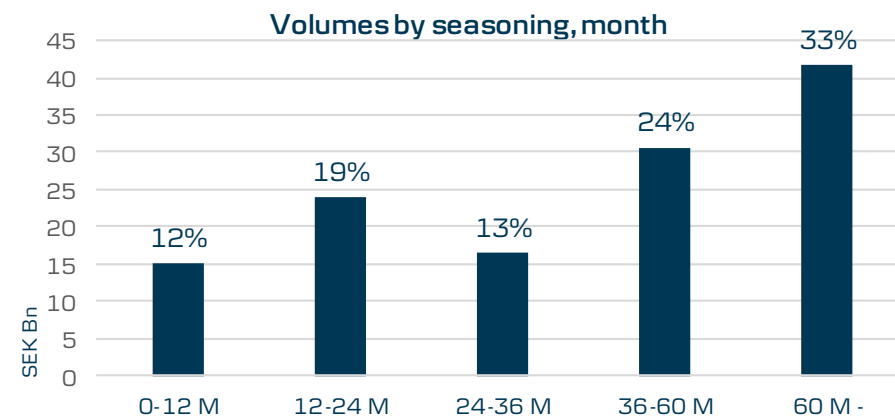
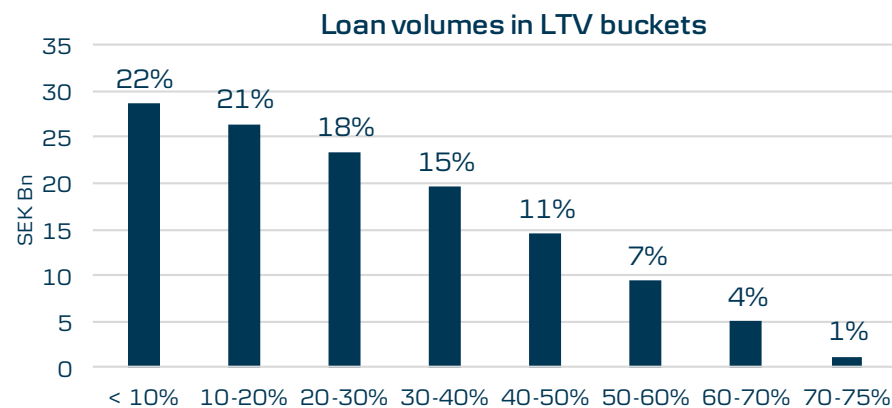
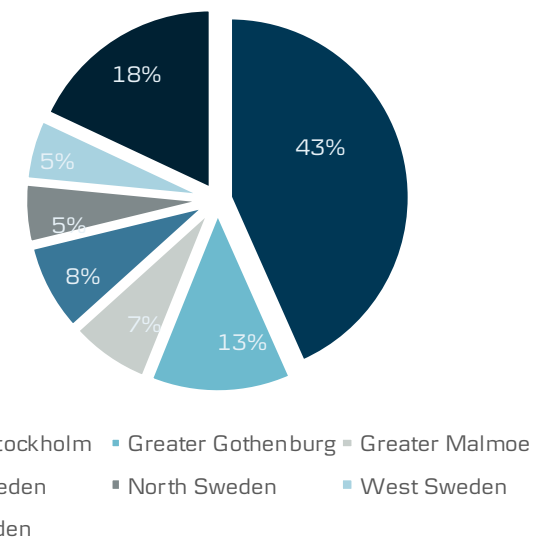
### Liquidity and capitalisation

- 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

# Cover pool characteristics - Q1 2022

Characteristics	Assets
Collateral type	Swedish residential mortgages
Loans in cover pool	SEK128bn
Number of Loans	115 177
Number of Borrowers	54 636
Number of Properties	56 437
Average Loan Size	SEK 1.111 m
Property Type	39% Tenant Owner Rights, 55% Single-Family Housing, Multi-family housing 6%,
WA LTV	52.9%*
WA Seasoning	4.9 years
Rate type	28% Floating rate, 72% Fixed rate
Repayment type	74% Amortizing, 26% Interest Only
Issuance notional	SEK 100,359bn
OC	27.5%
Geographical location	100% Sweden
Pool type	Dynamic
Pool Cut Date	31-03-2022

Loan volumes by region, %



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

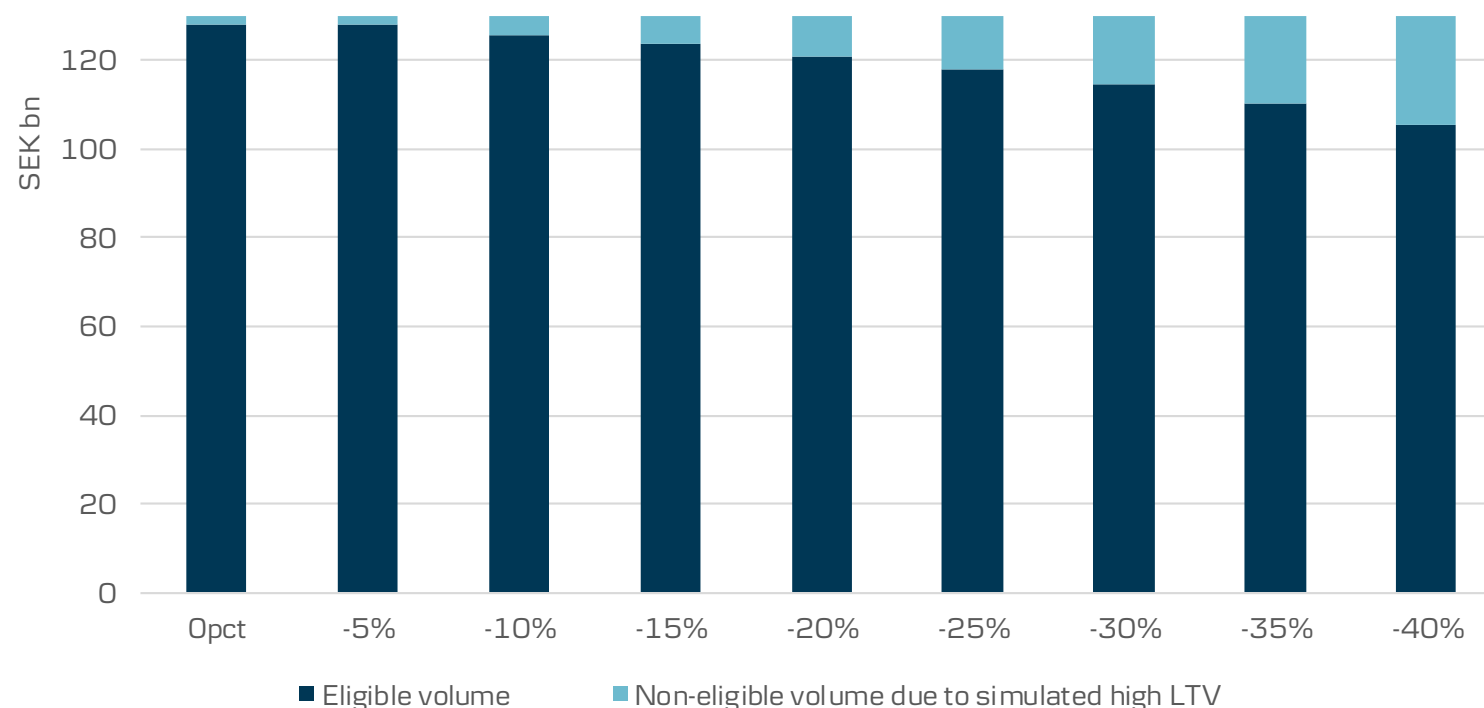
## Effect of house price sensitivity on LTVs and eligible assets

House price sensitivity: Effect of simulated market value declines (pool cut-off date 31-03-2022)

### Keypoints

#### Moderate effects

- A 20% fall in house prices implies that 5% of today's eligible assets becomes ineligible
- A 40% fall in house prices implies that 17% of today's eligible assets becomes ineligible
- Danske Hypotek can withstand a large decline in property prices without breaching any over collateralisation (OC) requirements



# *Danske Hypotek - Funding*

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



## *Danske Hypotek and the Swedish benchmark market*

**Our ambition is to preserve and strengthen our name as an established and trusted 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

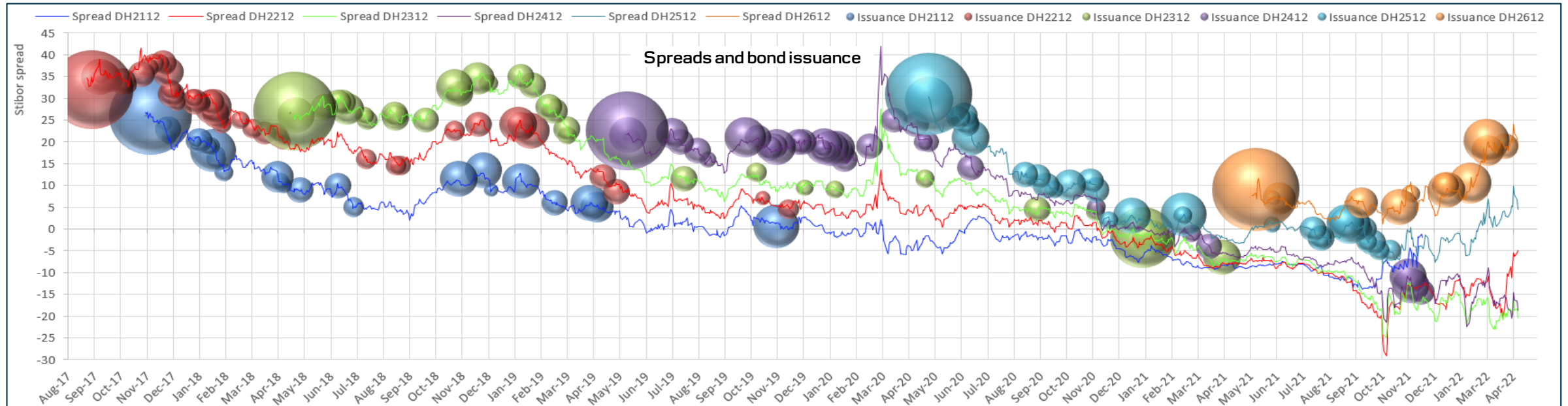
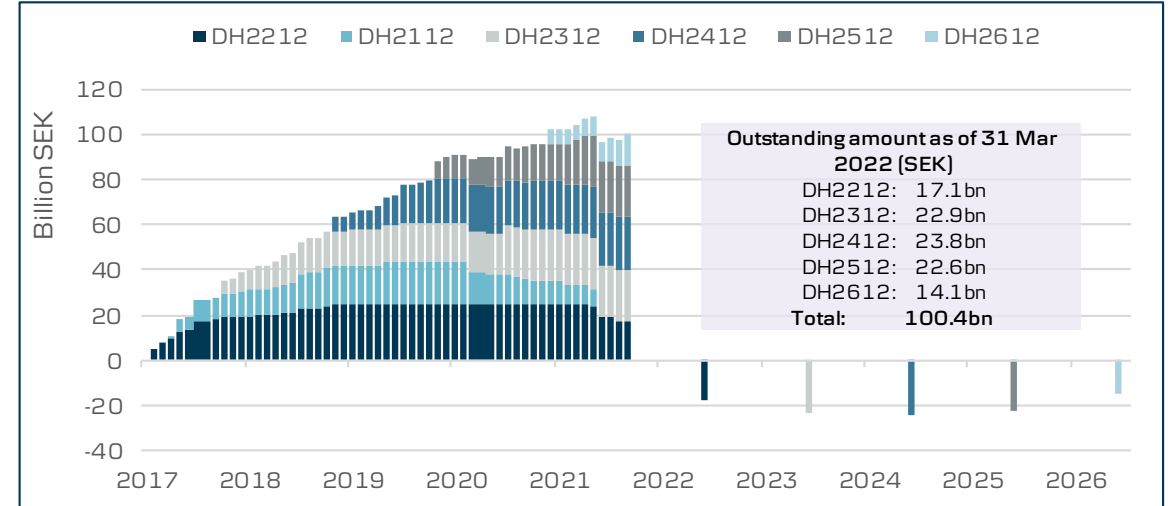
### **Our targets:**

- 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**

# Covered bond funding in Sweden – Based on tap issuance

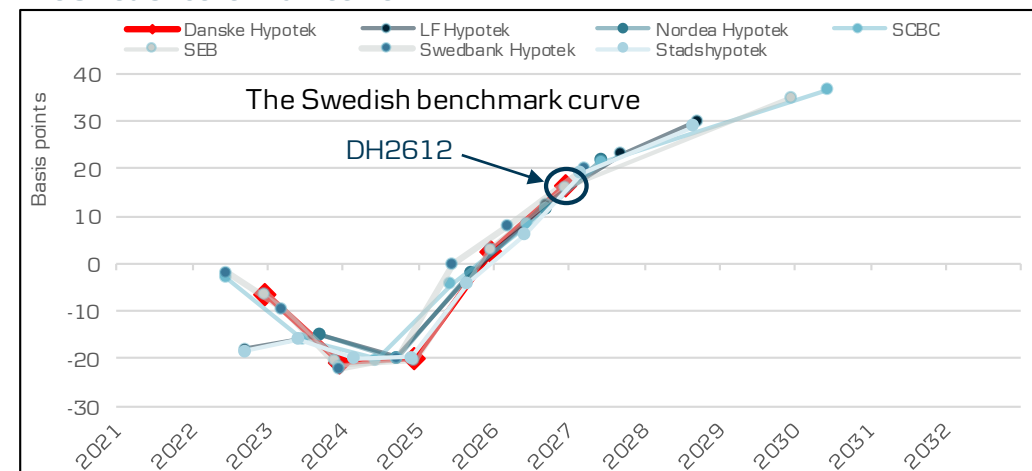
- As of 31 March 2022:
  - Cover pool asset volume amounted to SEK 128bn
  - Total outstanding covered bonds of SEK 100.4bn
- Established benchmark curve with currently five outstanding bonds
  - All bonds rated 'AAA' by S&P and NCR
  - First bond to mature was on 15 December 2021, (DH2112)
- Buy-backs of SEK 6bn in DH2212 during 2021 and SEK 2bn during Q1 2022
- Daily quoting of prices and ongoing issuance of bonds



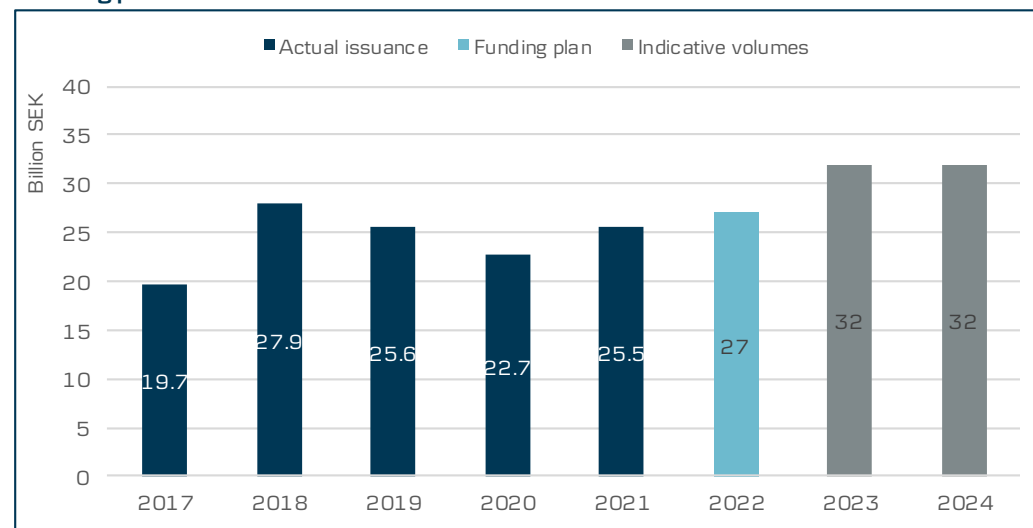
# 2022 and beyond - More of the same

- Continue to maintain liquidity in our outstanding bonds with daily quotes via our market makers
- Russia's invasion in Ukraine has caused significant market volatility, but DH's market access has remained solid with SEK 2bn issued early March
- Target funding volume of around SEK 27bn during 2022
- Intention to issue 1-2 benchmark bonds per year the coming years
- Multi-family property mortgage assets added to cover pool during Q1
- Intention to increase volume to approximately SEK 150bn in the loan portfolio by end of 2022
- Covered Bond Directive enters into force 8th July; Swedish Covered Bond market likely to transition into a soft bullet market.

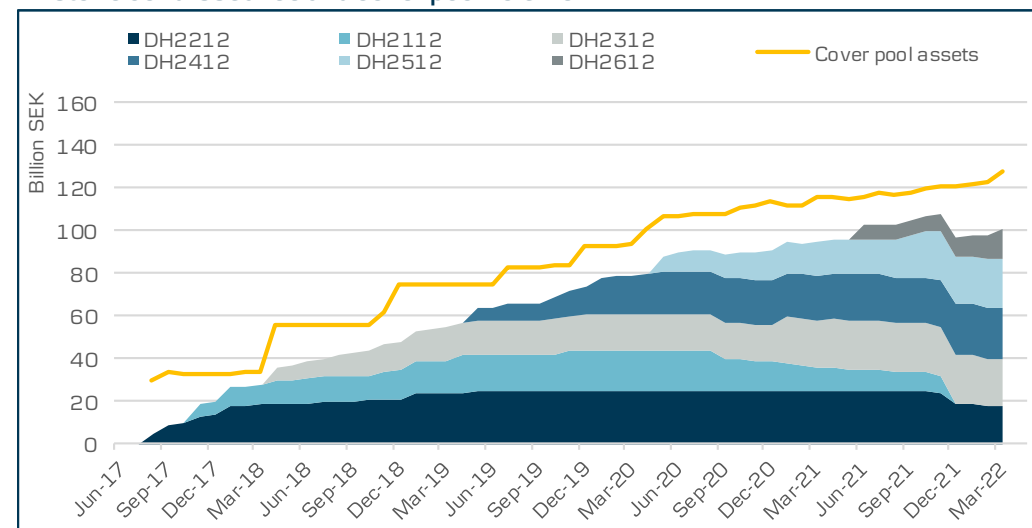
## The Swedish benchmark curve



## Funding plan 2022 and indicative volumes



## Historic bond issuance and cover pool volume



## *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 fulfil the funding plan for 2022 and maintain a liquid benchmark curve

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

Five Benchmark bonds currently outstanding with a total volume of SEK 100.4bn

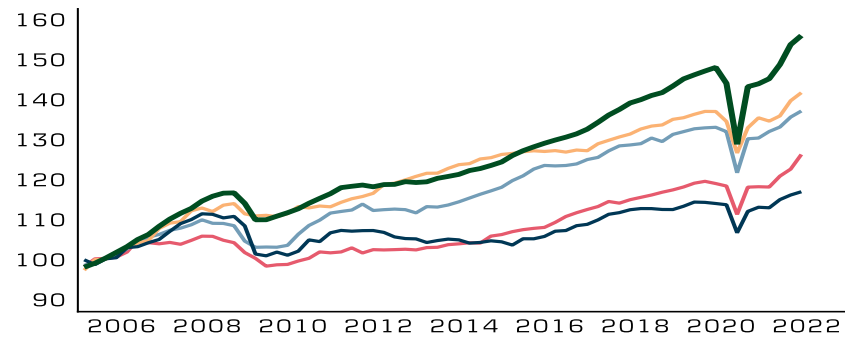
# *Appendix*

*- Nordic macro*

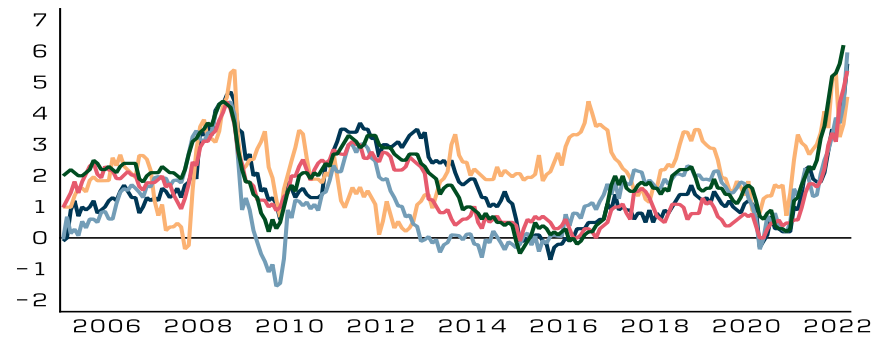
## Nordic macroeconomics

Denmark Sweden Norway Finland EU

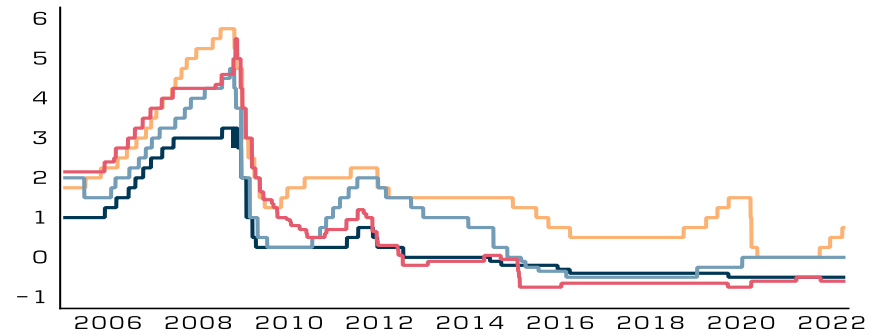
Real GDP, constant prices (index 2005 = 100)



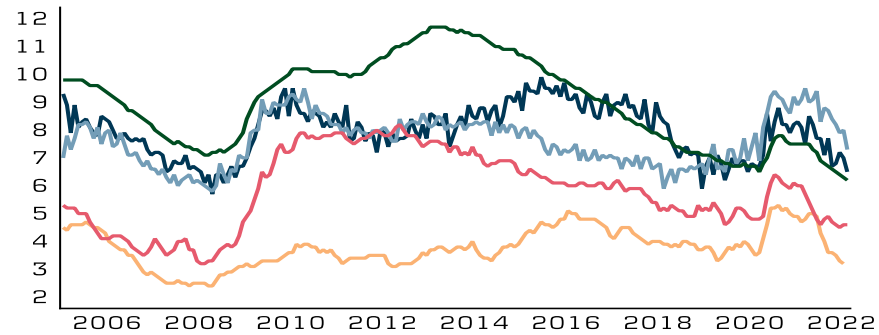
Inflation [%]



Interest rates, leading [%]



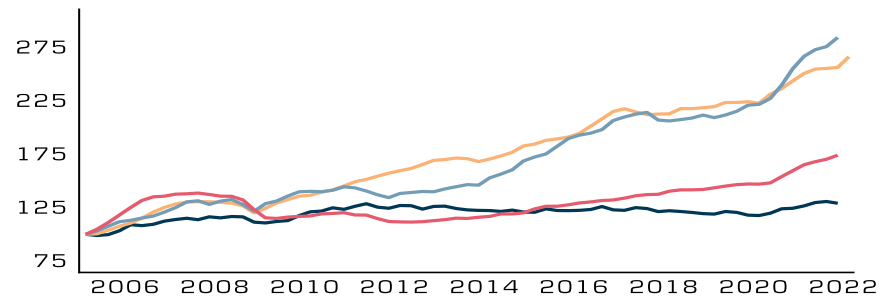
Unemployment [%]



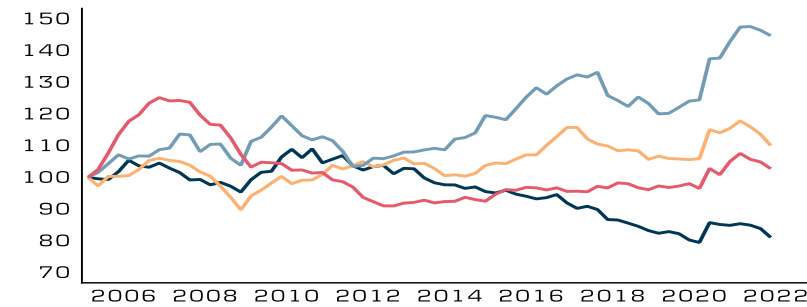
## Nordic housing markets

Denmark Sweden Norway Finland

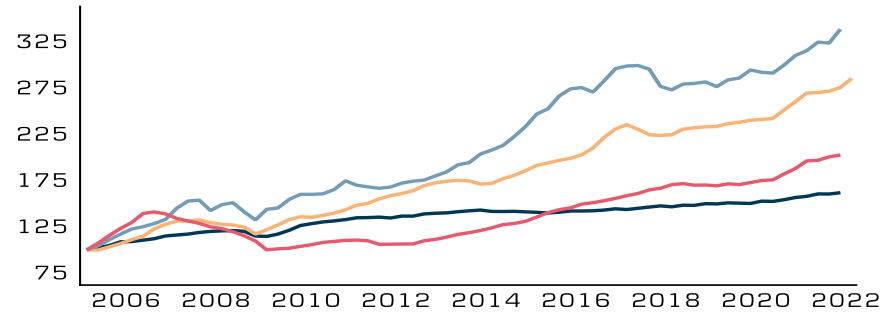
Property prices (index 2005 = 100)



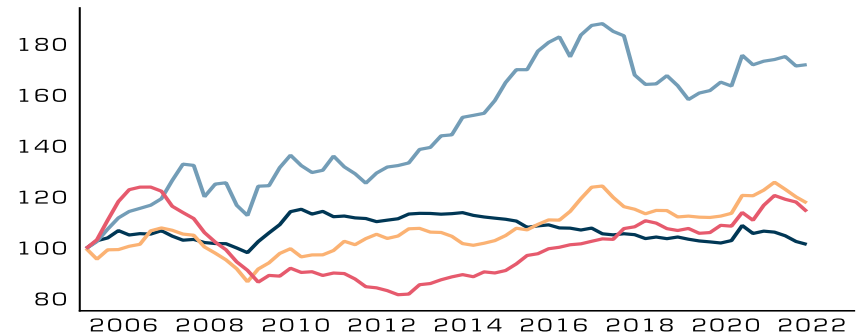
House prices/nom. GDP (index 2005 = 100)



Apartment prices (index 2005 = 100)



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



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



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