

Danske Hypotek AB (publ) cover pool overview Q2 2020

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This commentary does not constitute a rating action.

Nordic Credit Rating's (NCR's) 'A' issuer rating and 'AAA' covered bond ratings on Danske Hypotek AB (publ) (Danske Hypotek) are unchanged following the publication of its second-quarter 2020 results and receipt of updated cover pool details. The following report is our bi-annual statistical summary of Danske Hypotek's cover pool. Our latest full report explaining the components of NCR's covered bond ratings on Danske Hypotek (see Figure 1) is available [here](#).

Figure 1. Danske Hypotek covered bond rating components

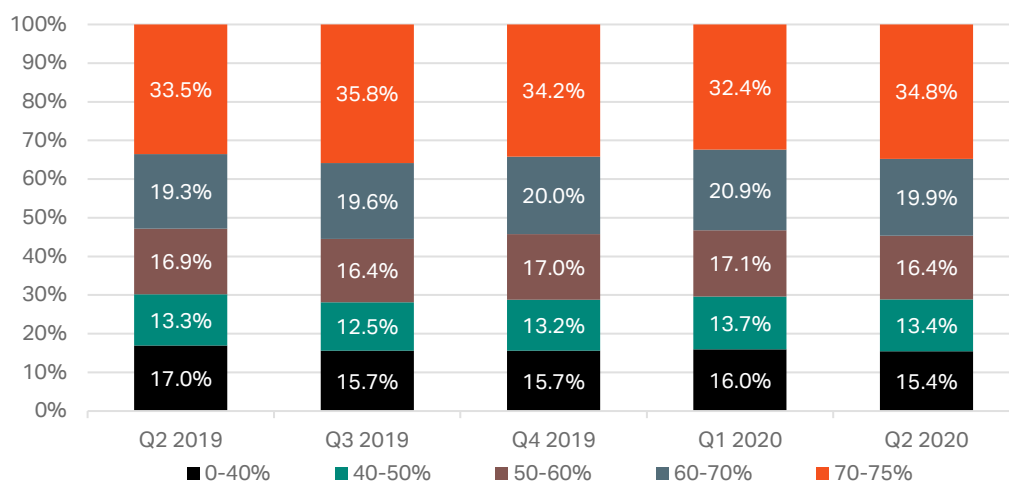


Figure 2. Danske Hypotek cover pool characteristics, Q2 2018-Q2 2020

	Q2 2018	Q4 2018	Q2 2019	Q4 2019	Q2 2020
Eligible cover pool assets (SEKm)	56.0	74.5	74.5	92.9	107.3
Outstanding covered bonds (SEKm)	38.9	47.6	63.5	73.1	89.5
Overcollateralisation (%)	44.2	56.6	17.3	27.0	19.8
Weighted-average LTV (%)	56.2	59.1	58.4	59.0	59.1
Average loan seasoning (years)	3.6	3.4	3.8	3.8	3.9
Average bond maturity (years)	4.4	4.0	3.7	3.3	3.2
Average loan size (SEKm)	1.08	1.08	1.07	1.06	1.04
Owner-occupied share (%)	95.5	95.8	95.8	96.2	96.3
Priority liens (%)	97.9	98.2	98.3	98.5	98.6
>60 day past due loans (bps)	0.00	0.00	0.00	0.00	0.00

Source: Danske Hypotek's European Covered Bond Council Harmonised Transparency Templates (ECBC HTT). LTV-loan to value.

Figure 3. Share of pool by borrower-level LTV, last five quarters



Source: Company data. Entire eligible loan amount in respective bucket based on borrowers' LTV.

Figure 4. Loan balance by property region (SEKbn), 30 Jun. 2020

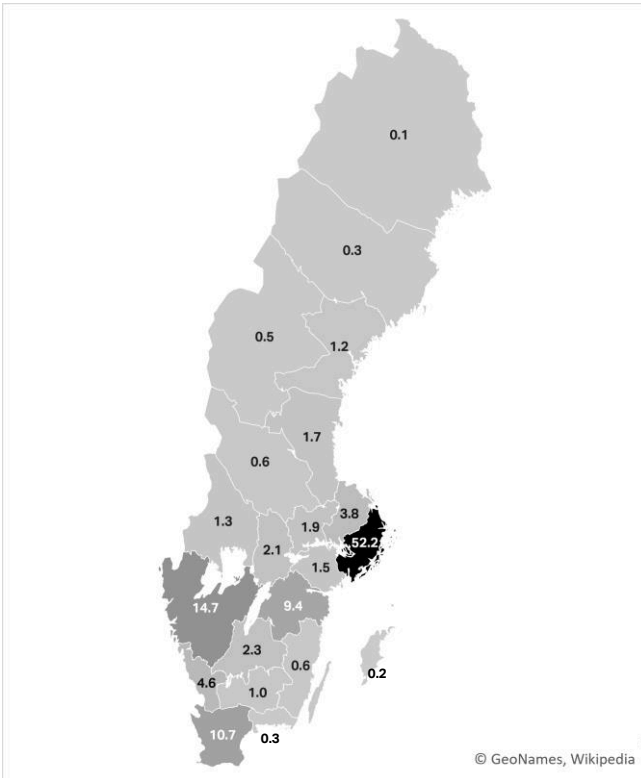


Figure 5. Weighted LTV by borrower region (%), 30 Jun. 2020

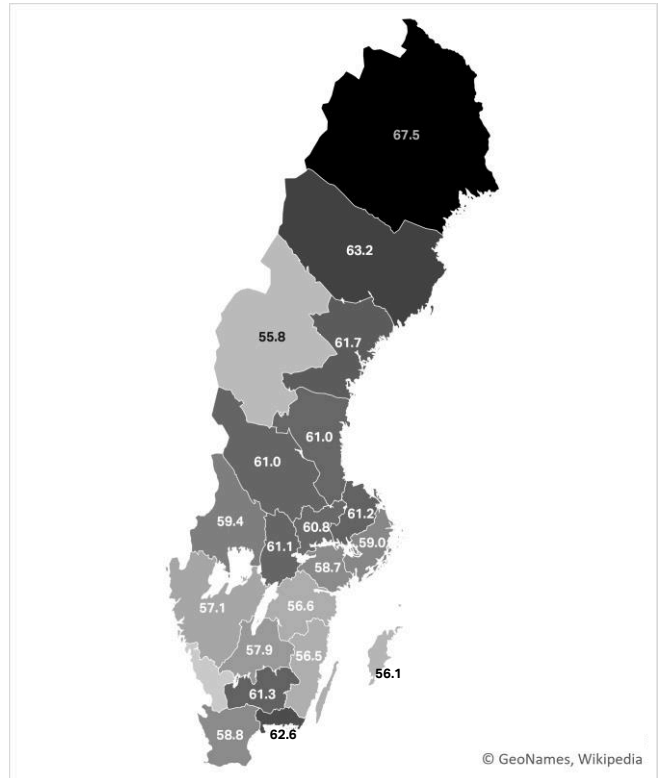


Figure 6. Average loan per property by region (SEKm), 30 Jun. 2020

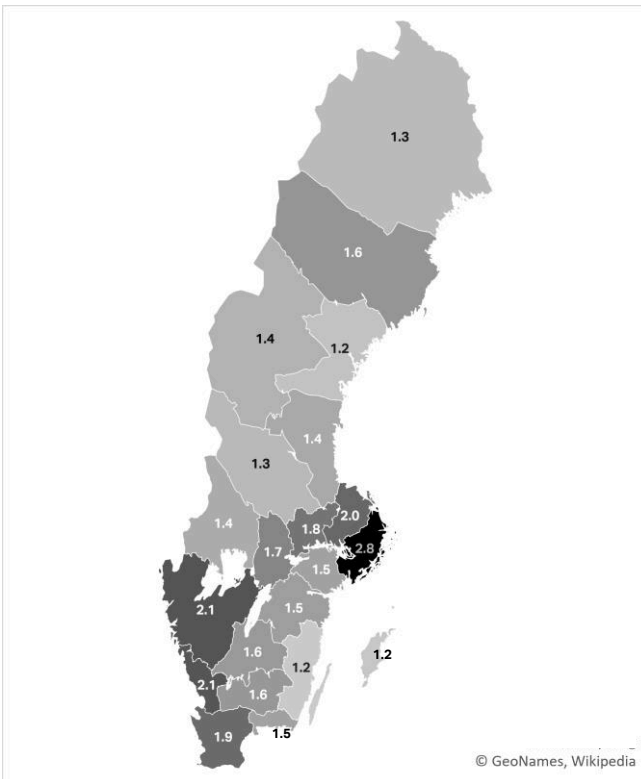
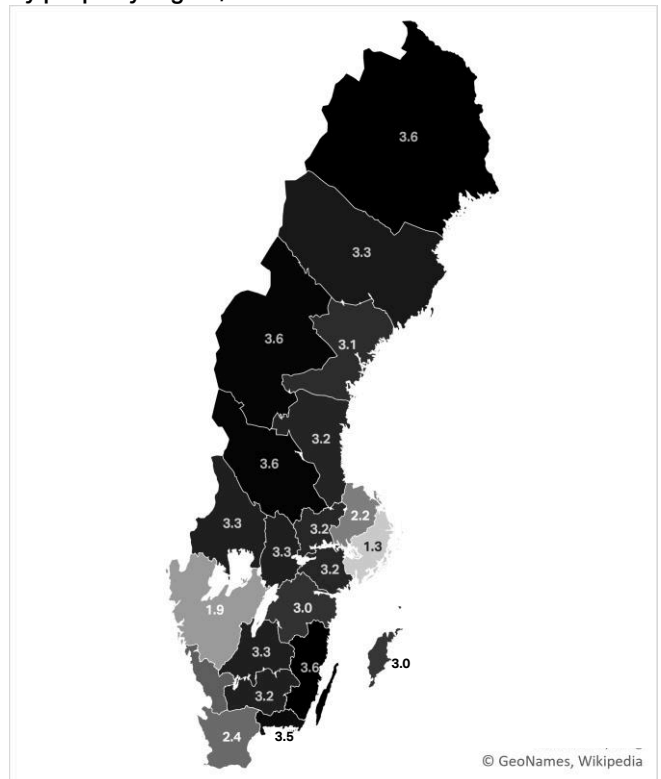


Figure 7. Average region class¹ under NCR methodology by property region, 30 Jun. 2020



¹See §65, *Covered Bond Rating Methodology*, 5 Jul. 2019. In summary, region classes are defined from 1-5. Classes 1-2 are for larger cities where price fluctuations are larger, but liquidity is higher. A class of 3 is in line with national levels and classes 4-5 reflect less liquid housing markets.

Figure 8. Share of pool by loan seasoning, last five quarters

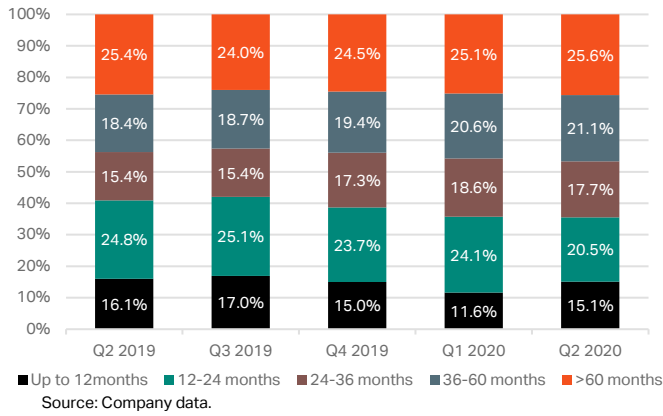


Figure 9. Share of pool by loan size (SEK), last five quarters

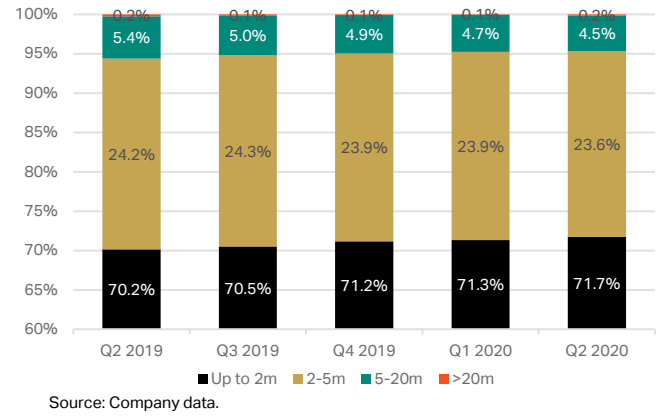


Figure 10. Share of pool by payment profile, last five quarters

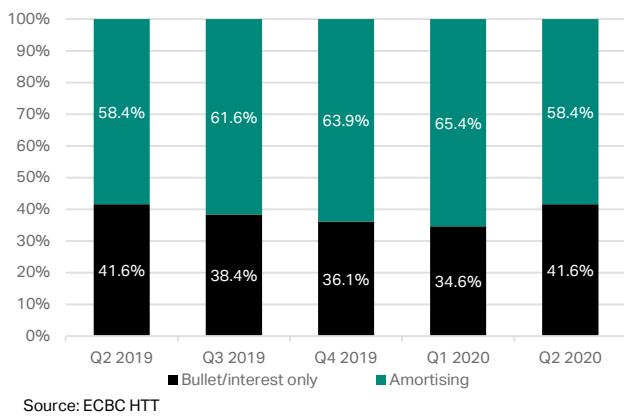


Figure 11. Share of pool by maturity, last five quarters

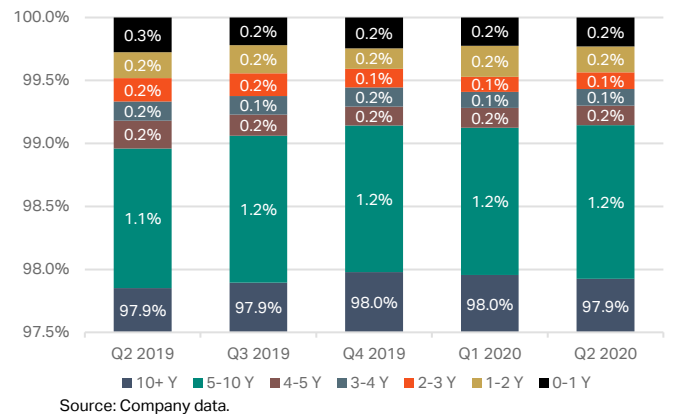


Figure 12. Share of pool by interest rate, last five quarters

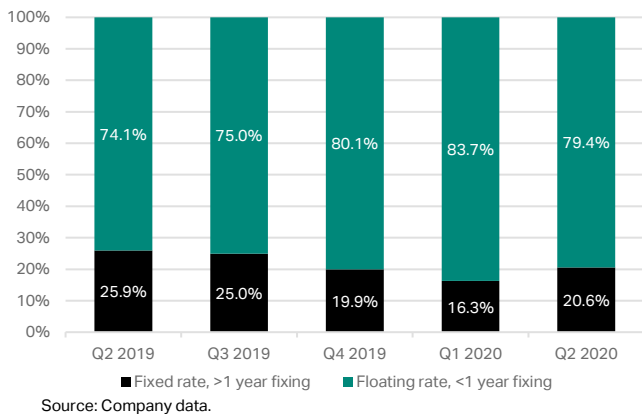


Figure 13. Share of pool by priority claims, last five quarters

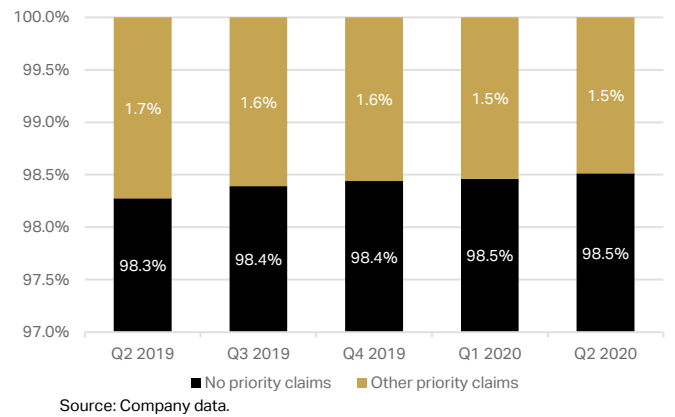


Figure 14. Region class and property type, 30 Jun. 2020

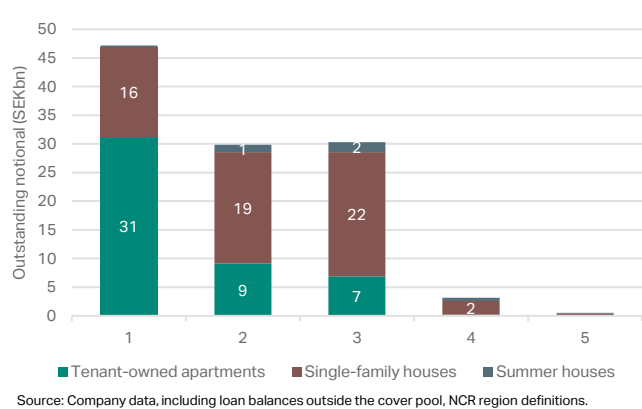
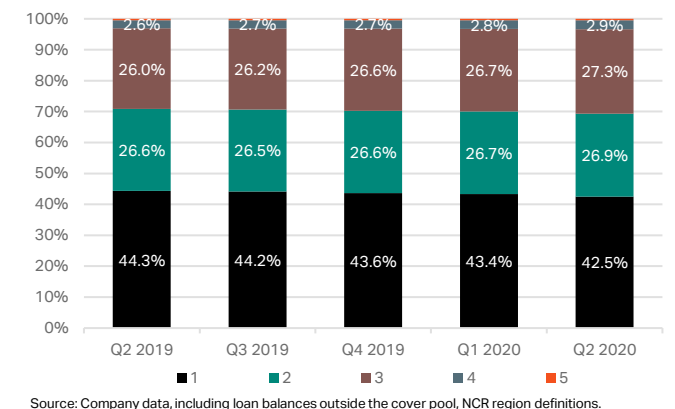


Figure 15. Region class, last five quarters

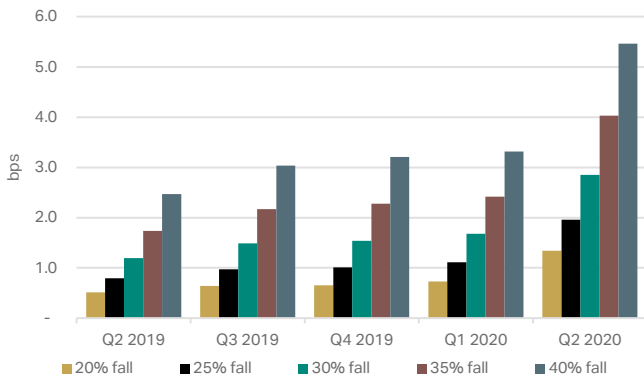


CREDIT RISK STRESS TEST

NCR's credit risk stress testing begins with standard assumptions as defined in our criteria. We then make adjustments to default assumptions based on the concentration of the portfolio and to stressed property valuations based on the region class of the specific property.

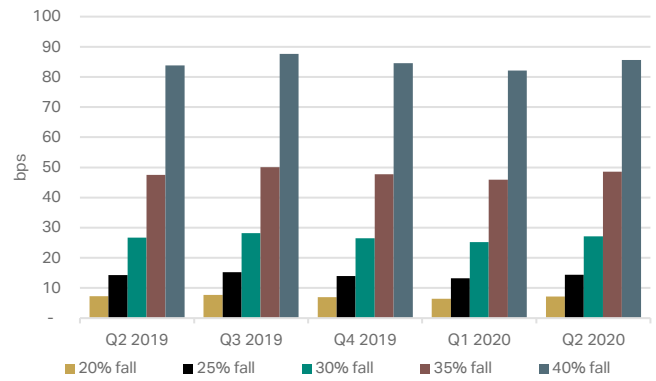
The resulting one-year and multi-year credit losses in the stress scenarios are compared with the expected loss of the portfolio using Danske Hypotek's own default probabilities (Figure 16). Danske Hypotek's stressed credit losses include an 8% upward adjustment to the standard default rates given that the company's cover pool is somewhat more concentrated than its Swedish peers'.

Figure 16. Expected loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters



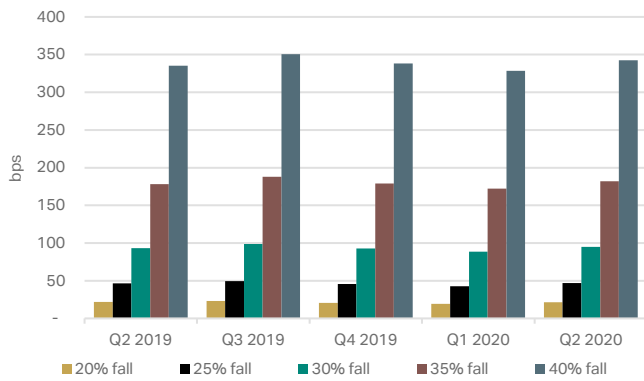
Source: NCR analysis of company data.

Figure 17. One-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters



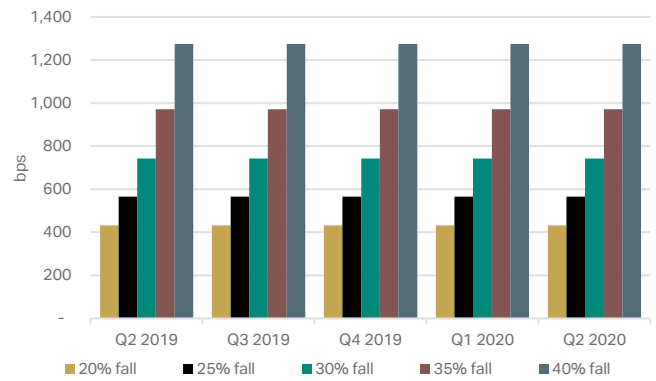
Source: NCR analysis of company data.

Figure 18. Multi-year credit loss as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters



Source: NCR analysis of company data.

Figure 19. Peak non-performing loans as a share of cover pool loans, based on actual portfolio composition and NCR stress test, last five quarters



Source: Company data.

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