

## Danske Hypotek AB (publ) cover pool overview H1 2021

### PRIMARY ANALYST

Sean Cotten  
+46735600337  
sean.cotten@nordiccreditrating.com

### SECONDARY ANALYST

Geir Kristiansen  
+4790784593  
geir.kristiansen@nordiccreditrating.com

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 mid-year 2021 results and receipt of updated cover pool details. The following is a bi-annual summary of the cover pool. Our latest full report explaining the components of the covered bond ratings (see Figure 1) is available [here](#).

Figure 1. Danske Hypotek covered bond rating components

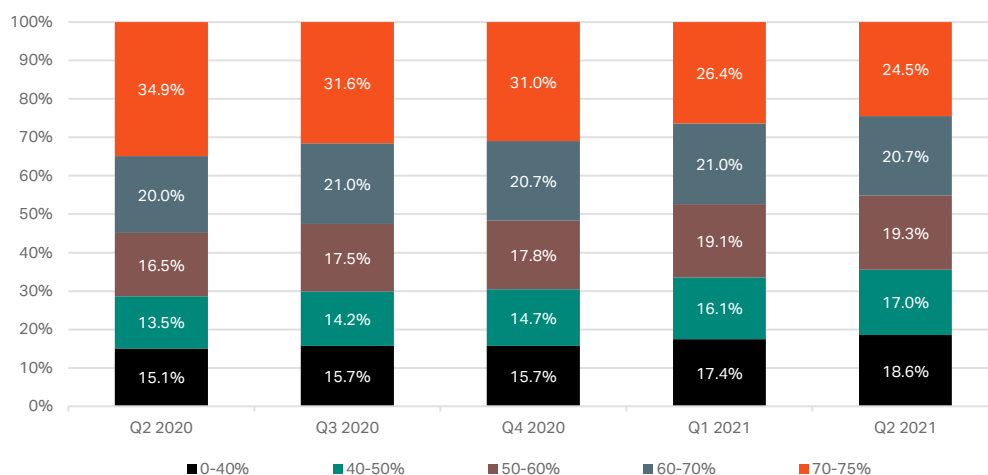


Figure 2. Danske Hypotek cover pool characteristics, Q2 2019-Q2 2021

	Q2 2019	Q4 2019	Q2 2020	Q4 2020	Q2 2021
Eligible cover pool assets (SEKm)	74.5	92.9	107.3	113.8	115.8
Outstanding covered bonds (SEKm)	63.5	73.1	89.5	90.9	104.9
Overcollateralisation (%)	17.3	27.0	19.8	25.2	10.4
Weighted-average LTV (%)	58.4	59.0	59.1	58.0	56.0
Average loan seasoning (years)	3.8	3.8	3.9	4.2	4.3
Average bond maturity (years)	3.7	3.3	3.2	2.8	2.6
Average loan size (SEKm)	1.07	1.06	1.04	1.04	1.05
Owner-occupied share (%)	95.8	96.2	96.3	96.4	96.0
Priority liens (%)	98.3	98.5	98.6	98.6	99.0
>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. Entire eligible loan amount in respective bucket based on borrowers' LTV.

Figure 4. Loan balance by property region (SEKbn), 30 June 2021

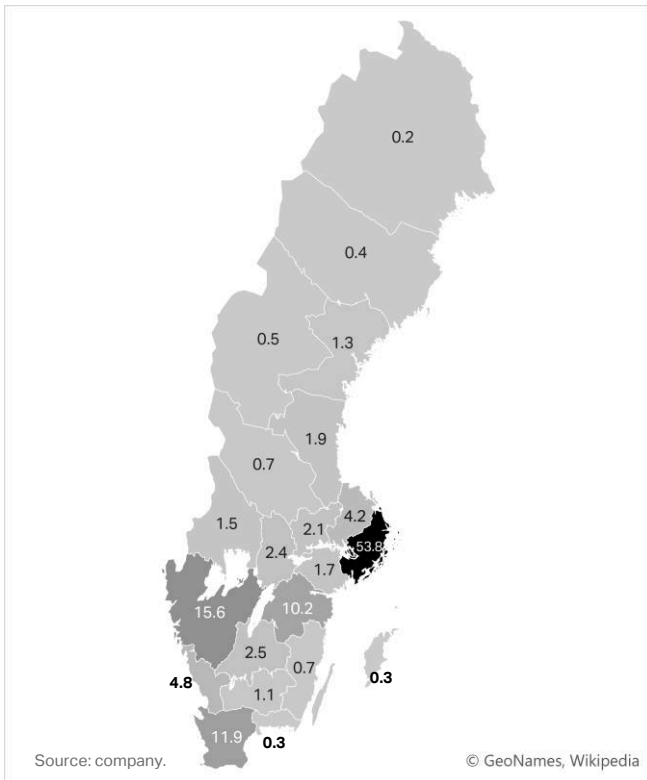


Figure 5. Weighted LTV by borrower region (%), 30 June 2021

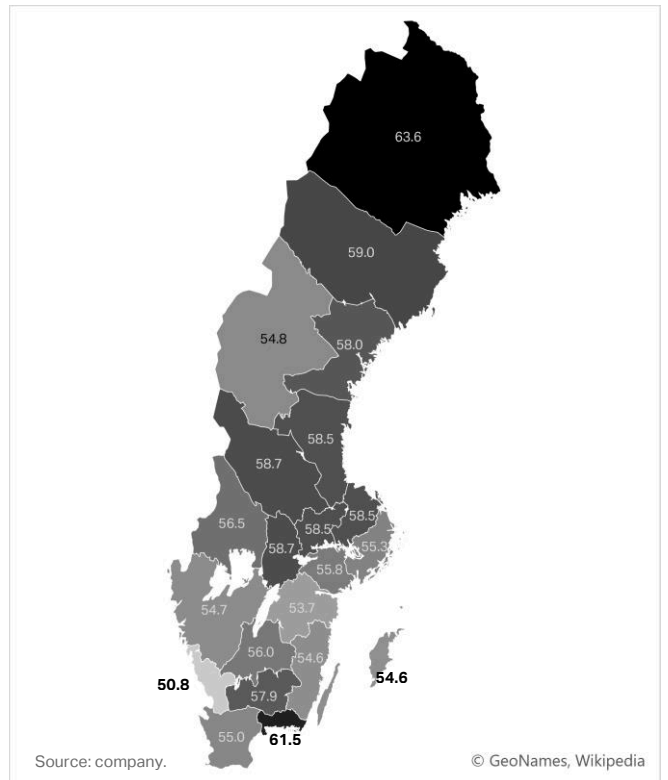


Figure 6. Average loan per property by region (SEKm), 30 June 2021

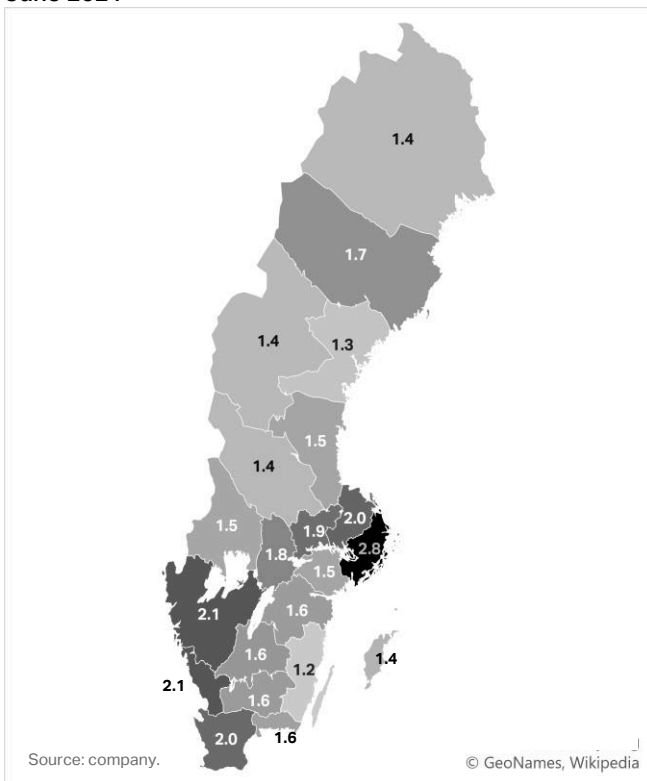


Figure 7. Average region class by property region, 30 June 2021. 1 – most liquid, 3-average, 5- least liquid.

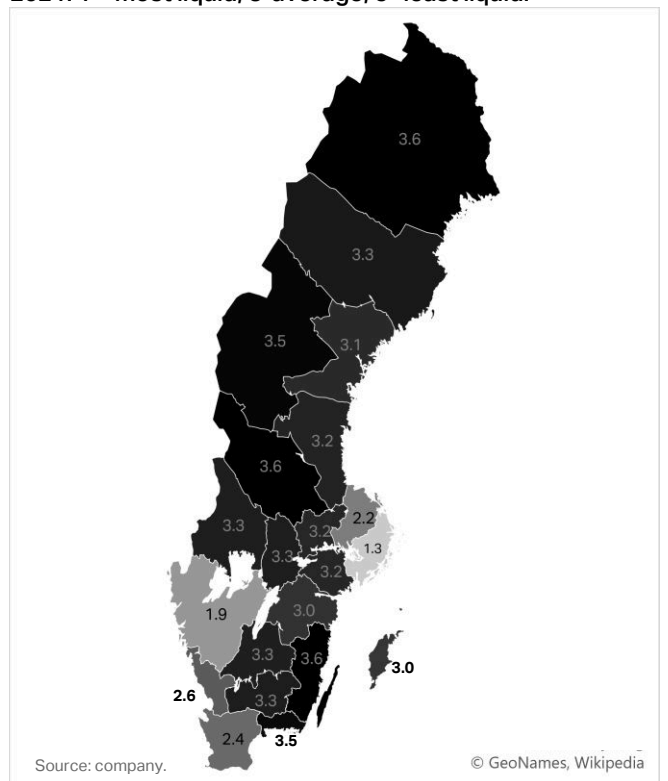


Figure 8. Share of pool by loan seasoning, last five quarters

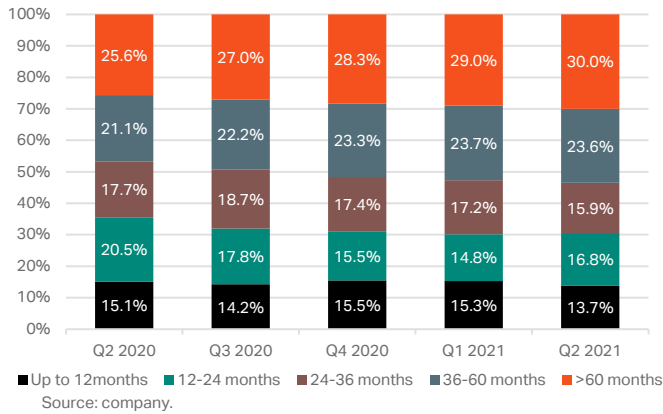


Figure 9. Share of pool by loan size (SEK), last five quarters

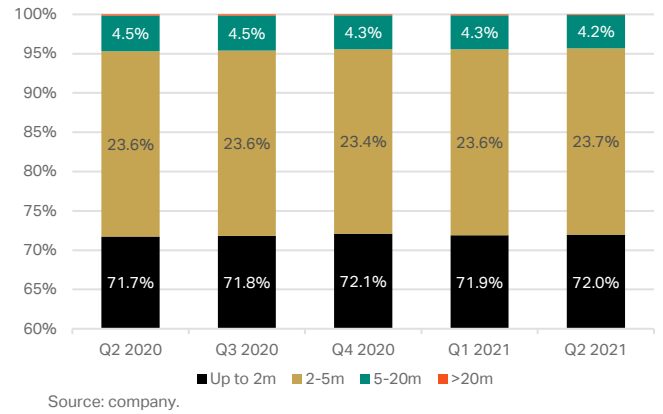


Figure 10. Share of pool by payment profile, last five quarters

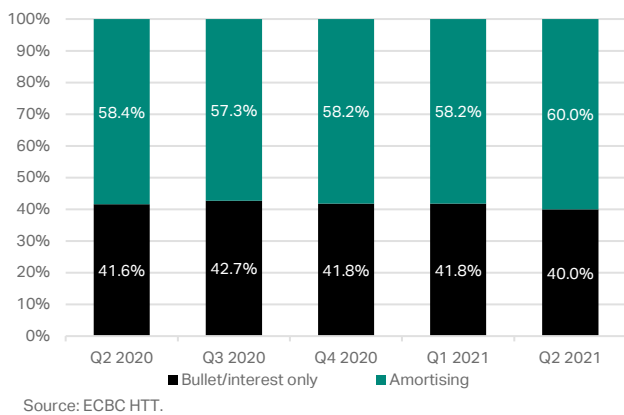


Figure 11. Share of pool by maturity, last five quarters

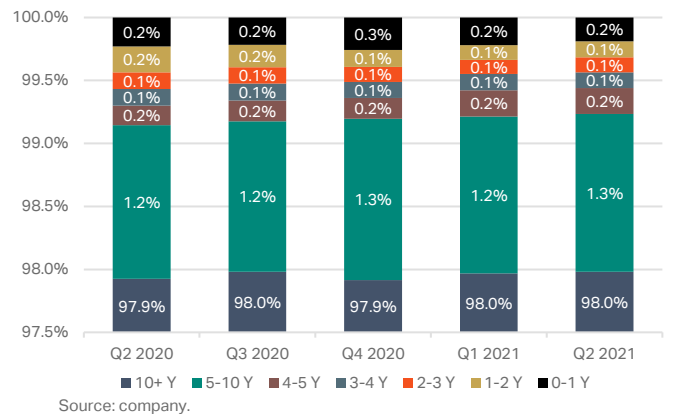


Figure 12. Share of pool by interest rate, last five quarters

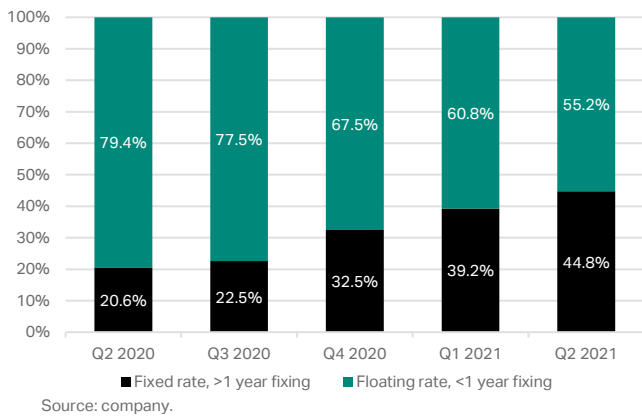


Figure 13. Share of pool by priority claims, last five quarters

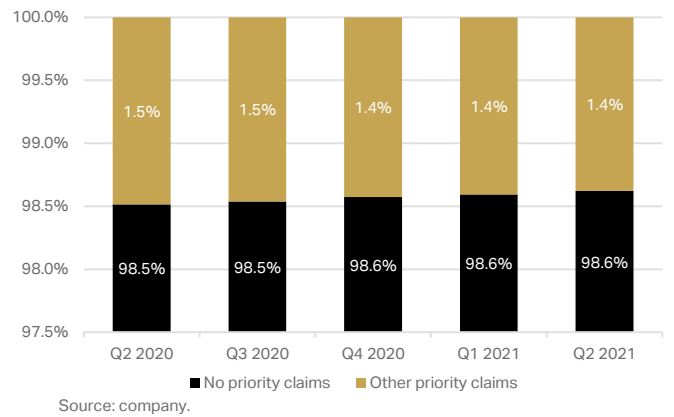


Figure 14. Region class and property type, 30 June 2021

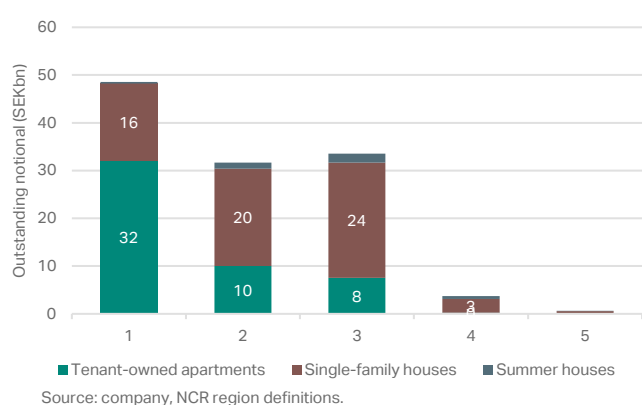
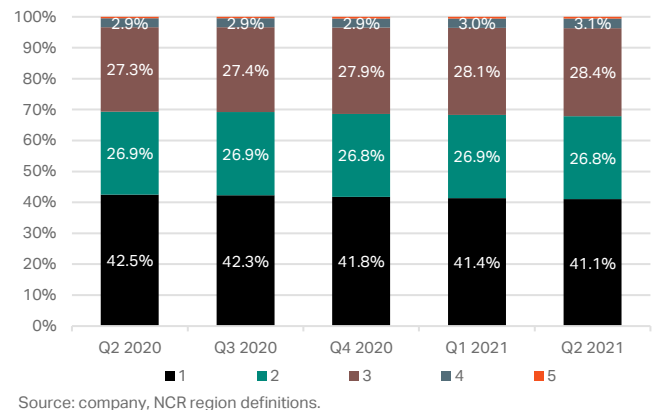


Figure 15. Region class, last five quarters



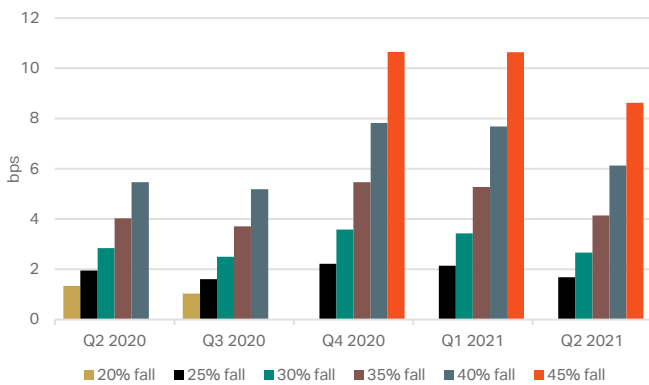
**CREDIT RISK STRESS TEST**

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, which improved in the second quarter, and contributed to reduced expected loss levels (Figure 16). In addition, increases in Swedish housing prices over the last few quarters have contributed to reduced expected losses, as well as a decline in NCR-stressed credit losses (Figure 17 and Figure 18).

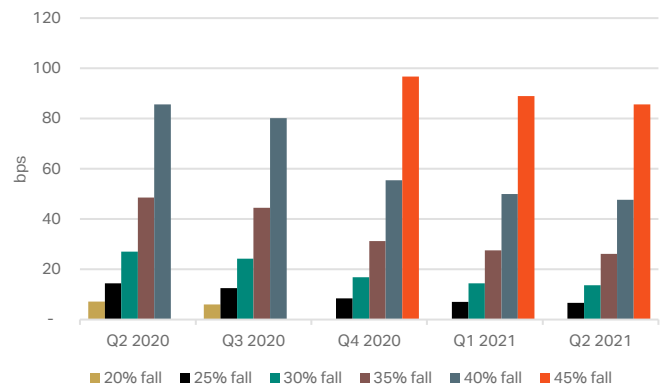
The step-wise changes from the fourth quarter of 2020 in the figures below reflect the two changes. First, due to recent appreciation, Swedish housing prices are 5–15% above their long-term trend levels. In view of this, we stress the property collateral by 25–45% in the five scenarios compared with 20–40% through the third quarter of 2020. Second, it reflects the fact that the stressed credit losses include a 7% upward adjustment to the standard default rates given that the company's cover pool is somewhat more concentrated than those of its Swedish peers. This is a decrease from 8% in our previous stress tests, reflecting a reduction in concentration in comparison with peer cover pools as loans have been added.

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



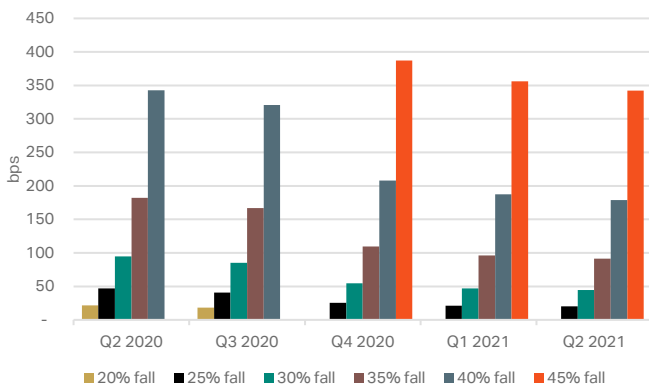
Based on NCR analysis of company data.

**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**



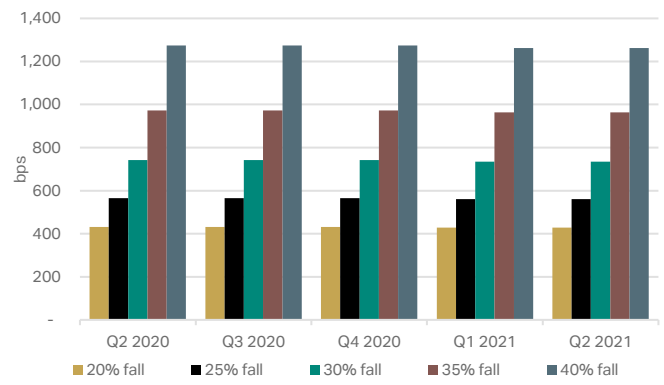
Based on NCR analysis of company data.

**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**



Based on 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**



Based on NCR analysis of company data.

## DISCLAIMER

Disclaimer © 2021 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

## NORDIC CREDIT RATING AS

[nordiccreditrating.com](http://nordiccreditrating.com)