



NON-RATING ACTION COMMENTARY

Increasing Buffer for Danske Bank AS's Mortgage Cover Pools D and I CVB Ratings

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Fitch Ratings-Frankfurt am Main-10 February 2023: The 'AAA' ratings on Danske Bank AS's mortgage cover pool D and I covered bonds, which are on Stable Outlook, are currently both protected by a four-notch buffer against an Issuer Default Rating (IDR) downgrade, Fitch Ratings says.

The payment continuity uplift (PCU) for Danske's I programme is now six notches, reflecting mortgage covered bonds with a 12-month principal maturity extension and three-month protection for interest payments. This was increased from five notches after the conditions for maturity extension were clarified following changes to Denmark's covered bonds law in July 2022. The changes are only applicable after a new bond is issued under the cover pool register, which has occurred for Danske I. As Danske has not issued a new bond under cover pool D since July, the PCU for this programme has not yet been increased to six notches and remains five notches. However, the recovery uplift is higher for cover pool D due to the absence of material foreign-exchange risk pre-swap.

The ratings of the covered bonds issued under both programmes are based on Danske's Long-Term IDR of 'A' and nine notches of uplift above the IDR granted by Fitch. The ratings also consider over-collateralisation (OC) protection for covered bondholders. Cover pool D consists entirely of Danish residential mortgages while cover pool I includes

Norwegian residential mortgages. The asset characteristics are strong and the credit loss for both pools is driven by Fitch's minimum loss assumption.

Both programmes additionally benefit from a cushion between the OC Fitch relies on in its analysis and Fitch's 'AAA' break-even OC.

More detailed information on the two covered bond programmes and how they compare is available in the report "Danske Bank AS's Mortgage Cover Pool D and I Covered Bond Programmes- Peer Review" at www.fitchratings.com or by clicking the link above.

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