

Danske Hypotek AB (publ)

Rating Action Report

COVERED BOND RATING

AAA

ISSUER RATINGS

LONG-TERM RATING

A

OUTLOOK

Stable

SHORT-TERM RATING

N2

PRIMARY ANALYST

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

SECONDARY CONTACTS

Ylva Forsberg
+46768806742
ylva.forsberg@nordiccreditrating.com

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

Danske Hypotek 'AAA' covered bond issue rating and 'A' issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A' long-term issuer rating on Sweden-based [Danske Hypotek AB \(publ\)](#). The outlook is stable. At the same time, NCR affirmed the 'N2' short-term rating, the 'AAA' issue rating on Danske Hypotek's covered bonds and the 'A+' issue rating on its senior unsecured bonds.

Rating rationale

Our 'A' issuer rating on Danske Hypotek reflects our current 'a' credit assessment of Danske Bank and the company's role as a 'vital' entity within the group structure. Our 'a' standalone assessment of Danske Hypotek is in line with our issuer rating. The outlook on our issuer rating on Danske Hypotek is stable, reflecting our credit assessment of Danske Bank.

Given the stable outlook on our issuer rating on Danske Hypotek, we expect the covered bond ratings to remain stable. This reflects our view that Danske Hypotek and Danske Bank would maintain their status as systemically important financial institutions with a very high likelihood of resolution in the event of failure, which would exclude the bail-in of covered bonds.

Stable outlook

The outlook is stable, reflecting our credit assessment of Danske Bank. Upside to the issuer rating on Danske Hypotek remains constrained by our 'a' credit assessment of Danske Bank. Given our view of Danske Hypotek as 'vital' to Danske Bank, we could revise our rating on the company due to changes in our credit assessment of the parent, which we currently regard as stable.

Rating list

| | To | From |
|----------------------------------|--------|--------|
| Long-term issuer credit rating: | A | A |
| Outlook: | Stable | Stable |
| Short-term issuer credit rating: | N2 | N2 |
| Covered bond issue rating: | AAA | AAA |
| Senior unsecured issue rating: | A+ | A+ |

Figure 1. Danske Hypotek rating scorecard

| Subfactors | Impact | To | From |
|--------------------------------------|--------|-----------|-----------|
| National factors | 20.0% | a- | a- |
| Regional, cross border, sector | - | - | - |
| Operating environment | 20.0% | a- | a- |
| Capital | 17.5% | a | a |
| Funding and liquidity | 15.0% | a+ | a+ |
| Risk governance | 5.0% | a | a |
| Credit risk | 10.0% | a | a |
| Market risk | - | - | - |
| Other risks | 2.5% | a | a |
| Risk appetite | 50.0% | a | a |
| Market position | 15.0% | bbb+ | bbb+ |
| Earnings | 7.5% | aa- | aa- |
| Loss performance | 7.5% | aa- | aa- |
| Performance indicators | 15.0% | aa- | aa- |
| Indicative credit assessment | | a | a |
| Transitions | | Neutral | Neutral |
| Borderline assessments | | Neutral | Neutral |
| Peer comparisons | | Neutral | Neutral |
| Stand-alone credit assessment | | a | a |
| Material credit enhancement | | Neutral | Neutral |
| Rating caps | | Neutral | Neutral |
| Support analysis | | Neutral | Neutral |
| Issuer rating | | A | A |
| Outlook | | Stable | Stable |
| Short-term rating | | N2 | N2 |

Figure 2. Capital structure ratings

| Seniority | To | From |
|------------------|-----|------|
| Covered bond | AAA | AAA |
| Senior unsecured | A+ | A+ |

| | |
|---|--|
| Type of credit rating: | Long-term issuer credit rating Short-term issuer credit rating Issue credit rating |
| Publication date: | The rating was first published on 30 Apr. 2020. |
| Office responsible for the credit rating: | Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009. |
| Primary analyst: | Sean Cotten, +46735600337, sean.cotten@nordiccreditrating.com |
| Rating committee chairperson responsible for approval of the credit rating: | Geir Kristiansen, +4790784593, geir.kristiansen@nordiccreditrating.com |
| Were ESG factors a key driver behind the change to the credit rating or rating outlook? | No. |
| Methodology used when determining the credit rating: | NCR's Financial Institutions Rating Methodology published on 18 Feb. 2022 NCR's Rating Principles published on 24 May 2022 NCR's Group and Government Support Rating Methodology published on 18 Feb. 2022 NCR's Covered Bond Rating Methodology published on 5 Jul. 2019 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) . |
| Materials used when determining the credit rating: | Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, Data provided by external data providers, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity. |
| Potential conflicts of interest: | The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies |
| Additional information: | Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test or cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies . |
| Ancillary services provided: | No ancillary services were provided. |
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