

## Danske Hypotek AB (publ) cover pool overview Q2 2022

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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 \(publ\)](#) are unchanged following the publication of its mid-2022 results and receipt of updated cover pool details. The company added multi-family housing and commercial mortgages to the cover pool during the first half, which is reflected throughout this report. 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

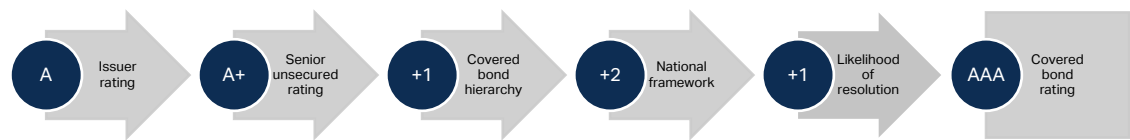
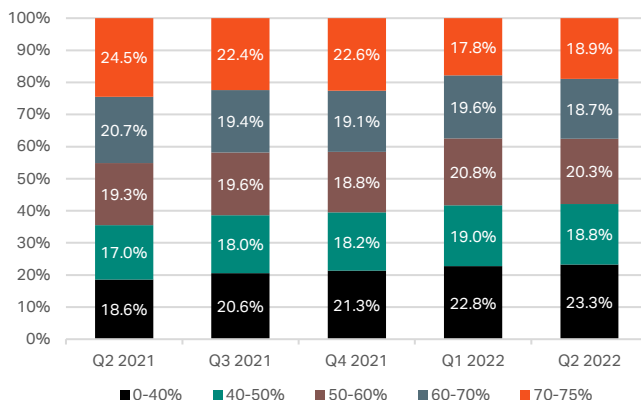


Figure 2. Danske Hypotek cover pool characteristics, Q2 2020-Q2 2022

	Q2 2020	Q4 2020	Q2 2021	Q4 2021	Q2 2022
Eligible covered pool assets (SEKm)	107.3	113.8	115.8	121.3	129.1
Outstanding covered bonds (SEKm)	89.5	90.9	104.9	98.1	105.8
Legal overcollateralisation (%)	19.8	25.2	10.4	23.7	22.0
Weighted-average LTV (%)	59.1	58.0	56.0	54.0	53.0
Average loan seasoning (years)	3.9	4.2	4.3	4.7	4.7
Average bond maturity (years)	3.2	2.8	2.6	2.6	2.4
Average loan size (SEKm)	1.04	1.04	1.05	1.04	1.10
Owner-occupied share, residential (%)	96.3	96.4	96.0	97.0	97.0
Priority liens, residential (%)	98.6	98.6	99.0	99.0	99.0
>60 day past due loans (bps)	0.00	0.00	0.00	0.00	0.00

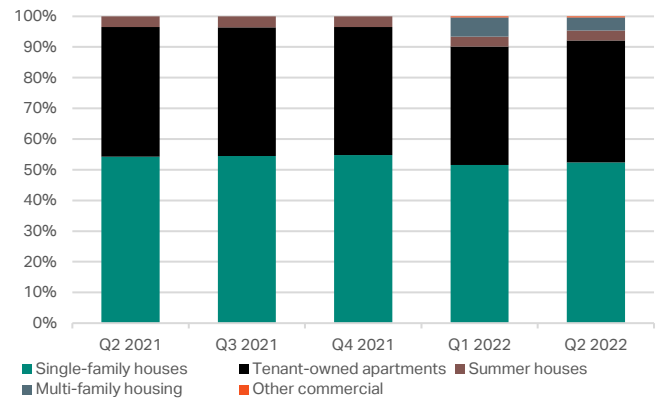
Source: Danske Hypotek's European Covered Bond Council Harmonised Transparency Templates (ECBC HTT). LTV-loan to value.

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



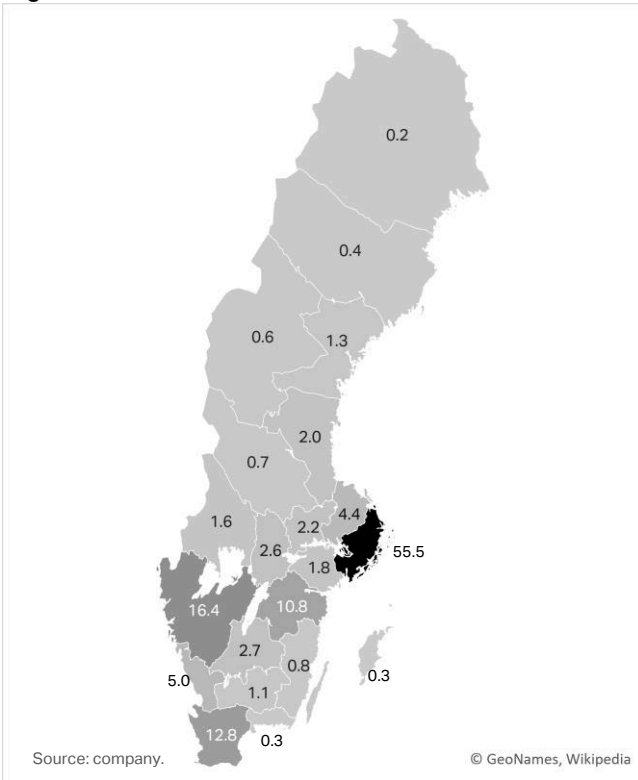
Source: company. Entire eligible loan amount in respective bucket based on borrowers' LTV.

Figure 4. Share of pool by property type, last five quarters

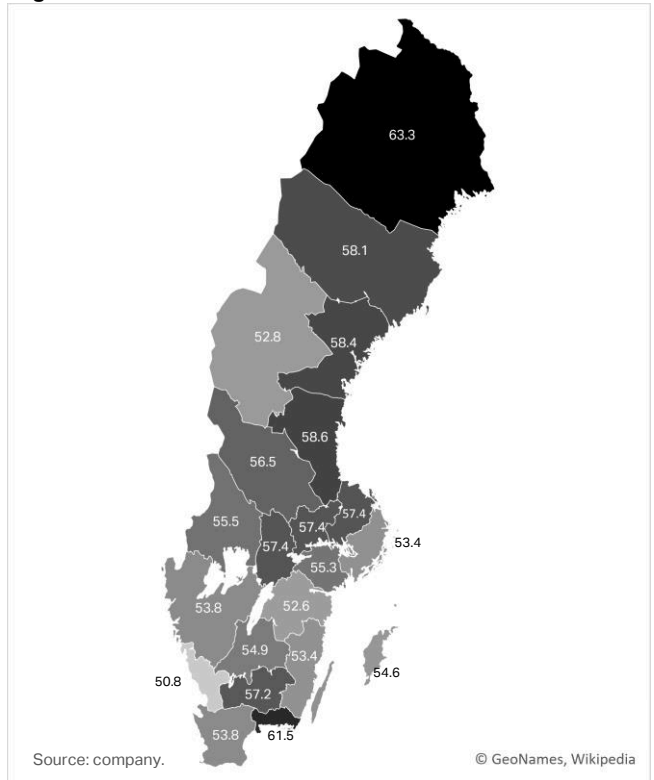


Source: company.

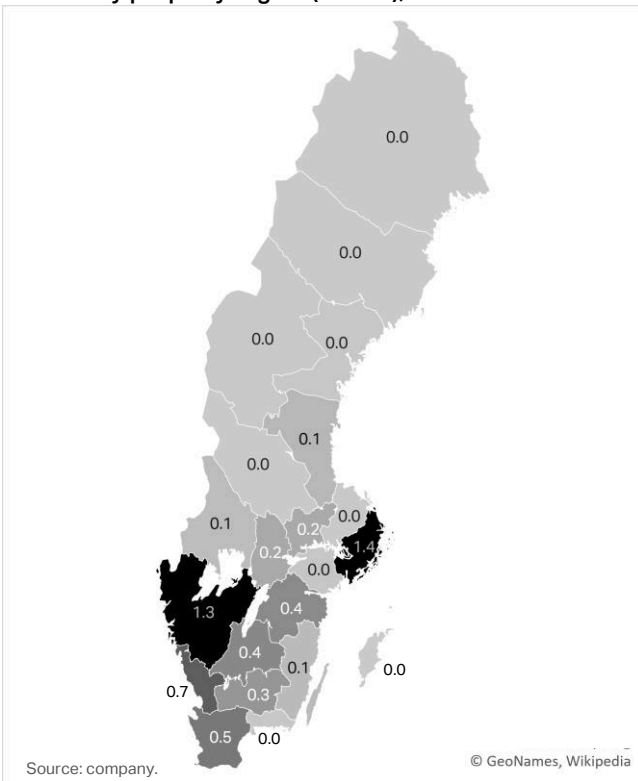
**Figure 5. Residential mortgage loan balance by property region (SEKbn), 30 June 2022**



**Figure 6. Weighted residential mortgage LTV by borrower region (%), 30 June 2022**



**Figure 7. Commercial and multi-family mortgage loan balance by property region (SEKbn), 30 June 2022**



**Figure 8. Average commercial and multi-family mortgage loan per property by region (SEKm), 30 June 2022.**

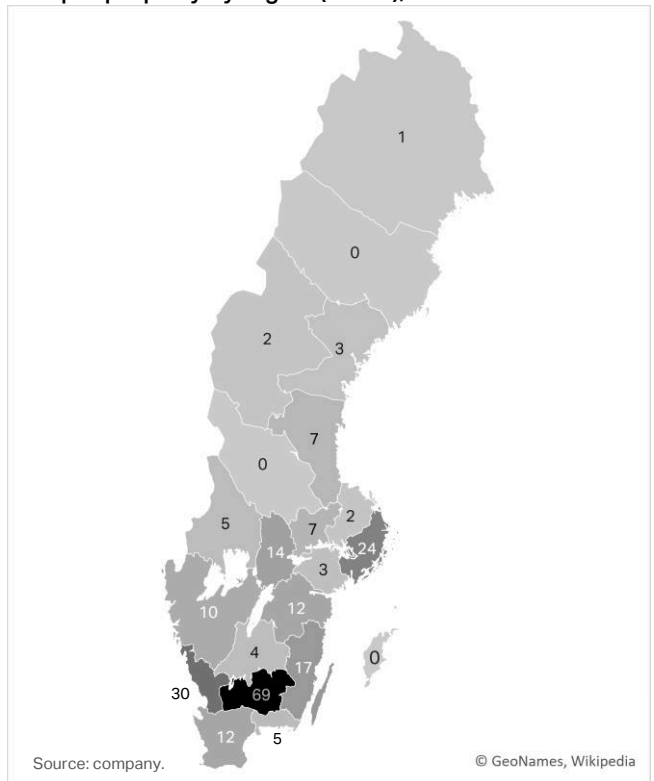


Figure 9. Share of pool by loan seasoning, last five quarters

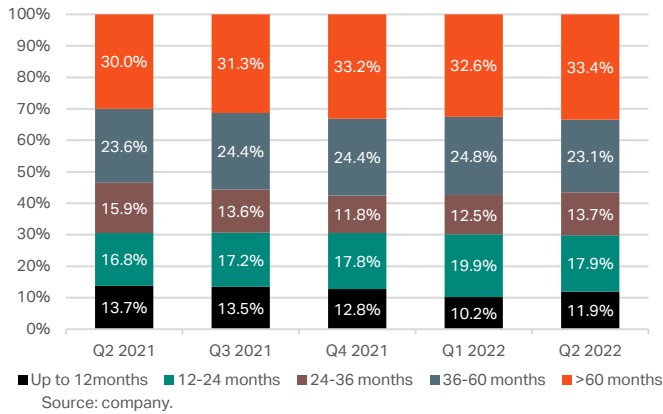


Figure 10. Share of pool by loan size (SEK), last five quarters

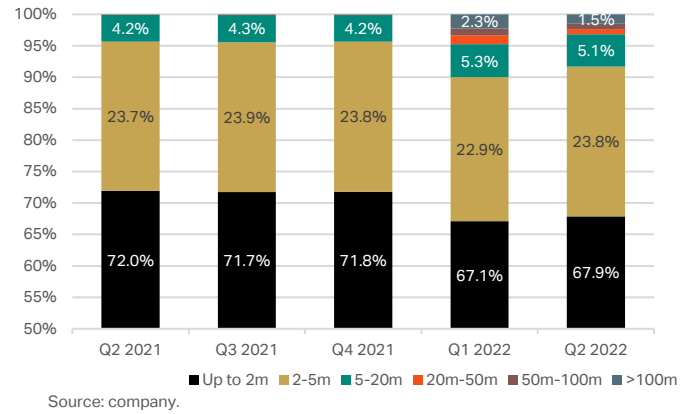


Figure 11. Share of pool by payment profile, last five quarters

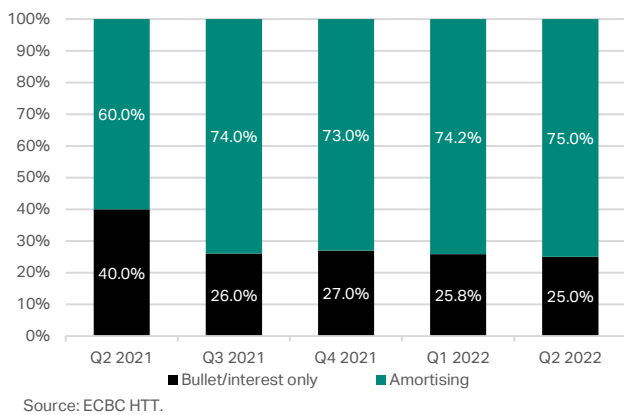


Figure 12. Share of pool by maturity, last five quarters

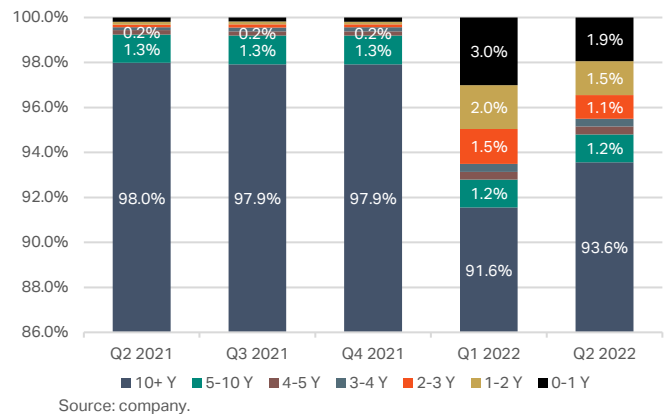


Figure 13. Share of pool by interest rate, last five quarters

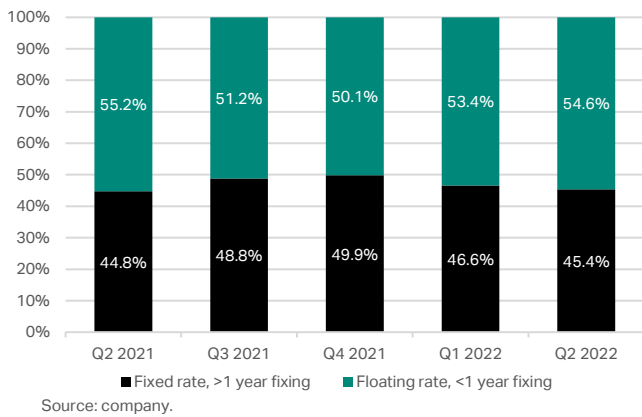


Figure 14. Share of pool by priority claims, last five quarters

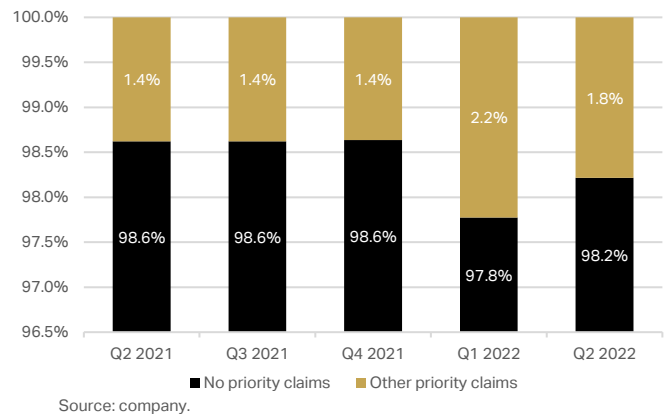


Figure 15. Region class and property type, 30 June 2022

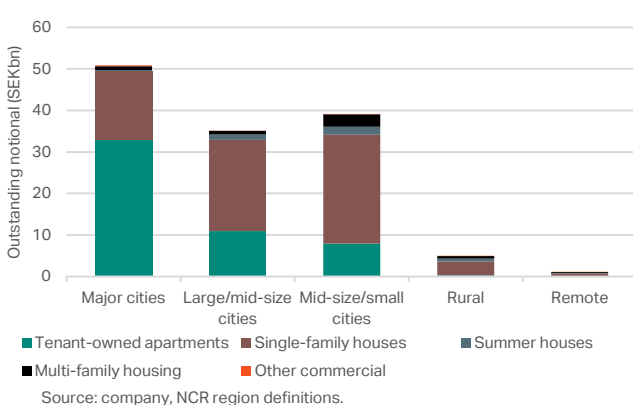
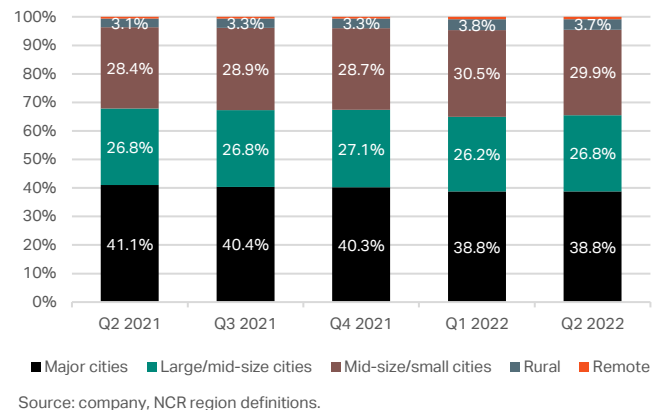


Figure 16. Region class, last five quarters



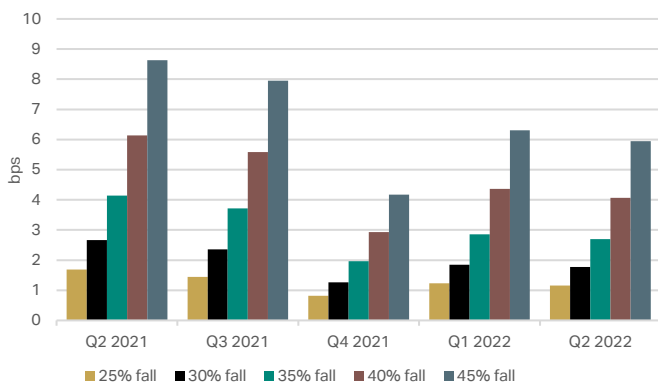
### CREDIT RISK STRESS TEST

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 have normalised in 2022 (see Figure 18), and contributed to higher expected loss levels (Figure 17). In our five stressed scenarios, we assume property value declines of 25–45% (assuming market values of 5–15pp above the annual compound growth rate). Recent declines in housing prices have yet to affect the overall loan-to-value in Danske Hypotek's portfolio (see Figure 18), but are likely to increase loss given default (LGD) as property valuations are updated.

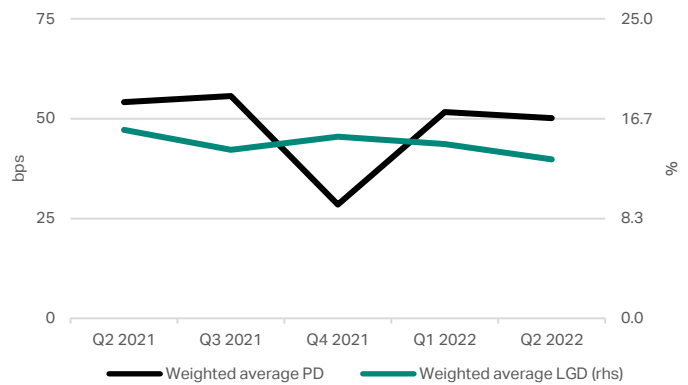
Beginning in the fourth quarter of 2021 our concentration adjustment is 6% (from 7% previously), reflecting a reduction in the relative geographic concentration of Danske Hypotek's loan assets compared with larger Swedish peers' cover pools.

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



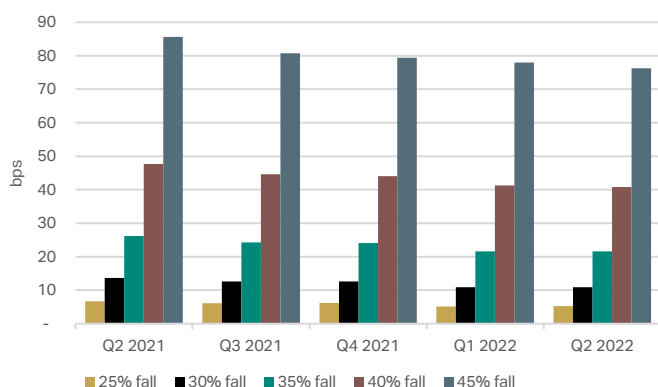
Based on NCR analysis of company data.

**Figure 18. Weighted-average probability of default (PD) and LGD of cover pool, last five quarters**



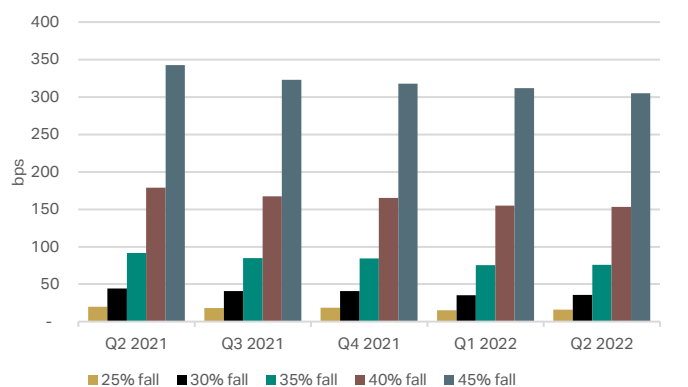
Based on NCR analysis of company data.

**Figure 19. 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 20. 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.

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