

# *Interim Report*

*1 January - 30 June 2022*

Danske Hypotek AB (publ)



# First half-year in brief

January – June 2022 (comparison with January – June 2021 in parentheses)

- Operating profit was SEK 500.9 million (536.4 million).
- Net interest income amounted to SEK 635.1 million (668.4 million).
- Costs comprised SEK 126.6 million (76.6 million).
- Credit losses amounted to SEK 16.0 million refers to reversals of previous reservations. For the corresponding period in 2021 reservations amounted to SEK 39.4 million.
- Return on equity was 11.8 % (14.5 %).
- The CET1 capital ratio was 16.3 % (16.0 %).
- Danske Hypotek's covered bonds have the highest credit rating (AAA) from Standard & Poor's and Nordic Credit Rating.

Operating profit/loss

**SEK 500.9 million**

Common Equity Tier 1 capital ratio

**16.3 %**

Net interest income/expense

**SEK 635.1 million**

Loans to the public

**SEK 131 500 million**

## Operations

Danske Hypotek AB (publ) corp. ID no. 559001-4154 is a wholly owned subsidiary of Danske Bank A/S (CVR no. 61126228). The company's operations consist of acquiring mortgage loans from Danske Bank's Swedish branch, and issuing covered bonds with mortgage loans as collateral and thereby providing the Danske Bank Group with long-term access to competitive financing in Swedish kronor (SEK). This way, the best possible conditions are created for the Swedish branch to offer long-term competitive lending to Swedish mortgage loan customers and owners of residential properties in Sweden.

Operations are to be conducted in such a manner that they fulfil the requirements set in the Covered Bonds Issuance Act (2003:1223) and requirements set in the Swedish Financial Supervisory Authority's regulation FFFS 2013:1. The company is in Swedish Financial Supervisory Authority's supervision category 2.

# Financial development

## Results overview

| Amounts in SEK 000s                      | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| Net interest income/expense              | 635,136           | 668,374           | 1,301,209         |
| Net commission income                    | -14,107           | -13,941           | -22,669           |
| Net income from financial transactions   | -51,986           | -18,789           | -74,350           |
| Other income                             | 42,535            | 16,712            | 37,366            |
| <b>Total operating income</b>            | <b>611,578</b>    | <b>652,356</b>    | <b>1,241,556</b>  |
| Costs                                    | -126,621          | -76,591           | -125,319          |
| <b>Profit/loss before credit losses</b>  | <b>484,957</b>    | <b>575,765</b>    | <b>1,116,237</b>  |
| Credit losses                            | 15,994            | -39,411           | -14,612           |
| <b>Operating profit/loss</b>             | <b>500,951</b>    | <b>536,354</b>    | <b>1,101,625</b>  |
| Tax                                      | -103,196          | -110,489          | -226,964          |
| <b>Net profit or loss for the period</b> | <b>397,755</b>    | <b>425,865</b>    | <b>874,661</b>    |

### Operating profit/loss

Operating profit for the first half-year of 2022 was SEK 500.9 million, which is 7% lower than operating profit compared with the first half-year of 2021. The negative development is mainly explained by higher market interest rates, that gives higher funding cost and negative market valuation effects under Net trading income.

### Net interest income and commissions

Net interest income amounted to SEK 635.1 million (SEK 668.4 million) and net commissions amounted to an expense of SEK 14.1 million (SEK -13.9 million). See notes 3 and 4.

### Net income from financial transactions

The net income from financial transactions at fair value amounted to an expense of SEK -52.0 million (-18.8 million), see note 5.

### Other Income

During the period compensation for services rendered to Danske Bank amounted to SEK 42.5 million (SEK 16.7 million).

### Costs

Total costs were SEK 126.6 million (SEK 76.6 million). Costs consisted primarily of compensation to Danske Bank for services rendered according to applicable outsourcing agreements, the resolution fee and the new Risk Tax, see note 7. The increase of the costs is due to the new Risk Tax.

### Credit losses

Reversals of reservations for expected credit losses were for the period SEK 16.0 million. For the corresponding period 2021, reservation for expected credit losses amounted to SEK 39.4 million, see note 2.

### Lending

Danske Hypotek continuously acquires already granted and disbursed mortgage loans from Danske Bank. For these loans, a pledged mortgage deed in real estate intended for residential purposes or a pledged tenant-owner right has

been provided. The purpose is that the acquired loans, in part or in whole, shall be included as collateral in the cover pool that constitutes the collateral for the issuance of covered bonds. At the end of June 2022, Danske Hypotek's lending amounted to SEK 131,500 million. It's increase by 10% compared to the end of June 2021 when lending amounted to SEK 119,393 million. The increase is explained by acquisitions of mortgage loans, see note 9.

Information on Danske Hypotek's mortgage loans is published on the website [danskehypotek.se](http://danskehypotek.se)

### Borrowing

Danske Hypotek's primary source of funding is through covered bonds on the Swedish benchmark market. In addition to this, the company also has access to financing through Danske Bank A/S in the form of a loan facility.

As of June 30 2022, the total outstanding volume amounted to SEK 100,318 million (SEK 103,074 million), see the list of bonds in note 12.

### Capital adequacy

Danske Hypotek reports credit risk mainly in accordance with the advanced internal ratings-based (IRB) approach and operational risk and market risk according to the standardised method.

The company's total capital ratio and CET1 capital ratio on June 30, 2022 was 16.3%. The corresponding figure for June 30, 2021 were 16.0%. The profit for the two periods are not included in the capital base. On June 30, 2022, internally assessed capital requirement (including Pillar 2 add-ons and buffer requirements) amounted to SEK 4,637 million (SEK 4,090 million). Swedish Financial Supervisory Authority have decided to increase the Countercyclical buffer from September 29 to 1% of the risk exposure amount. Even after that new requirement, the company's capital base will have a large buffer to the capital requirement. For more information see pages 9-10.

## *Other significant information*

### **Risks and uncertainties**

The company's operations have a low risk profile. The primary risks consist of credit risk, liquidity risk and market risk.

For further information on risks and uncertainties, see note 2.

### **Events after the Reporting Period**

On August 18 an extra General meeting appointed Anna-Lena Axberger, Deputy Head of Danske Bank Sweden, to new Chairman of the board.

### **Audit**

This report has not been audited by the company's auditor.

# Income statement

| Amounts in SEK thousands                                       | Note | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|------|-------------------|-------------------|-------------------|
| Interest income calculated using the effective interest method | 3    | 855,706           | 821,780           | 1,629,113         |
| Other interest income  | 3    | 500,055           | 437,374           | 899,519           |
| Interest expenses  | 4    | -720,625          | -590,780          | -1,227,423        |
| <b>Net interest income/expense</b>                             |      | <b>635,136</b>    | <b>668,374</b>    | <b>1,301,209</b>  |
| Fee income   |      | 99                | 77                | 175               |
| Fee expenses   |      | -14,206           | -14,018           | -22,844           |
| Net income from financial transactions                         | 5    | -51,986           | -18,789           | -74,350           |
| Other income   | 6    | 42,535            | 16,712            | 37,366            |
| <b>Total operating income</b>                                  |      | <b>611,578</b>    | <b>652,356</b>    | <b>1,241,556</b>  |
| General administrative expenses                                | 7    | -126,378          | -76,318           | -124,881          |
| Other operating expenses                                       |      | -243              | -273              | -438              |
| <b>Profit before impairment charges</b>                        |      | <b>484,957</b>    | <b>575,765</b>    | <b>1,116,237</b>  |
| Loan impairment charges  |      | 15,994            | -39,411           | -14,612           |
| <b>Profit before tax</b>                                       |      | <b>500,951</b>    | <b>536,354</b>    | <b>1,101,625</b>  |
| Tax for the period   |      | -103,196          | -110,489          | -226,964          |
| <b>Net profit for the period</b>                               |      | <b>397,755</b>    | <b>425,865</b>    | <b>874,661</b>    |
| Items that will not be reclassified to profit or loss          |      | -                 | -                 | -                 |
| <b>Comprehensive income for the period</b>                     |      | <b>397,755</b>    | <b>425,865</b>    | <b>874,661</b>    |

# Balance sheet

| Amounts in SEK thousands                    | Not  | 30 June<br>2022    | 30 June<br>2021    | 31 Dec.<br>2021    |
|---|------|--------------------|--------------------|--------------------|
| <b>ASSETS</b>                               |      |                    |                    |                    |
| <b>Assets</b>                               |      |                    |                    |                    |
| Due from credit institutions                | 8    | 6,830,666          | 5,834,918          | 2,107,700          |
| Lending to the public                       | 9,10 | 131,499,644        | 119,392,961        | 124,444,208        |
| Bonds and other interest-bearing securities | 11   | 4,127,817          | 4,073,878          | 4,259,718          |
| Other assets                                |      | 2,991,648          | 579,040            | 397,146            |
| Prepaid expenses and accrued income         |      | 42,590             | 36,155             | 19,789             |
| <b>TOTAL ASSETS</b>                         |      | <b>145,492,365</b> | <b>129,916,952</b> | <b>131,228,561</b> |
| <b>LIABILITIES AND EQUITY</b>               |      |                    |                    |                    |
| <b>Liabilities</b>                          |      |                    |                    |                    |
| Due to credit institutions                  |      | 32,803,154         | 19,951,941         | 26,644,354         |
| Issued bonds, etc.                          | 12   | 100,318,133        | 103,073,966        | 97,308,747         |
| Tax liabilities                             |      | -                  | 15,586             | 18,184             |
| Other liabilities                           |      | 4,895,935          | 242,711            | 667,191            |
| Accrued expenses and deferred income        |      | 541,360            | 545,516            | 54,057             |
| <b>Total liabilities</b>                    |      | <b>138,558,582</b> | <b>123,829,720</b> | <b>124,692,533</b> |
| <b>Equity</b>                               |      |                    |                    |                    |
| Share capital                               |      | 50,000             | 50,000             | 50,000             |
| Profit/loss brought forward                 |      | 6,486,028          | 5,611,367          | 5,611,367          |
| Profit/loss for the period                  |      | 397,755            | 425,865            | 874,661            |
| <b>Total equity</b>                         |      | <b>6,933,783</b>   | <b>6,087,232</b>   | <b>6,536,028</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |      | <b>145,492,365</b> | <b>129,916,952</b> | <b>131,228,561</b> |

# Statement of changes in equity

## Amounts in SEK thousands

|                                    | Share capital | Profit/loss brought forward | Profit/loss for the year | Total equity     |
|------------------------------------|---------------|-----------------------------|--------------------------|------------------|
| Opening balance 01/01/2022         | 50,000        | 5,611,367                   | 874,661                  | 6,536,028        |
| Reversal of previous year's profit | -             | 874,661                     | -874,661                 | -                |
| Profit/loss for the period         | -             | -                           | 397,755                  | 397,755          |
| <b>Closing balance 30/06/2022</b>  | <b>50,000</b> | <b>6,486,028</b>            | <b>397,755</b>           | <b>6,933,783</b> |

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change has taken place during the year.

|                                    | Share capital | Profit/loss brought forward | Profit/loss for the year | Total equity     |
|------------------------------------|---------------|-----------------------------|--------------------------|------------------|
| Opening balance 01/01/2021         | 50,000        | 4,816,043                   | 795,324                  | 5,661,367        |
| Reversal of previous year's profit | -             | 795,324                     | -795,324                 | -                |
| Profit/loss for the period         | -             | -                           | 425,865                  | 425,865          |
| <b>Closing balance 30/06/2021</b>  | <b>50,000</b> | <b>5,611,367</b>            | <b>425,865</b>           | <b>6,087,232</b> |

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change has taken place during the year.

|                                    | Share capital | Profit/loss brought forward | Profit/loss for the year | Total equity     |
|------------------------------------|---------------|-----------------------------|--------------------------|------------------|
| Opening balance 01/01/2021         | 50,000        | 4,816,043                   | 795,324                  | 5,661,367        |
| Reversal of previous year's profit | -             | 795,324                     | -795,324                 | -                |
| Profit/loss for the period         | -             | -                           | 874,661                  | 874,661          |
| <b>Closing balance 31/12/2021</b>  | <b>50,000</b> | <b>5,611,367</b>            | <b>874,661</b>           | <b>6,536,028</b> |

Share capital on the balance sheet date is represented by 500,000 class A shares of a nominal SEK 100. No change has taken place during the year.

# Cash flow statement

| Amounts in SEK thousands   | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| <b>Operating activities</b>  |                   |                   |                   |
| Operating profit/loss  | 500,951           | 536,354           | 1,101,625         |
| Adjustments for non-cash items, etc.   | 520,185           | -58,649           | 67,327            |
| Payed taxes  | -126,717          | -157,908          | -271,785          |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>894,419</b>    | <b>319,797</b>    | <b>897,167</b>    |
| <b>Change in operating activity assets</b>                                   |                   |                   |                   |
| Change in lending to credit institutions                                     | 740,394           | -2,842,781        | -933,120          |
| Change in lending to the public  | -7,039,442        | -2,067,582        | -7,094,030        |
| Change in other investment assets  | 131,901           | -21,368           | -169,627          |
| Change in other assets   | -2,605,809        | 315,849           | 314,847           |
| <b>Change in operating activity liabilities</b>                              |                   |                   |                   |
| Change in due to/from credit institutions                                    | 6,158,800         | -5,449,708        | 1,242,705         |
| Change in issued bonds   | 3,009,386         | 11,270,323        | 5,077,148         |
| Change in other liabilities  | 4,173,711         | 4,410             | 376,292           |
| <b>Cash flow from operating activities</b>                                   | <b>5,463,360</b>  | <b>1,528,940</b>  | <b>-288,618</b>   |
| <b>Cash flow from investing activities</b>                                   | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>Cash flow from financing activities</b>                                   | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>Cash flow for the period</b>  | <b>5,463,360</b>  | <b>1,528,940</b>  | <b>-288,618</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>              | <b>574,128</b>    | <b>862,746</b>    | <b>862,746</b>    |
| <b>Cash and cash equivalents at end of period*</b>                           | <b>6,037,488</b>  | <b>2,391,686</b>  | <b>574,128</b>    |

\* Cash and cash equivalents consist of balances with Group companies and are included in the item lending to credit institutions.

| Cash and cash equivalents   | 30 June<br>2022  | 30 June<br>2021  | 31 Dec.<br>2021 |
|---|------------------|------------------|-----------------|
| Cash and cash equivalents consist of loans to credit institutions | 6,037,487        | 2,391,686        | 574,128         |
| <b>Total</b>  | <b>6,037,487</b> | <b>2,391,686</b> | <b>574,128</b>  |

| Interest, etc.    | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|-------------------|-------------------|-------------------|-------------------|
| Interest received | 1,353,988         | 1,262,799         | 2,528,308         |
| Interest paid     | -229,742          | -96,289           | -1,228,899        |
| <b>Total</b>      | <b>1,124,246</b>  | <b>1,166,510</b>  | <b>1,299,408</b>  |

| Adjustment for non-cash items  | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--------------------------------|-------------------|-------------------|-------------------|
| Loan impairment charges        | -15,994           | 39,411            | 14,612            |
| Change in Accounting principle | 47,069            | -595,841          | 54,515            |
| Unrealised changes in value    | 489,110           | 497,781           | -1,800            |
| <b>Total</b>                   | <b>520,185</b>    | <b>-58,649</b>    | <b>67,327</b>     |



# Capital

| Amounts in SEK million  | 30 June<br>2022 | 30 June<br>2021 | 31 Dec.<br>2021 |
|---|-----------------|-----------------|-----------------|
| Share capital   | 50              | 50              | 50              |
| Shareholders' contribution  | 3,400           | 3,400           | 3,400           |
| Retained earnings   | 2,211           | 2,211           | 2,211           |
| Net profit for the period   | 875             | -               | 875             |
| CET1 capital before legislative adjustments                           | 6,536           | 5,661           | 6,536           |
| Further value adjustments   | -11             | -5              | -7              |
| Negative amounts as a result of calculation of expected loss amounts  | -20             | -40             | -9              |
| Other legislative adjustments   | -               | -               | -               |
| <b>CET 1 capital</b>  | <b>6,505</b>    | <b>5,617</b>    | <b>6,520</b>    |
| Tier 1 capital contribution: Instruments and provisions               | -               | -               | -               |
| Tier 1 capital contribution: Legislative adjustments                  | -               | -               | -               |
| <b>Tier 1 capital</b>   | <b>6,505</b>    | <b>5,617</b>    | <b>6,520</b>    |
| <b>Tier 2 capital</b>   | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| Positive amounts as a result of calculation of expected loss amounts  | -               | -               | -               |
| Other legislative adjustments   | -               | -               | -               |
| <b>Total capital</b>  | <b>6,505</b>    | <b>5,617</b>    | <b>6,520</b>    |
| <b>Total risk-weighted assets</b>                                     | <b>39,846</b>   | <b>35,075</b>   | <b>35,608</b>   |
| CET1 capital (as a percentage of the risk-weighted exposure amount)   | 16.3%           | 16.0%           | 18.3%           |
| Tier 1 capital (as a percentage of the risk-weighted exposure amount) | 16.3%           | 16.0%           | 18.3%           |
| Total capital (as a percentage of the risk-weighted exposure amount)  | 16.3%           | 16.0%           | 18.3%           |

# Risk exposure amounts and risk weights

| Amounts in SEK million  | 30 June 2022         |                         | 30 June 2021         |                         | 31 Dec. 2021         |                         |
|---|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
|   | Risk exposure amount | Average risk weight (%) | Risk exposure amount | Average risk weight (%) | Risk exposure amount | Average risk weight (%) |
| <b>Credit risks</b>   |                      |                         |                      |                         |                      |                         |
| Institutions  | -                    | -                       | -                    | -                       | -                    | -                       |
| Corporate customers   | -                    | -                       | -                    | -                       | -                    | -                       |
| Household exposure  | 8,448                | 7                       | 6,236                | 6                       | 7,152                | 6                       |
| <b>Advanced IRB method, total</b>   | <b>8,448</b>         | <b>7</b>                | <b>6,236</b>         | <b>6</b>                | <b>7,152</b>         | <b>6</b>                |
| Institutions  | 1,854                | 46                      | 1,409                | 46                      | 378                  | 29                      |
| Corporate customers   | 2,015                | 35                      | 73                   | 38                      | 67                   | 37                      |
| Household exposure  | 77                   | 50                      | -                    | -                       | -                    | -                       |
| <b>Standardised method for credit risk, total</b>   | <b>3,946</b>         | <b>37</b>               | <b>1,482</b>         | <b>45</b>               | <b>445</b>           | <b>33</b>               |
| <b>Additional risk weight amounts as per Article 458 (risk weight floor for Swedish mortgage loans)</b> | <b>23,230</b>        |                         | <b>23,440</b>        |                         | <b>23,876</b>        |                         |
| <b>Credit risk, total</b>   | <b>35,624</b>        | <b>25</b>               | <b>31,158</b>        | <b>25</b>               | <b>31,473</b>        | <b>25</b>               |
| <b>Counterparty risk, total</b>   | <b>2,551</b>         | <b>50</b>               | <b>2,459</b>         | <b>50</b>               | <b>2,465</b>         | <b>50</b>               |
| <b>Market risk, total</b>   | <b>-</b>             |                         | <b>-</b>             |                         | <b>-</b>             |                         |
| <b>Operational risk, total</b>  | <b>1,671</b>         |                         | <b>1,459</b>         |                         | <b>1,670</b>         |                         |
| <b>Total risk exposure amount, REA</b>  | <b>39,846</b>        |                         | <b>35,075</b>        |                         | <b>35,608</b>        |                         |

# Capital requirement

| Amounts in SEK million                               | 30 June 2022 | 30 June 2021 | 31 Dec. 2021 |
|--|--------------|--------------|--------------|
| <b>Capital requirement (8% av REA)</b>               | <b>3,188</b> | <b>2,806</b> | <b>2,849</b> |
| <b>Pillar 2 add-ons</b>                              |              |              |              |
| Credit Concentration risk add-on                     | 196          | 149          | 148          |
| Interest rate risk in banking book (IRRBB)           | 198          | 198          | 198          |
| Information and communication technology risks (ICT) | 59           | 59           | 59           |
| <b>Total Pillar 2 add-ons</b>                        | <b>453</b>   | <b>406</b>   | <b>405</b>   |
| <b>Buffer requirements, % of REA</b>                 |              |              |              |
| Capital conservation buffer                          | 2.50%        | 2.50%        | 2.50%        |
| Countercyclical capital buffer                       | 0.00%        | 0.00%        | 0.00%        |
| Combined buffer requirement                          | 2.50%        | 2.50%        | 2.50%        |
| <b>Buffer requirements, SEK m</b>                    | <b>996</b>   | <b>877</b>   | <b>890</b>   |
| <b>Capital requirement including combined buffer</b> | <b>4,637</b> | <b>4,090</b> | <b>4,144</b> |
| <b>Capital ratio including combined buffer</b>       | <b>11.6%</b> | <b>11.7%</b> | <b>11.6%</b> |
| Excess total capital, %                              | 4.7%         | 4.4%         | 6.7%         |
| Excess total capital, SEK m                          | 1,867        | 1,527        | 2,376        |

## Leverage ratio

| Amounts in SEK million                        | 30 June<br>2022 | 30 June<br>2021 | 31 Dec.<br>2021 |
|---|-----------------|-----------------|-----------------|
| <b>Leverage ratio</b>                         |                 |                 |                 |
| Total exposure for leverage ratio calculation | 148,495         | 134,546         | 135,876         |
| - of which derivatives                        | 6010            | 5158            | 5052            |
| - of which securities                         | 4,128           | 4,074           | 4,260           |
| - of which items off the balance sheet        | -               | -               | -               |
| <b>Tier 1 capital (transitional rules)</b>    | <b>6,505</b>    | <b>5,617</b>    | <b>6,520</b>    |
| Leverage ratio, (%)                           | 4.4%            | 4.2%            | 4.8%            |
| Leverage ratio                                | 4.4%            | 4.2%            | 3.0%            |

## Liquidity coverage ratio

| Amounts in SEK million           | 30 June<br>2022 | 30 June<br>2021 | 31 Dec.<br>2021 |
|----------------------------------|-----------------|-----------------|-----------------|
| Total high-quality liquid assets | 4,775           | 7,720           | 4,790           |
| Total net cash outflows          | 315             | 1,744           | 763             |
| Liquidity coverage ratio         | 1,517%          | 443%            | 628%            |

## Net stable funding ratio

| Amounts in SEK million         | 30 June<br>2022 | 30 June<br>2021 | 31 Dec.<br>2021 |
|--------------------------------|-----------------|-----------------|-----------------|
| Total available stable funding | 127,081         | 114,884         | 119,084         |
| Total required stable funding  | 106,984         | 98,835          | 98,036          |
| Net stable funding ratio       | 119%            | 116%            | 121%            |

## Note 1 Accounting principles

Amounts in SEK thousands unless otherwise indicated.

Danske Hypotek's interim report is prepared in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies (995:1559), the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 Annual Reports in Credit Institutions and Securities Companies, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued by the Swedish Financial Reporting Board. In accordance with the Swedish Financial Supervisory Authority's general guidelines, Danske Hypotek applies so-called statutory IFRS. This means that the International Financial Reporting Standards and interpretations of these standards that have been adopted by the EU have been applied to the extent possible within the scope of national laws and regulations and the connection between accounting and taxation.

### Determination of fair value of financial instruments

Danske Hypotek sets fair values for financial instruments using different methods depending on the degree of observability of market data on the valuation and activity on the market. An active market is considered to be either a regulated or reliable trading place where prices recorded are readily available and show a regularity. An ongoing assessment of the activity is carried out by analysing factors such as differences in purchase and sales rates. The methods are divided into three different valuation levels:

*Level 1:* Unadjusted price, consists of financial instruments that are listed on an active market. The company uses the price recorded on the main market.

*Level 2:* Valuation based on observable inputs consists of financial instruments that are valued on the basis of observable inputs but which are not a recorded price for the instrument itself. If a financial instrument is listed on a market that is not active, the company bases its value on the latest transaction price. Adjustments are made for subsequent changes in market conditions, e.g. by including transactions with similar financial instruments. For a number of financial assets and liabilities

there is no market. In such cases, the company uses recent transactions with similar instruments and discounted cash flows or other generally accepted assessment and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value.

*Level 3:* Valuation model based on significant non-observable input. Valuation of certain financial instruments where significant valuation parameters are not observable is based on internal assumptions. Such instruments include unlisted shares and unlisted bonds. Below is how the financial instruments reported at fair value are distributed among the three different valuation levels.

Level 1 contains own issued securities traded on an active market and holdings of bonds. These instruments are valued at unadjusted quoted market prices.

Level 2 contains interest rate derivatives. Its fair value is determined by using discounted cash flows. Cash flows are discounted to the relevant valuation curve based on observable input.

Danske Hypotek has no financial instruments valued at fair value at level 3.

During the period, there have been no transfers of financial instruments between the various levels.

For a complete description of applied accounting principles, please see Danske Hypotek's annual report for 2021.

REGULATORY AMENDMENTS INTRODUCED DURING THE YEAR  
Accounting principles are unchanged compared with the annual report for 2021.

The changes in Swedish regulations, that have been adopted after first of January of 2022, have not had any material effect on Danske Hypotek's financial statements.

## Note 2 Risks and uncertainties

The company's operations have a low risk profile. The primary risks consist of credit risk, liquidity risk and market risk.

Credit risk in the company's portfolio is low as the company only acquires mortgage loans of good quality, but the risk level can be affected by a deterioration of the Swedish economy and falling property prices. Expectations on development of the Swedish economy and property prices is taken under consideration continuously when the company's reservations for credit losses are calculated. Deteriorations of these parameters could result in increased reservations for credit losses for the company.

Liquidity risk is currently very low since the maturity dates for most part of the company's issued bonds is still far out in time; however, the liquidity risk can be negatively impacted in the future by generally deteriorating market conditions. However, through its liquidity portfolio, the company has access to liquid securities of high quality that can be used in a potential future stressed liquidity situation.

Market risk primarily consists of interest rate risk, which however is low because it is hedged through derivative agreements entered into with Danske Bank A/S.

## Note 3 Interest income

| Amounts in SEK thousands   | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| Lending to the public  | 855,527           | 821,491           | 1,628,391         |
| Receivables/liabilities to credit institutions - Group companies | 179               | 289               | 722               |
| Interest bearing securities - bonds                              | 206,274           | 247,356           | 485,336           |
| Interest bearing securities - underlying derivative instruments  | 293,246           | 189,767           | 413,282           |
| Other interest income  | 535               | 251               | 901               |
| <b>Total</b>   | <b>1,355,761</b>  | <b>1,259,154</b>  | <b>2,528,632</b>  |

## Note 4 Interest expenses

| Amounts in SEK thousands   | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| Receivables/liabilities to credit institutions - Group companies | -50,855           | -33,172           | -56,829           |
| Interest bearing securities - bonds                              | -466,905          | -475,432          | -1,170,034        |
| Interest bearing securities - underlying derivative instruments  | -202,552          | -81,984           | -560              |
| Other interest expenses  | -313              | -192              | -                 |
| <b>Total</b>   | <b>-720,625</b>   | <b>-590,780</b>   | <b>-1,227,423</b> |

## Note 5 Net income from financial transactions

| Amounts in SEK thousands                 | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| <b>Capital gains/losses</b>              |                   |                   |                   |
| Interest bearing securities              | -6,856            | 263               | -32,538           |
| Other financial instruments, derivatives | 1,939             | -579,889          | 14,937            |
| Currency                                 | -                 | 1                 | 1                 |
|  | -4,917            | -579,625          | -17,600           |
| <b>Unrealised changes in value</b>       |                   |                   |                   |
| Interest bearing securities              | -56,790           | 389,967           | -58,986           |
| Other financial instruments, derivatives | 9,721             | 170,869           | 2,236             |
|  | -47,069           | 560,836           | -56,750           |
| <b>Total</b>                             | <b>-51,986</b>    | <b>-18,789</b>    | <b>-74,350</b>    |

## Note 6 Other income

| Amounts in SEK thousands               | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--|-------------------|-------------------|-------------------|
| Services performed for Group companies | 42 535            | 16 712            | 37 366            |
| <b>Total</b>                           | <b>42 535</b>     | <b>16 712</b>     | <b>37 366</b>     |

## Note 7 Administration expenses

| Amounts in SEK thousands             | Jan.-June<br>2022 | Jan.-June<br>2021 | Jan.-Dec.<br>2021 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Personnel costs                      | -6,882            | -5,651            | -10,758           |
| Purchase of administrative services  | -71,364           | -46,694           | -71,162           |
| Risk Tax                             | -24,350           | -                 | -                 |
| Resolution fee                       | -19,232           | -18,291           | -36,582           |
| Other expenses                       | -4,550            | -5,682            | -6,379            |
| <b>Total</b>                         | <b>-126,378</b>   | <b>-76,318</b>    | <b>-124,881</b>   |
| <i>Specification Personnel costs</i> |                   |                   |                   |
| Salaries and remuneration            | -3,363            | -3,325            | -6,217            |
| Bonus costs                          | -                 | -11               | -275              |
| Social security contributions        | -1,109            | -1,048            | -2,067            |
| Pension expenses                     | -2,379            | -1,264            | -2,165            |
| Other personnel costs                | -31               | -3                | -34               |
| <b>Total</b>                         | <b>-6,882</b>     | <b>-5,651</b>     | <b>-10,758</b>    |

## Note 8 Due from credit institutions

| Amounts in SEK thousands                                       | 30 June<br>2022  | 30 June<br>2021  | 31 Dec.<br>2021  |
|--|------------------|------------------|------------------|
| <b>Lending in SEK</b>  |                  |                  |                  |
| Credit institutions, Group companies                           | 6,830,666        | 5,834,918        | 2,107,700        |
| <b>Total</b>   | <b>6,830,666</b> | <b>5,834,918</b> | <b>2,107,700</b> |
| Average balance, loans to credit institutions, Group companies | 3,285,350        | 3,385,619        | 4,854,556        |

The total amount Due from credit institutions refers to deposits with the Parent Company. Expected loan impairment charges have not been recognised as they are not considered to be material.

## Note 9 Lending to the public

| Amounts in SEK thousands  | 30 June<br>2022    | 30 June<br>2021    | 31 Dec.<br>2021    |
|---|--------------------|--------------------|--------------------|
| <b>Lending in SEK</b>   |                    |                    |                    |
| Swedish households excl. sole proprietors                       | 120,019,353        | 115,392,534        | 120,130,557        |
| Swedish sole proprietors  | 5,078,046          | 4,000,427          | 4,313,651          |
| Swedish non-financial companies                                 | 6,402,245          | -                  | -                  |
| <b>Total</b>  | <b>131,499,644</b> | <b>119,392,961</b> | <b>124,444,208</b> |
| Lending at accrued acquisition value, gross                     | 131,605,337        | 119,499,657        | 124,538,311        |
| Reserve for expected loan impairment charges (credit stage 1-3) | -105,693           | -106,696           | -94,103            |
| <b>Total</b>  | <b>131,499,644</b> | <b>119,392,961</b> | <b>124,444,208</b> |
| Average balance, lending to the public                          | 129,997,025        | 117,764,965        | 119,565,302        |

## Note 10 Lending to the public per credit stage

| Amounts in SEK thousands                              | 30 June<br>2022    | 30 June<br>2021    | 31 Dec.<br>2021    |
|---|--------------------|--------------------|--------------------|
| <b>Credit stage 1</b>                                 |                    |                    |                    |
| Recognised gross amount                               | 128,221,875        | 114,660,544        | 120,559,393        |
| Reserve for expected credit losses                    | -21,525            | -15,849            | -16,226            |
| Book value  | 128,200,350        | 114,644,694        | 120,543,167        |
| <b>Credit stage 2</b>                                 |                    |                    |                    |
| Recognised gross amount                               | 2,876,151          | 4,553,064          | 3,081,479          |
| Reserve for expected credit losses                    | -39,461            | -75,816            | -39,634            |
| Book value  | 2,836,690          | 4,477,248          | 3,041,845          |
| <b>Credit stage 3</b>                                 |                    |                    |                    |
| Recognised gross amount                               | 507,310            | 286,049            | 897,439            |
| Reserve for expected credit losses                    | -44,706            | -15,030            | -38,244            |
| Book value  | 462,604            | 271,019            | 859,195            |
| Recognised gross amount (credit stage 1-3)            | 131,605,336        | 119,499,657        | 124,538,311        |
| Reserve for expected credit losses (credit stage 1-3) | -105,692           | -106,696           | -94,104            |
| <b>Total</b>  | <b>131,499,644</b> | <b>119,392,961</b> | <b>124,444,208</b> |

Credit stage 1: Refers to expected loan impairment losses on possible defaults within the next 12 months.

Credit stage 2: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where there has been a significant increase of the credit risk since initial recognition.

Credit stage 3: Refers to expected loan impairment losses on possible defaults during the remaining lifetime. Refers to loans where repayment and interest have not been paid in more than 90 days, and loans deemed to be in default. Factors, individually or combined, such as the borrower's clear financial problems, breach of contract, or that it is probable that the borrower will enter bankruptcy also entail that the loan is transferred to stage 3.

## Note 11 Bonds and other interest bearing securities

| Amounts in SEK thousands          | 30 June<br>2022   |                      | 30 June<br>2021   |                      | 31 Dec.<br>2021   |                      |
|-----------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| <b>Current assets</b>             |                   |                      |                   |                      |                   |                      |
| Swedish municipalities and county | 1,521,009         |                      | 1,768,343         |                      | 1,759,602         |                      |
| Other Swedish financial companies | 2,070,661         |                      | 1,747,577         |                      | 1,945,382         |                      |
| Other foreign issuers             | 536,147           |                      | 557,958           |                      | 554,734           |                      |
| <b>Total</b>                      | <b>4,127,817</b>  |                      | <b>4,073,878</b>  |                      | <b>4,259,718</b>  |                      |
|                                   | <b>Fair value</b> | <b>Nominal value</b> | <b>Fair value</b> | <b>Nominal value</b> | <b>Fair value</b> | <b>Nominal value</b> |
| Swedish municipalities and county | 1,521,009         | 1,570,000            | 1,768,343         | 1,740,000            | 1,759,602         | 1,740,000            |
| Other Swedish financial companies | 2,070,661         | 2,080,000            | 1,747,577         | 1,710,000            | 1,945,382         | 1,910,000            |
| Other foreign issuers             | 536,147           | 550,000              | 557,958           | 550,000              | 554,734           | 550,000              |
| <b>Total</b>                      | <b>4,127,817</b>  | <b>4,200,000</b>     | <b>4,073,878</b>  | <b>4,000,000</b>     | <b>4,259,718</b>  | <b>4,200,000</b>     |

## Note 12 Issued bonds, etc.

| Amounts in SEK thousands                      | 30 June<br>2022    | 30 June<br>2021    | 31 Dec.<br>2021   |
|---|--------------------|--------------------|-------------------|
| Bonds in SEK                                  | 104,961,000        | 101,596,000        | 96,551,000        |
| <b>Total nominal value</b>                    | <b>104,961,000</b> | <b>101,596,000</b> | <b>96,551,000</b> |
| Bonds in SEK                                  | 100,318,133        | 103,073,966        | 97,308,747        |
| <b>Total carrying amount</b>                  | <b>100,318,133</b> | <b>103,073,966</b> | <b>97,308,747</b> |
| of which at amortised cost                    | 105,273,596        | 102,829,570        | 97,746,816        |
| Average balance issued bonds in SEK           | 98,430,636         | 97,074,239         | 101,245,104       |
| Issued bonds at the end of the period         | 97,308,747         | 92,231,599         | 92,231,599        |
| Issued nominal value                          | 10,552,000         | 14,400,000         | 25,500,000        |
| Buy backs                                     | -2,142,000         | -3,150,000         | -19,295,000       |
| Premium/discount                              | -883,138           | 20,179             | -19,719           |
| Hedging of interest-rate risk at market value | -4,517,476         | -427,812           | -1,108,133        |
| <b>Issued bonds at the end of the period</b>  | <b>100,318,133</b> | <b>103,073,966</b> | <b>97,308,747</b> |

### Bond list, covered bonds in SEK

#### 30 June 2022

| Loan no.  | Coupon rate, % | Loan date  | Interest date | Maturity date | Outstanding amount,<br>SEK 000s |
|---|----------------|------------|---------------|---------------|---------------------------------|
| DH2212  | 1%             | 2017-08-29 | 21 december   | 2022-12-21    | 16,709,000                      |
| DH2312  | 1%             | 2018-04-25 | 20 december   | 2023-12-20    | 22,900,000                      |
| DH2412  | 1%             | 2019-05-23 | 18 december   | 2024-12-18    | 23,750,000                      |
| DH2512  | 1%             | 2020-05-12 | 17 december   | 2025-12-17    | 22,550,000                      |
| DH2612  | 0,5%           | 2021-06-02 | 16 december   | 2026-12-16    | 19,050,000                      |
| In addition to the above, a test issue of SEK 2,000,000 has been carried out. |                |            |               |               | <b>104,959,000</b>              |

#### 30 June 2021

| Loan no. | Coupon rate, % | Loan date  | Interest date | Maturity date | Outstanding amount,<br>SEK 000s |
|----------|----------------|------------|---------------|---------------|---------------------------------|
| DH2112   | 1%             | 2017-11-06 | 15 december   | 2021-12-15    | 10,095,000                      |
| DH2212   | 1%             | 2017-08-29 | 21 december   | 2022-12-21    | 24,901,000                      |
| DH2312   | 1%             | 2018-04-25 | 20 december   | 2023-12-20    | 22,900,000                      |
| DH2412   | 1%             | 2019-05-23 | 18 december   | 2024-12-18    | 21,250,000                      |
| DH2512   | 1%             | 2020-05-12 | 17 december   | 2025-12-17    | 16,750,000                      |
| DH2612   | 0,5%           | 2021-06-02 | 16 december   | 2026-12-16    | 5,700,000                       |
|          |                |            |               |               | <b>101,596,000</b>              |

#### 31 Dec. 2021

| Loan no. | Coupon rate, % | Loan date  | Interest date | Maturity date | Outstanding amount,<br>SEK 000s |
|----------|----------------|------------|---------------|---------------|---------------------------------|
| DH2212   | 1%             | 2017-08-29 | 21 december   | 2022-12-21    | 18,851,000                      |
| DH2312   | 1%             | 2018-04-25 | 20 december   | 2023-12-20    | 22,900,000                      |
| DH2412   | 1%             | 2019-05-23 | 18 december   | 2024-12-18    | 23,750,000                      |
| DH2512   | 1%             | 2020-05-12 | 17 december   | 2025-12-17    | 22,550,000                      |
| DH2612   | 0,5%           | 2021-06-02 | 16 december   | 2026-12-16    | 8,500,000                       |
|          |                |            |               |               | <b>96,551,000</b>               |



The CEO assures that this year-end report provides a true and fair view of the company's operations, financial position and performance, and describes the significant risks and uncertainties that the company faces.

Stockholm, August 26, 2022

Per Tunestam Chief Executive Officer

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