

Case Study
Danish Mortgage Banks Risk Analysis



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About the Client



- A UK private bank with more than £1 billion in invested assets. The bank manages a global portfolio of alternative investments, encompassing real estate, currency and commodities

Client Objectives / Goals



- Develop an understanding of the risks facing the Danish mortgage banks, and their sustainability in the medium term
- Ascertain the fair value of the assets and take a decision to go long or short

Approach and Methodology

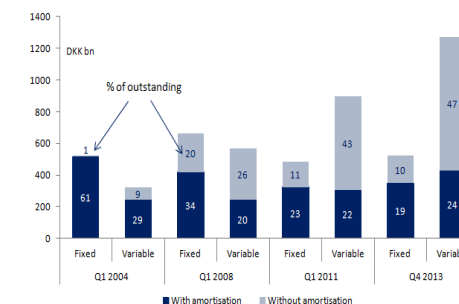


- Studied the specific characteristics of the Danish mortgage market, including the macro-economic environment and regulatory developments
- Analysed structural issues facing the industry and studied experts' views on the possibility of their resolution in the medium term
- Identified critical institutions that could come under duress due to nation-wide credit quality deterioration and maturity mismatch
- Surveyed lenders, borrowers and industry experts to understand their perception of the situation
- Based on the insights gathered, the team concluded that the market, regulators, borrowers and the mortgage banks were undervaluing the impending risks in the system

Sample Output



Household mortgage credit broken down by loan type



Results / Value-add



The client took a top-down negative view of the economy and positioned **short** on most of the Danish assets

For a presentation at the European Covered Bond Council (ECBC), the client **leveraged RocSearch's report** on the bearish view about Denmark