

Nordea



Nordea Kredit Covered Bonds

Q1 2020 Debt Investor Presentation

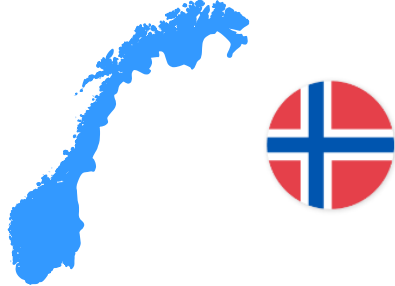
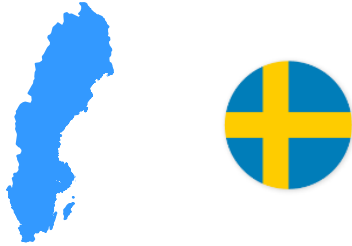

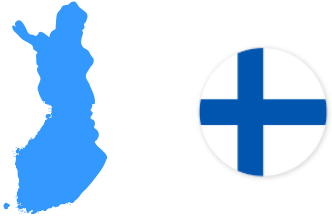
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1. Nordea covered bond issuance in brief

Nordea covered bond operations

Q1 2020

	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank
<i>Four aligned covered bond issuers with complementary roles</i>				
Legislation	Norwegian	Swedish	Danish	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 14.1bn (eq.)	EUR 51.9bn (eq.)	Balance principle	EUR 22.2bn
Covered bonds outstanding	EUR 8.8bn (eq.)	EUR 32.7bn (eq.)	EUR 56.9bn (eq.)*	EUR 14.8bn
OC	61%	59%	9%*	50%
Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa** / AAA	Aaa / -

- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



4 * Reported values only include CC2. Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor (<1%) part of the outstanding volumes of loans and bonds

** Unsolicited rating.

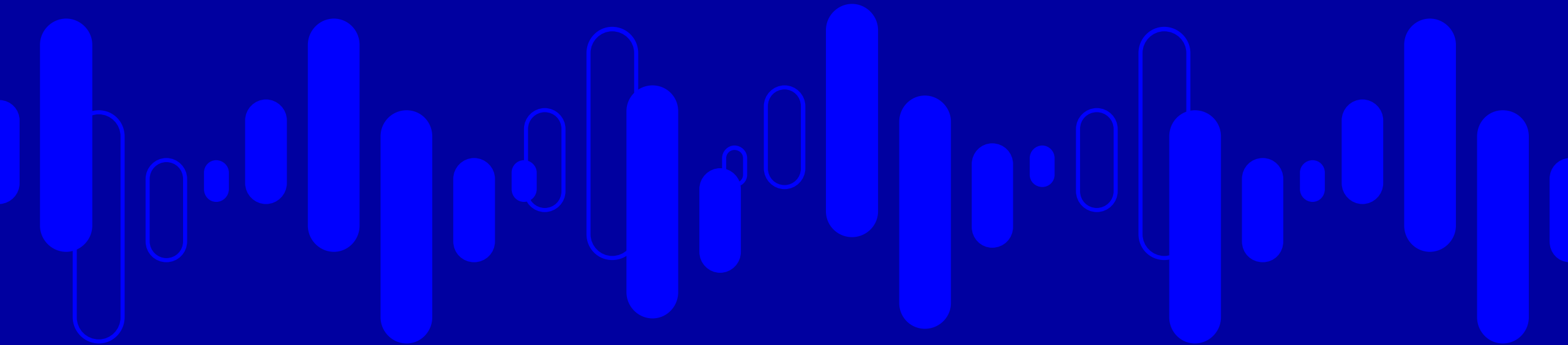
2. Nordea Kredit in brief

Nordea Kredit – in brief

Q1 2020

- 100% owned subsidiary of Nordea Bank Abp - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of granting mortgage credit loans funded by issuing covered bonds
- Founded in 1993 and supervised by the Danish FSA (DFSA, Finanstilsynet)
- Market share 13.9% of the Danish mortgage credit market
- All covered bonds are rated Aaa* (Moody's) and AAA (Standard & Poor's)
- Dedicated liquidity line provided by Nordea Bank Abp to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management
- Profit before tax 2019 DKK 2,373m
- Cost-income ratio 2019 11.4%
- Capital ratio 2019 (of which Tier 1) 27.0% (24.4%)
- More information at nordeakredit.dk

3. Cover pool key characteristics



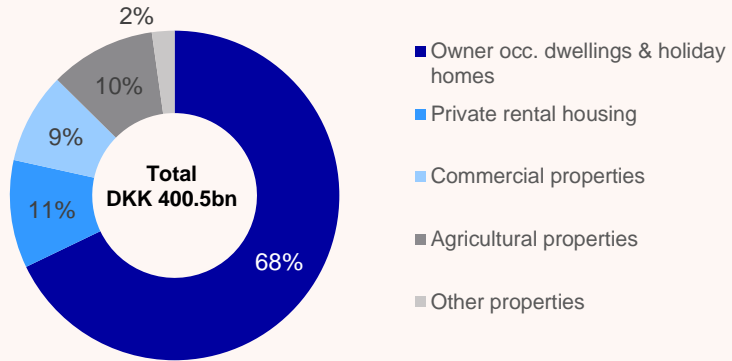
Cover pool key characteristics

Q1 2020

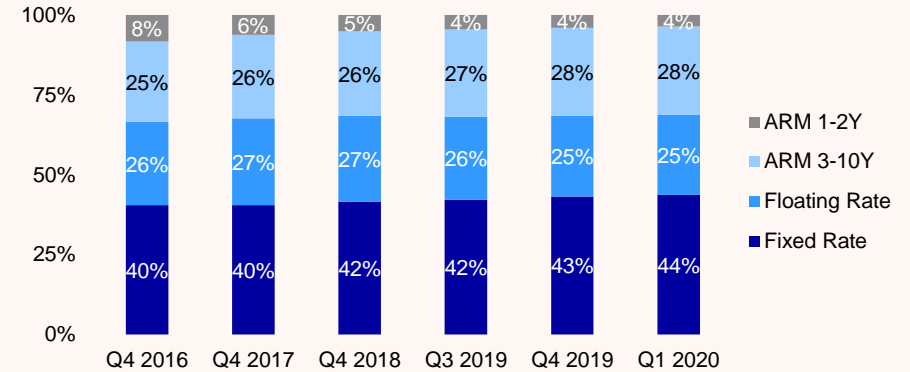
Outstanding covered bonds	EUR 56.9bn
Cover pool content	Mortgage credit loans secured by mainly residential property
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	57.4%
Average residential loan size	EUR 188,663
Over collateralisation, OC	8.7%
Rate type	Fixed rate 72.2%, Floating rate 27.8%
Amortization	Interest only 46.2%, Amortizing 53.8%
Substitute assets	EUR 8,180m
Pool type	Static
Loans originated by	Nordea Kredit

Loan portfolio

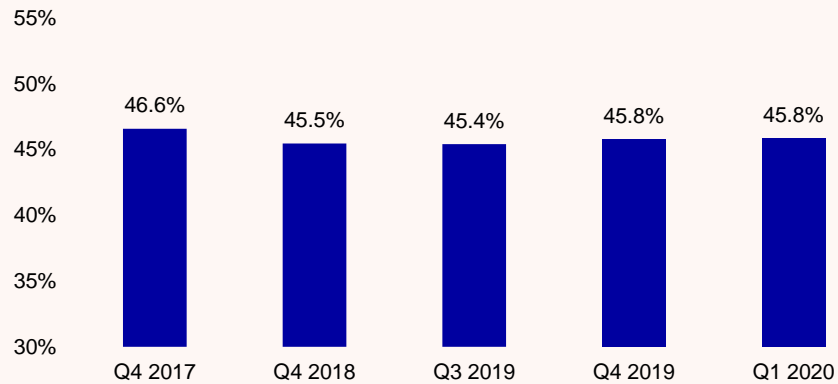
Loan portfolio by property category



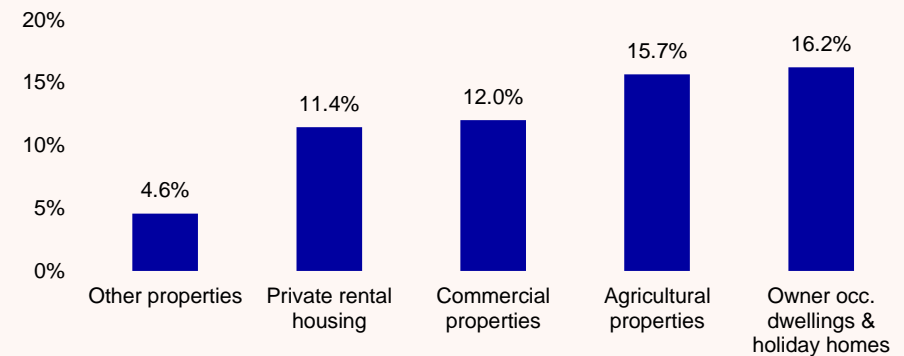
Portfolio by loan type



Share of interest-only mortgages



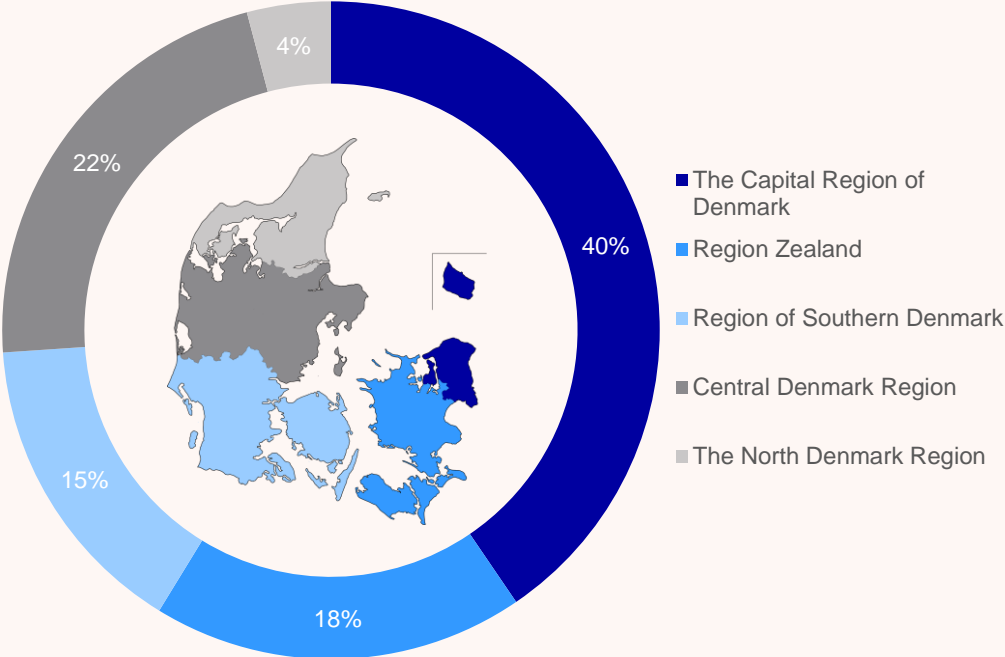
Market share¹ – 13.9% overall



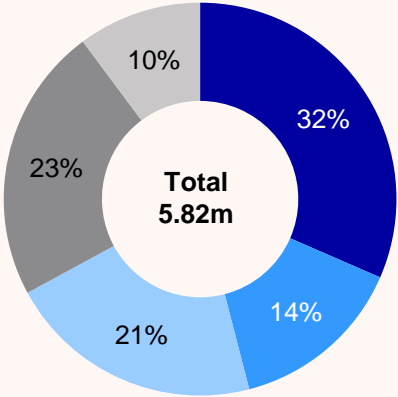
¹⁾ Market share of the Danish mortgage credit market

Loan portfolio by regions

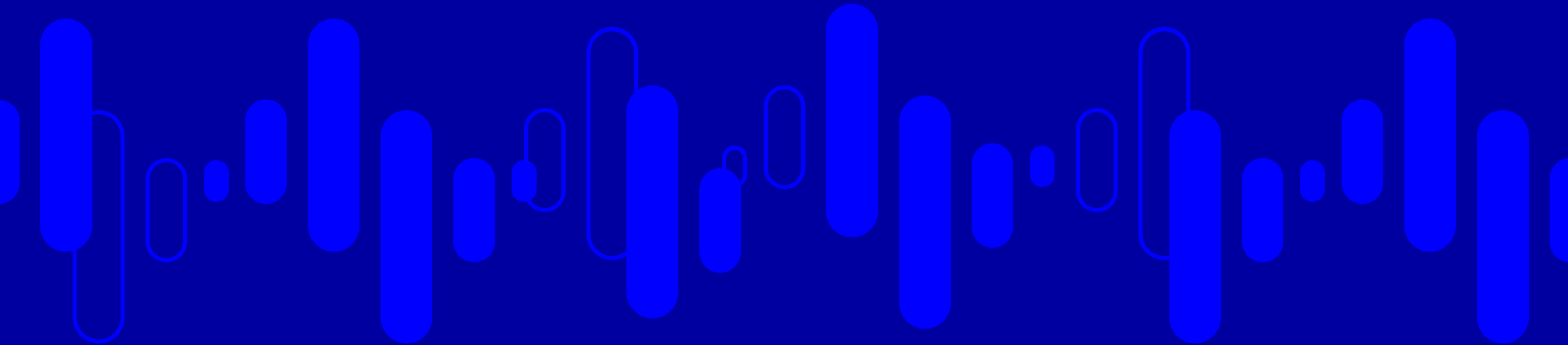
All property categories



Danish population by regions



4. Asset quality



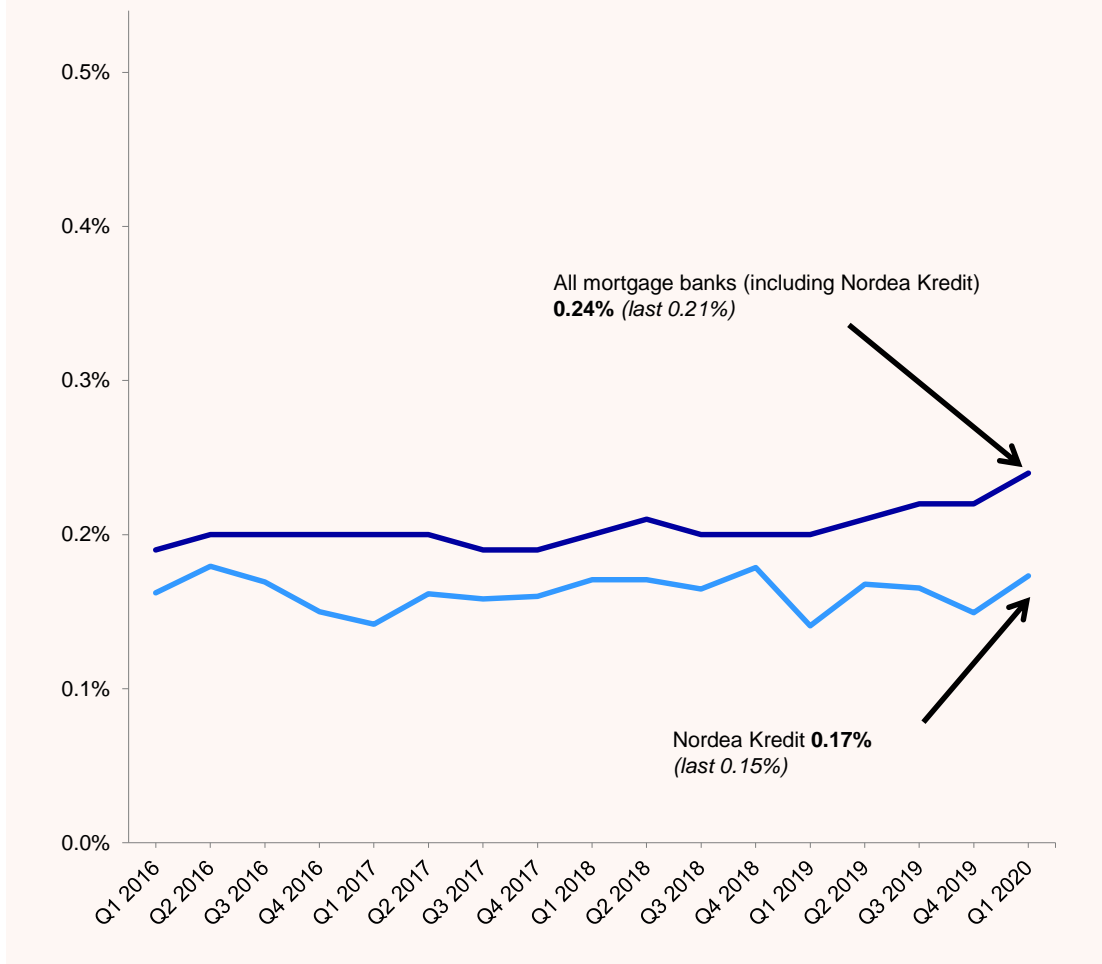
Loan to value (LTV) – loan for residential properties

Q1 2020

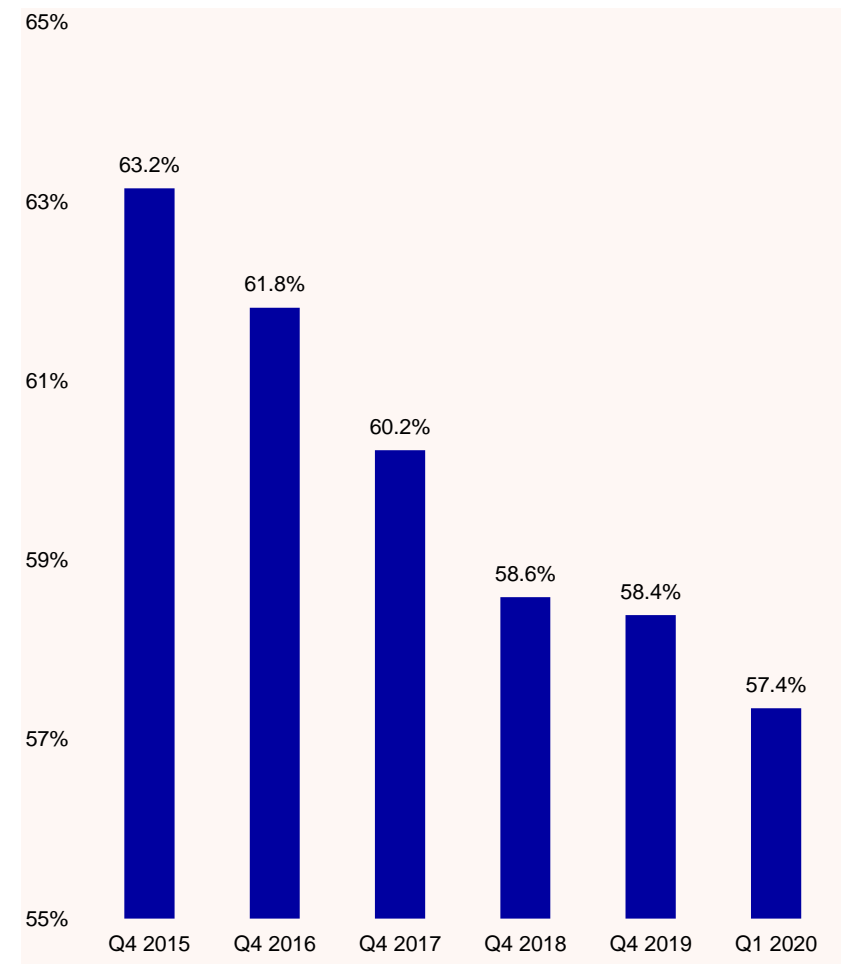
Loan type	Residential loans		Commercial loans	
Weighted average LTV - indexed	60.6%		45.8%	
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	204,035	65.0%	63,518	73.6%
>40 - <=50 %	40,876	13.0%	11,437	13.3%
>50 - <=60 %	32,432	10.3%	7,265	8.4%
>60 - <=70 %	21,904	7.0%	2,508	2.9%
>70 - <=80 %	11,087	3.5%	844	1.0%
>80%	3,441	1.1%	720	1.0%
Total	313,775	100.0%	86,292	100.0%

Asset quality

Arrears (owner occupied dwellings and holiday homes)¹



Loan to value (LTV) weighted average



¹) Arrears as a percentage of the Q4, 2020 scheduled payments – 3½ months after due date

5. Underwriting criteria

Underwriting criteria

Q1 2020

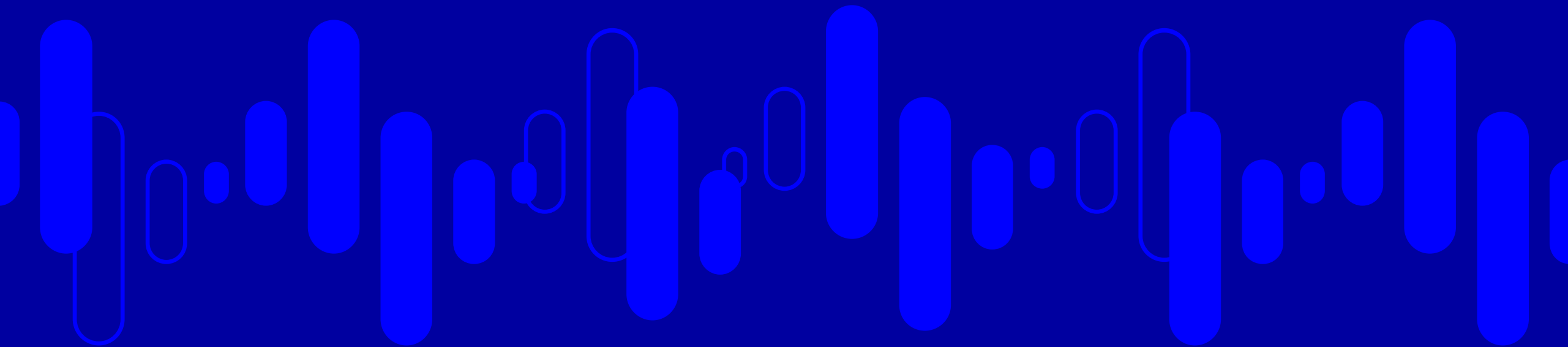
Private households

- Behavioural score and individual credit assessment based on income information – pay slips and recent tax statement
- Always household budget "before-after" (based on 30 years annuity and fixed interest rate)
 - In case of adjustable or floating interest rate additional stress test based on the variable interest rate + 1 percentage point – currently at least 4% p.a.
- Individual valuation of the pledged property

Corporates, agriculture etc.

- Financial analysis with adjustments to market conditions
- Verification of key ratios and other requirements in Nordea general real estate lending policy
- Rating according to Nordea's in-house models
- Individual valuation of the pledged property
- Yearly repricing based on reassessment

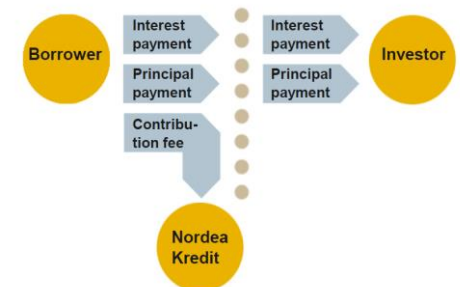
6. Covered bond framework



Danish covered bond framework

Q1 2020

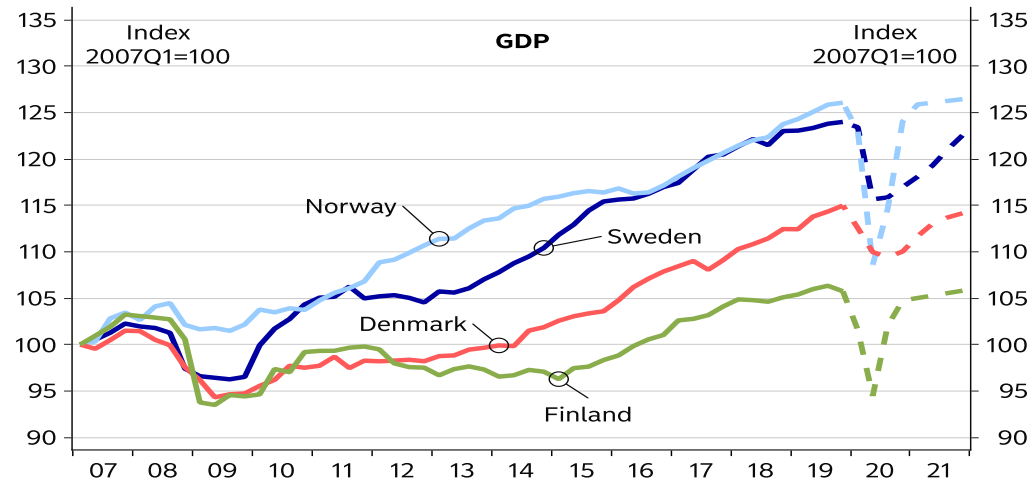
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Public Land Registry
- Limits on LTV ratio – based on the value of the property at loan origination
 - 80% for housing loans (residential property)
 - 60% for commercial loans (legislative limit 70%)
 - Static cover pools – must provide supplementary capital if LTV-limits are breached
- Matching rules
 - Nordea Kredit complies with the strict balance principle utilising match funding leaving only insignificant interest rate and foreign exchange risk
- Public supervision
 - The DFSA performs supervision and inspection on an ongoing basis



7. Macro

Nordic economies – years before back to normal

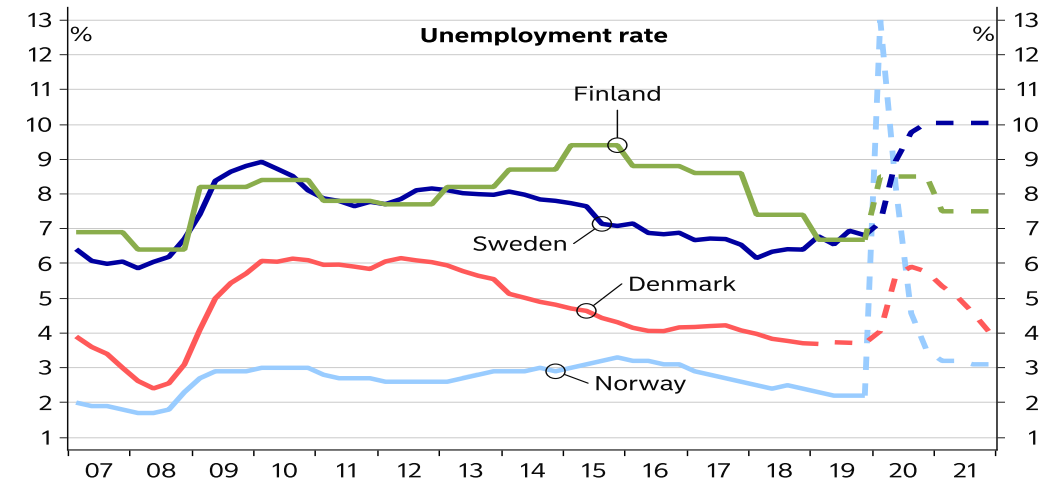
GDP development



Comments

- The global economy is in recession and the next few months will be extremely challenging. Lockdowns will trigger lower consumer spending and investments on top of the disruptions in the global supply chain
- The Nordic countries have responded to the COVID-19 crisis with lockdowns of a varying degree. The extent of the economic consequences depends on when restrictions will be lifted – not just in the Nordics but also in the rest of the world
- Unemployment is expected to surge. Relatively quick recoveries are expected in Denmark, Finland and Norway, but unemployment will remain elevated in Sweden for a long time

Unemployment rate

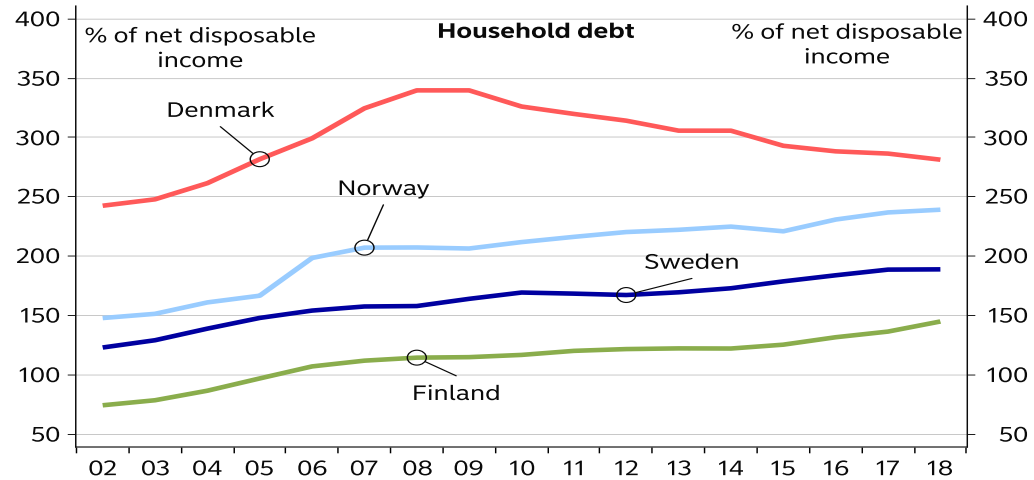


GDP, %, U-shaped scenario

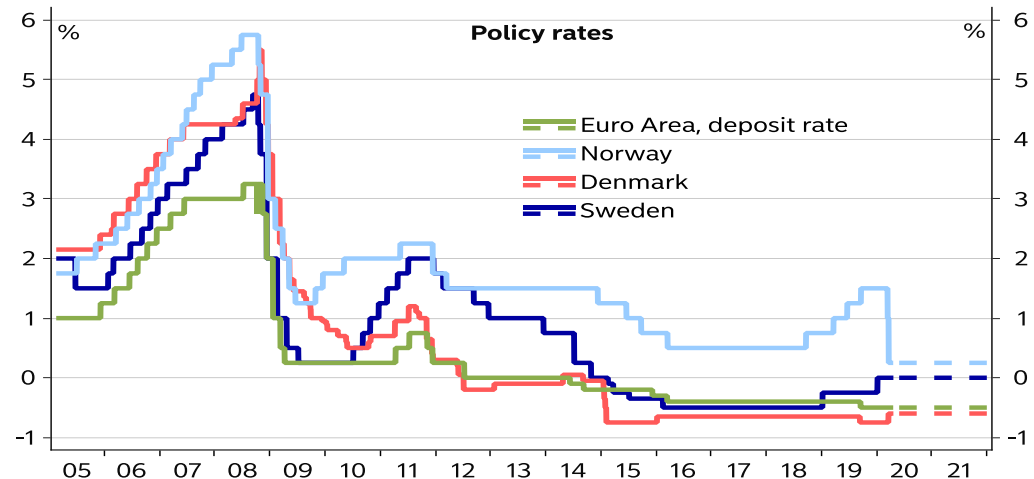
Country	2018	2019	2020E	2021E
Denmark	2.4	2.2	-3.0 (1.5)	2.4 (1.5)
Finland	1.6	1.0	-5.0 (1.0)	2.7 (0.5)
Norway	2.2	2.3	-6.2 (1.8)	7.3 (1.6)
Sweden	2.3	1.3	-4.6 (0.8)	-0.2 (1.8)

Nordic interest rates – low for very long

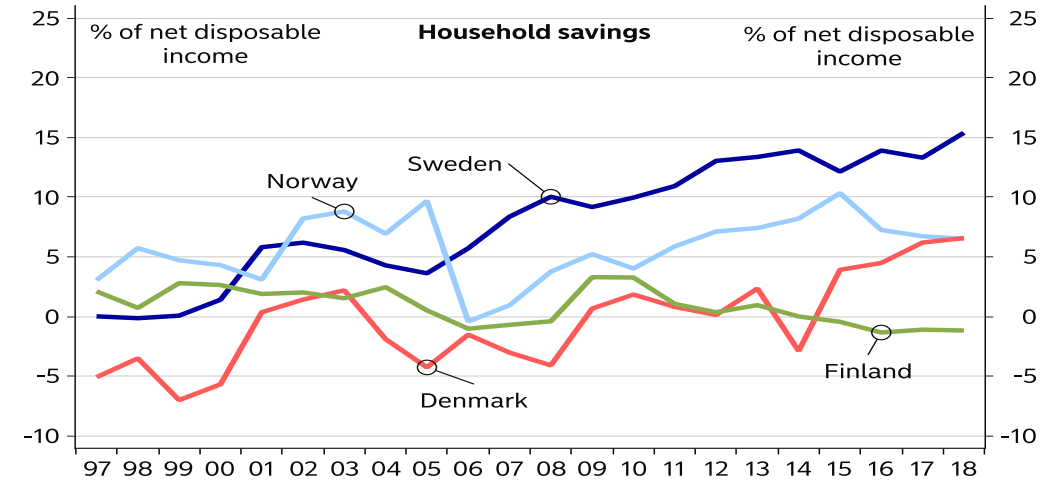
Household debt



Policy rates



Household savings

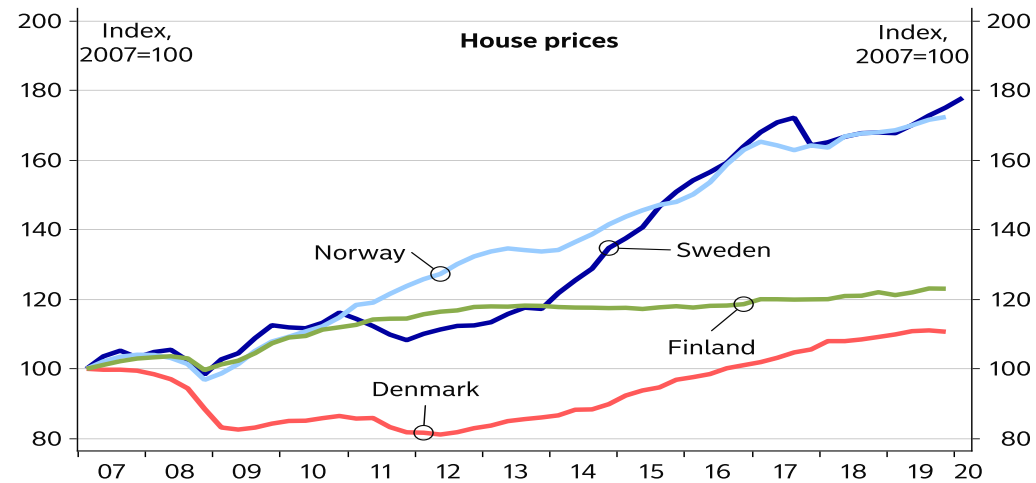


Comments

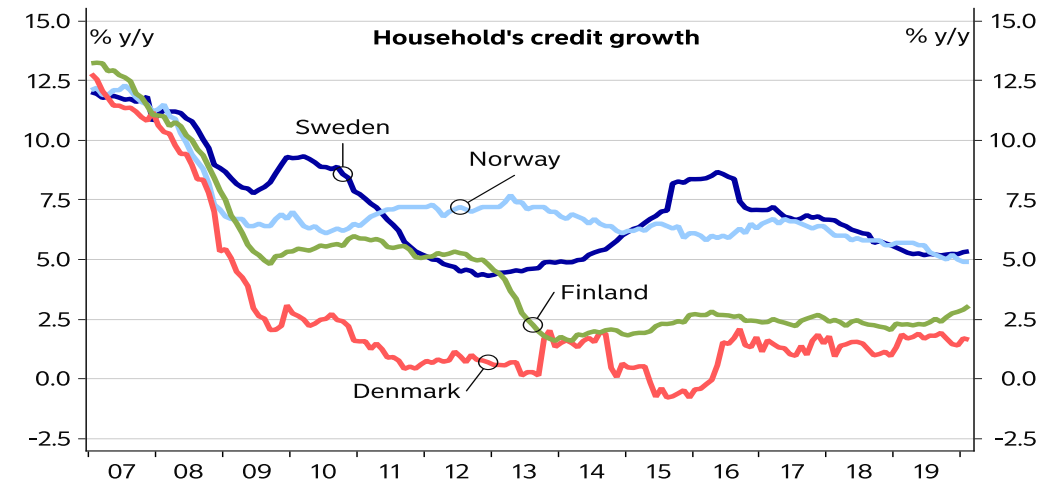
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at very high levels in all countries. Uncertainty and higher unemployment will lead to increased precautionary savings, which could affect consumption negatively
- Norway has seen two rate cuts totalling 125 bps in one week. Policy rates have been left unchanged in Sweden and the Euro area while Denmark hiked the interest rate due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. Monetary policy will remain accommodative for a long time

House price development in the Nordics

House prices



Household's credit growth



Comments

- Rising unemployment and high uncertainty will take its toll on the Nordic housing markets. Before the crisis, low interest rates kept the Nordic housing markets afloat and stable price increases were expected in the coming years. Declines are expected in all countries this year but low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- Household credit growth has stabilized in the last years. In Sweden and especially Finland, credit growth was picking up while Denmark was trending sideways. Nordic households will likely increase their precautionary savings due to high levels of uncertainty, which could affect consumption growth negatively. Increased savings and lower activity in the housing market will dampen credit growth.

8. Contacts & Links

Contacts

If you have any questions, please feel free to contact:



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Links to more information

Nordea Kredit

- Nordea Kredit ECBC harmonised transparency templates.
Link: <https://www.nordea.com/en/investor-relations/reports-and-presentations/bonds/nordea-kredit-covered-bonds/>
- Nordea Kredit financial reports.
Link: <https://www.nordea.com/en/investor-relations/reports-and-presentations/subsidiary-reports/nordeas-danish-subsiary-reports/>

Legislation

- Danish mortgage financing is supervised by the DFSA (Finanstilsynet).
Link: <https://finanstilsynet.dk/en>
- Relevant legislation can be found in English at the DFSA's English website.
Link: <https://finanstilsynet.dk/en/Lovgivning>
- All mortgage bank legislation can be found in Danish at the DFSA's Danish website.
Link: <http://finanstilsynet.dk/da/Lovgivning/Lovsamling>