

**Nordea**



## **Nordea Kredit Covered Bonds**

**Q1 2020 Debt Investor Presentation**



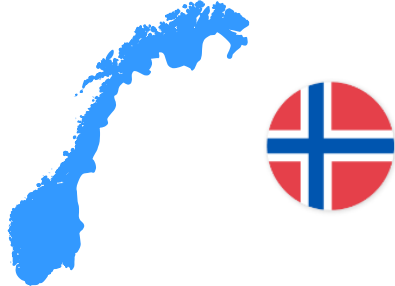
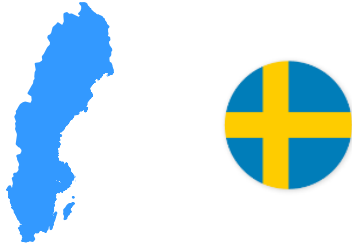

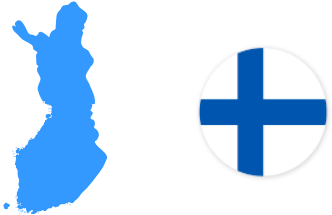
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# 1. Nordea covered bond issuance in brief

# 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.

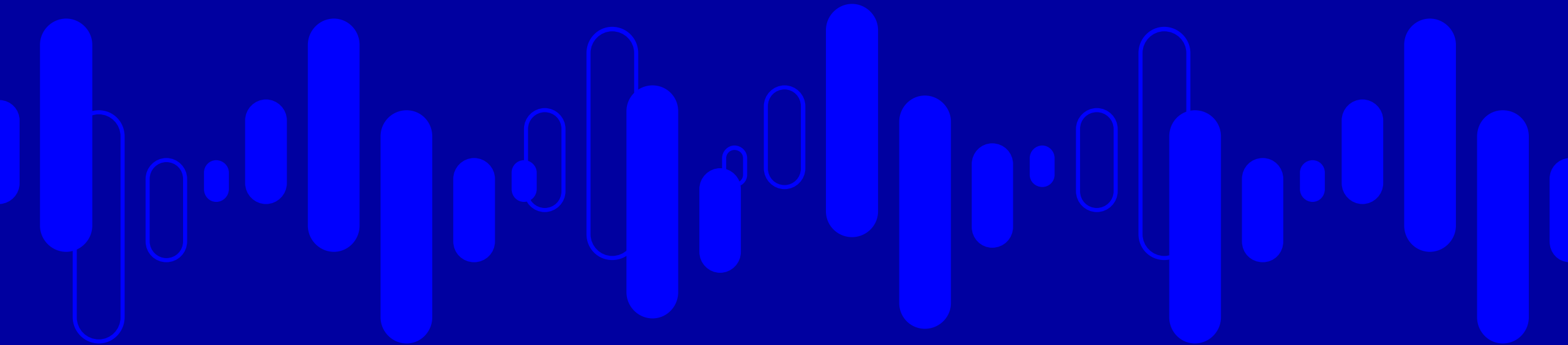
## 2. Nordea Kredit in brief

## 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](http://nordeakredit.dk)

### 3. Cover pool key characteristics



## Cover pool key characteristics

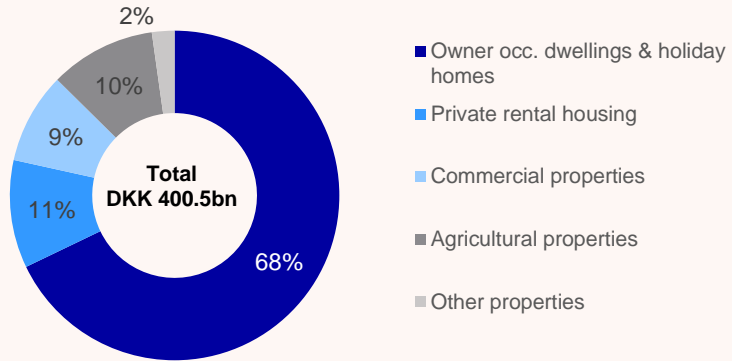
Q1 2020

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

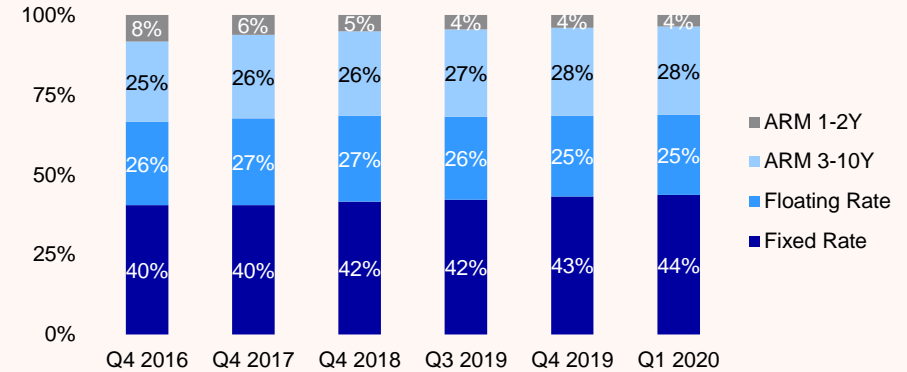


# Loan portfolio

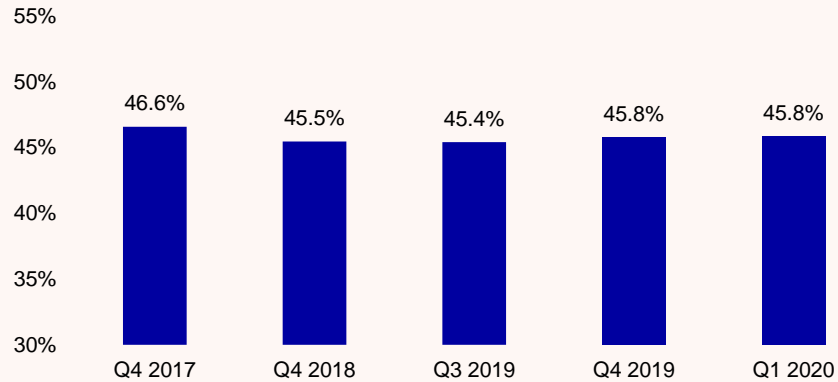
## Loan portfolio by property category



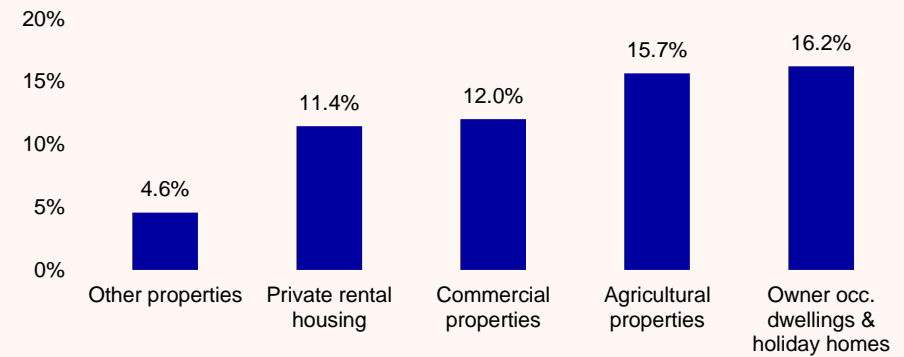
## Portfolio by loan type



## Share of interest-only mortgages



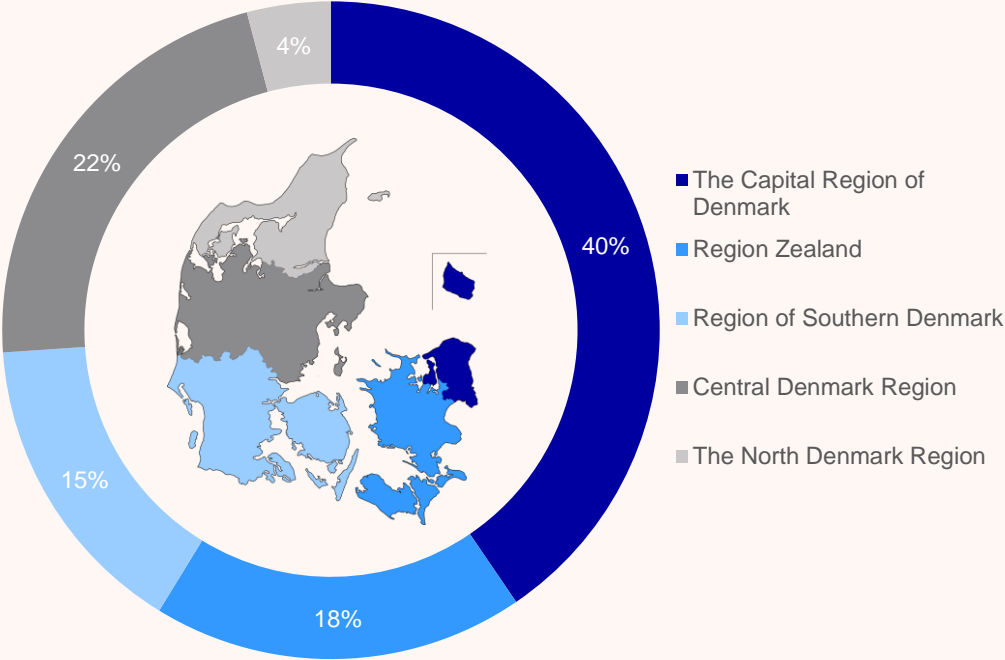
## Market share<sup>1</sup> – 13.9% overall



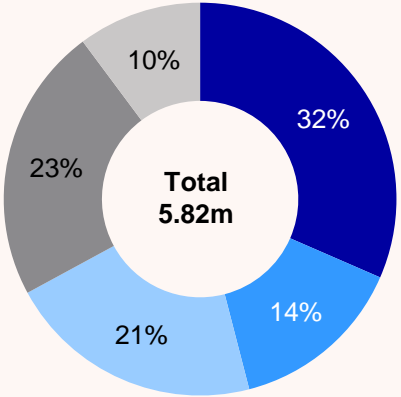
<sup>1</sup>) Market share of the Danish mortgage credit market

# Loan portfolio by regions

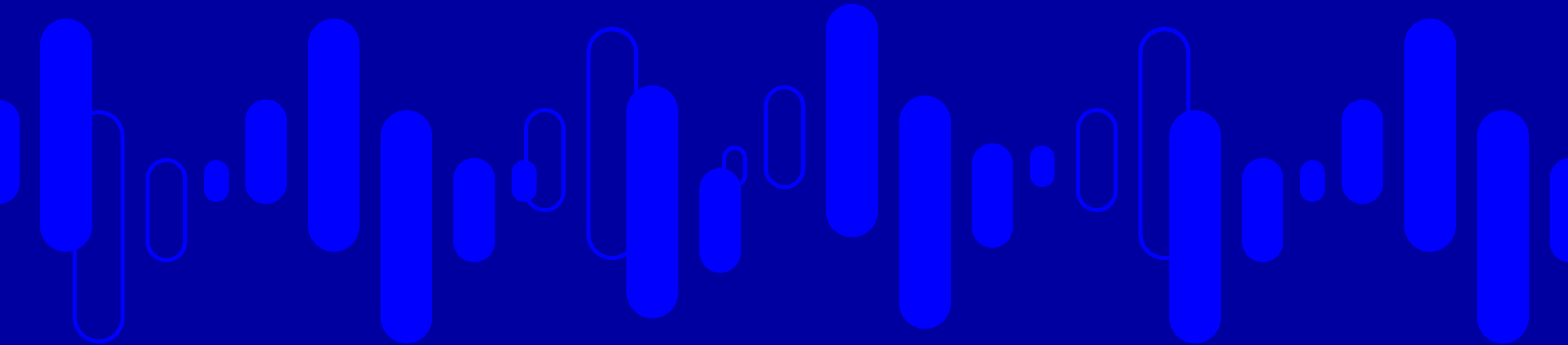
## All property categories



## 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%



## 5. Underwriting criteria

# Underwriting criteria

## Q1 2020

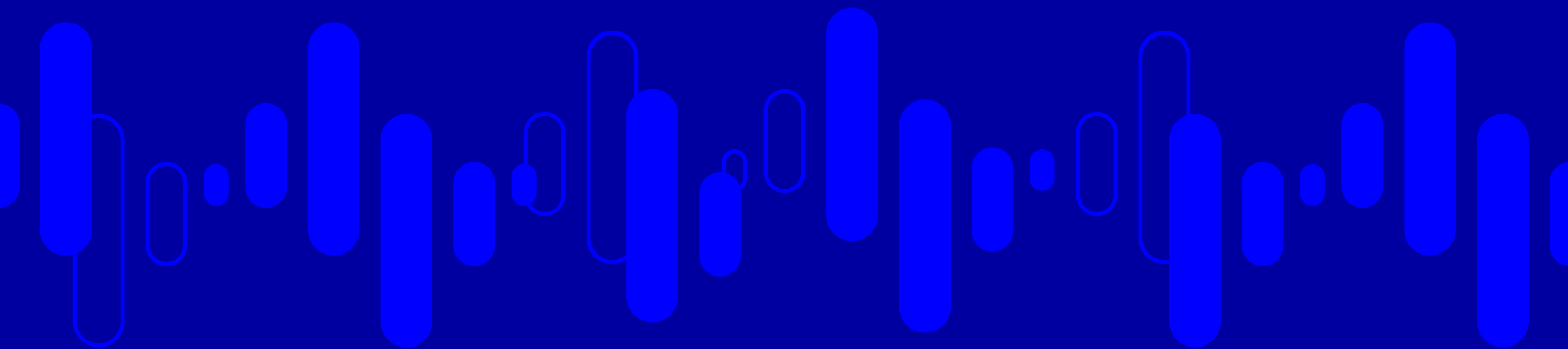
### Private households

- 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

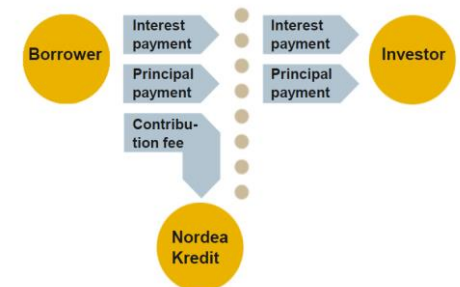




# Danish covered bond framework

## 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



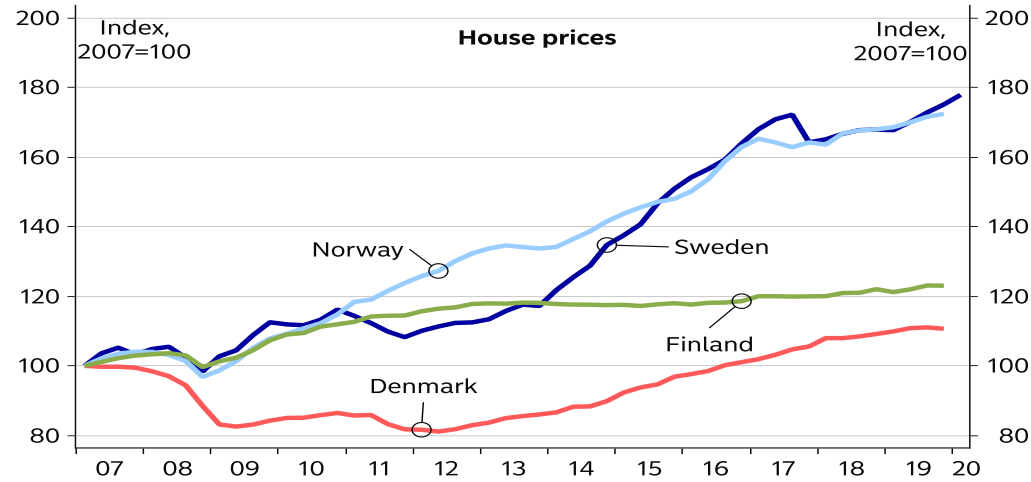
# 7. Macro



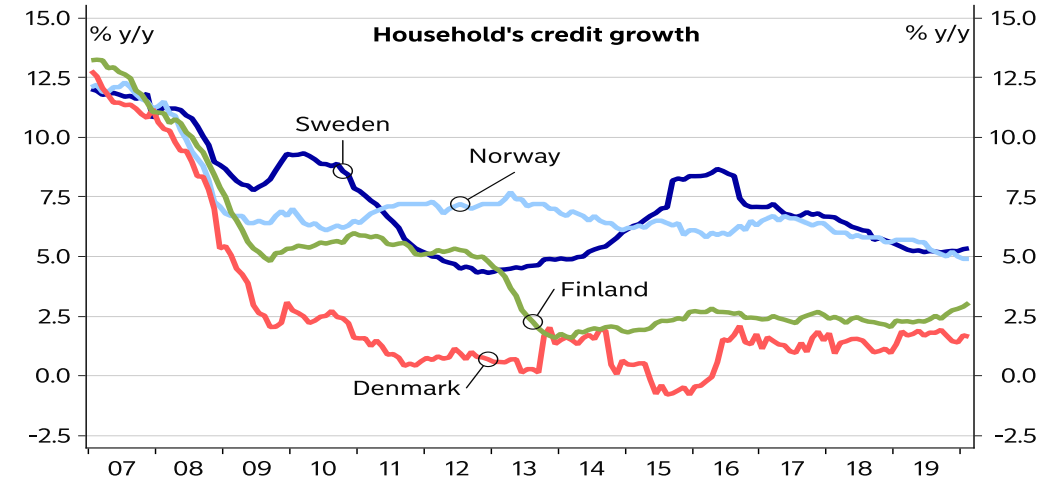


# House price development in the Nordics

## 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-subsiidiary-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>*