



Nordea

Nordea Kredit Covered Bonds
Q2 2020 Debt Investor Presentation

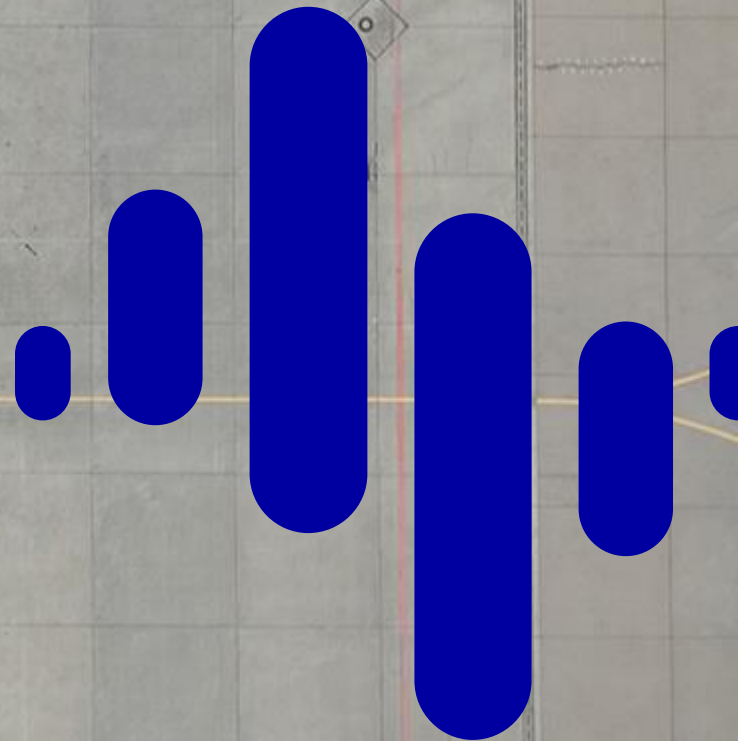



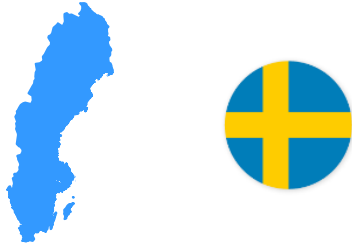

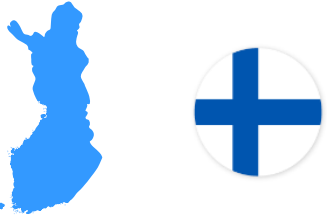
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1. Nordea covered bond issuance in brief

Nordea covered bond operations

Q2 2020

<p><i>Four aligned covered bond issuers with complementary roles</i></p>	<p>Nordea Eiendomskreditt</p> 	<p>Nordea Hypotek</p> 	<p>Nordea Kredit</p> 	<p>Nordea Mortgage Bank</p> 
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 15.6bn (eq.)	EUR 55.2bn (eq.)	Balance principle	EUR 22.3bn
Covered bonds outstanding	EUR 12.4bn (eq.)	EUR 34.8bn (eq.)	EUR 55.6bn (eq.)*	EUR 19.8bn
OC	26%	58%	8.6%*	13%
Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
Rating (Moody's / S&P)**	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 *The figures for Nordea Kredit in this Investor Presentation only include capital centre 2 (CC2). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<1%) of the outstanding volumes of loans and bonds.

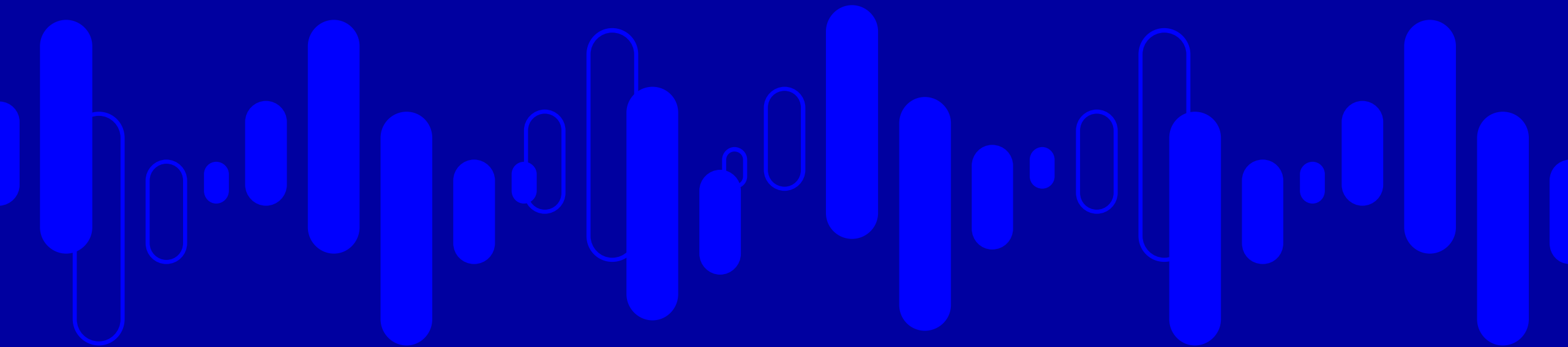
2. Nordea Kredit in brief

Nordea Kredit – in brief

Q2 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 14.0% of the Danish mortgage credit market
- All covered bonds are rated AAA by 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 H1 2020: DKK 750m
- Cost-income ratio H1 2020: 20.3%
- Capital ratio H1 2020 (of which Tier 1): 25%
- More information at nordeakredit.dk

3. Cover pool key characteristics



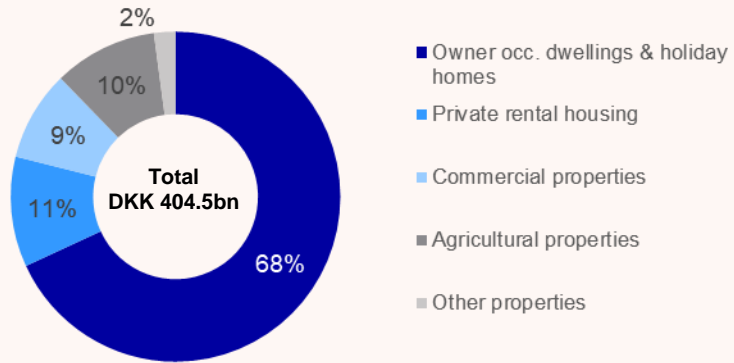
Cover pool key characteristics

Q2 2020

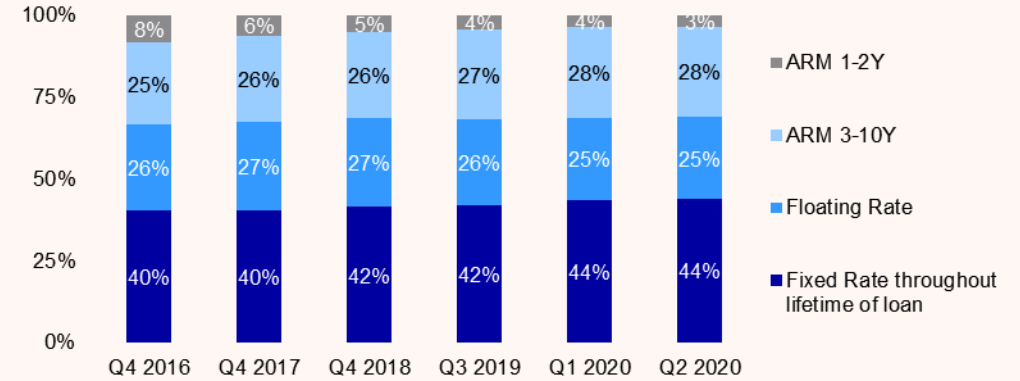
Outstanding covered bonds	EUR 55.6bn.
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 60.3bn.)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	57.6%
Average residential loan size	EUR 192,500
Over collateralisation, OC	8.6%
Rate type	Fixed rate 72.8%, Floating rate 27.3%
Amortization	Interest only 46.5%, Amortizing 53.5%
Substitute assets	EUR 6,010m.
Pool type	Static
Loans originated by	Nordea Kredit

Loan portfolio

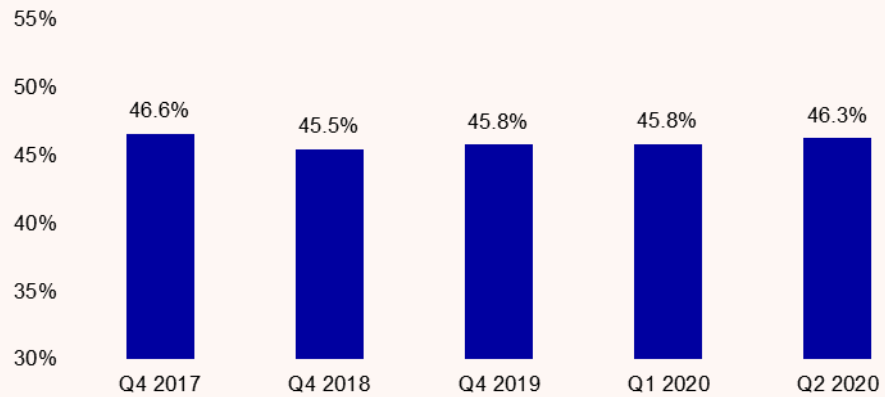
Loan portfolio by property category



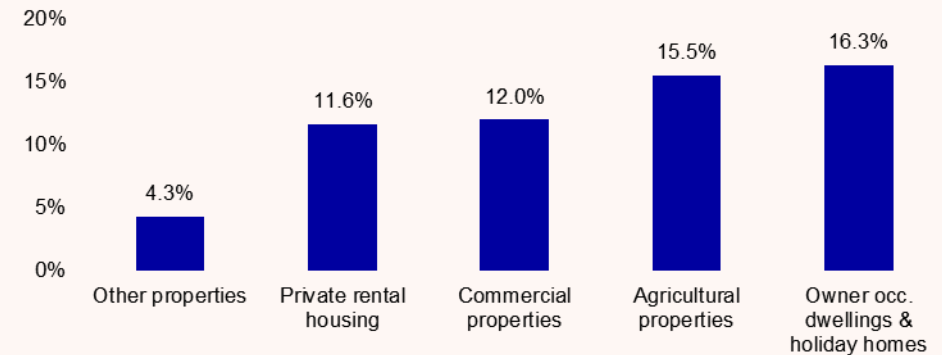
Portfolio by loan type



Share of interest-only mortgages



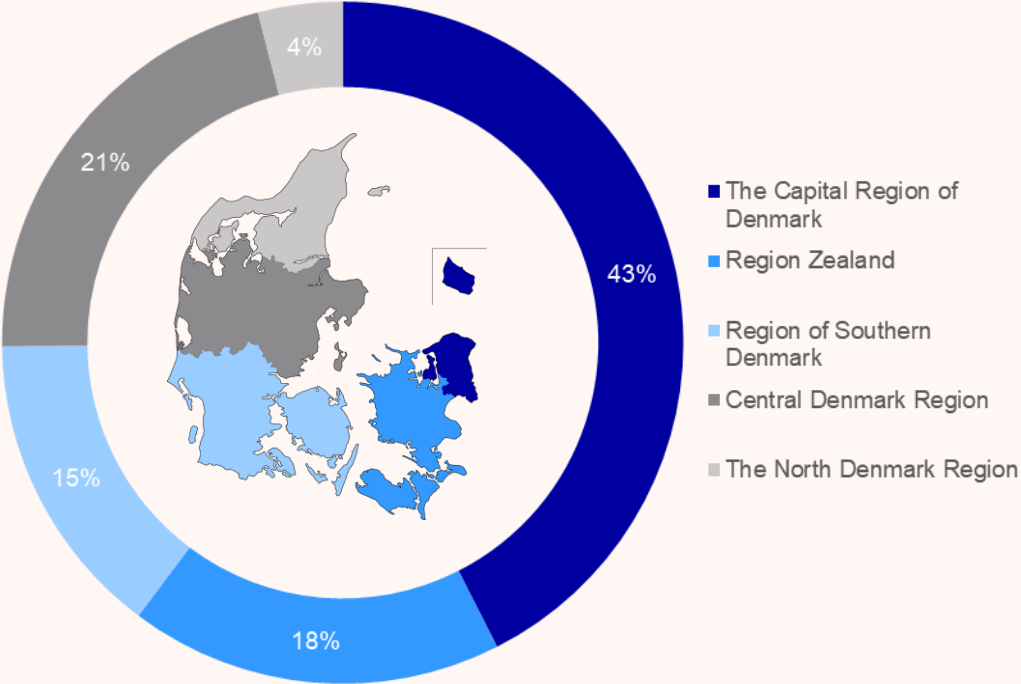
Market share¹ – 14% overall



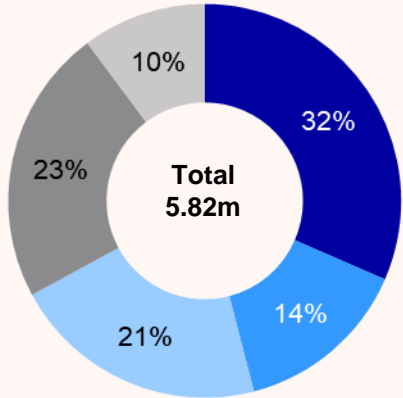
¹⁾ Market share of the Danish mortgage credit market

Loan portfolio by regions

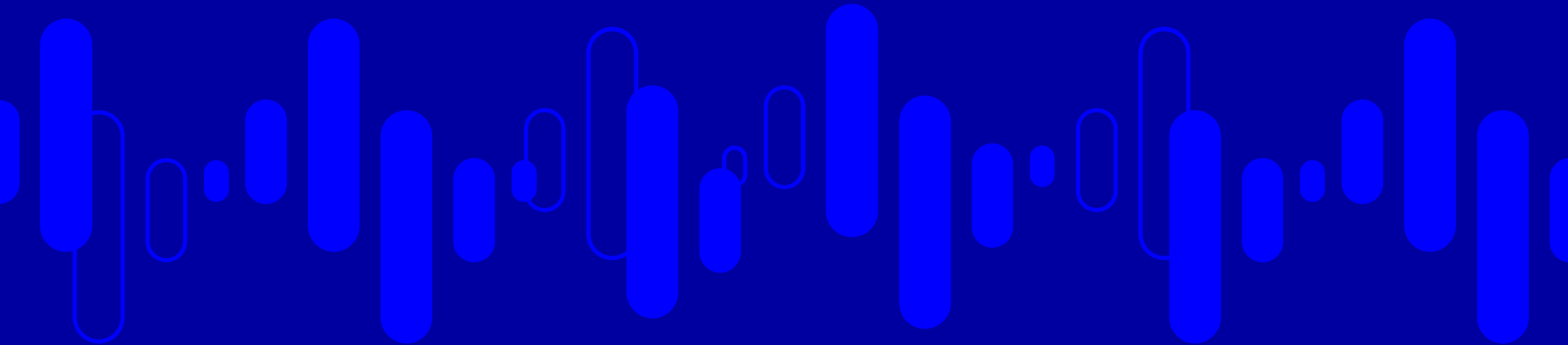
All property categories



Danish population by regions



4. Asset quality



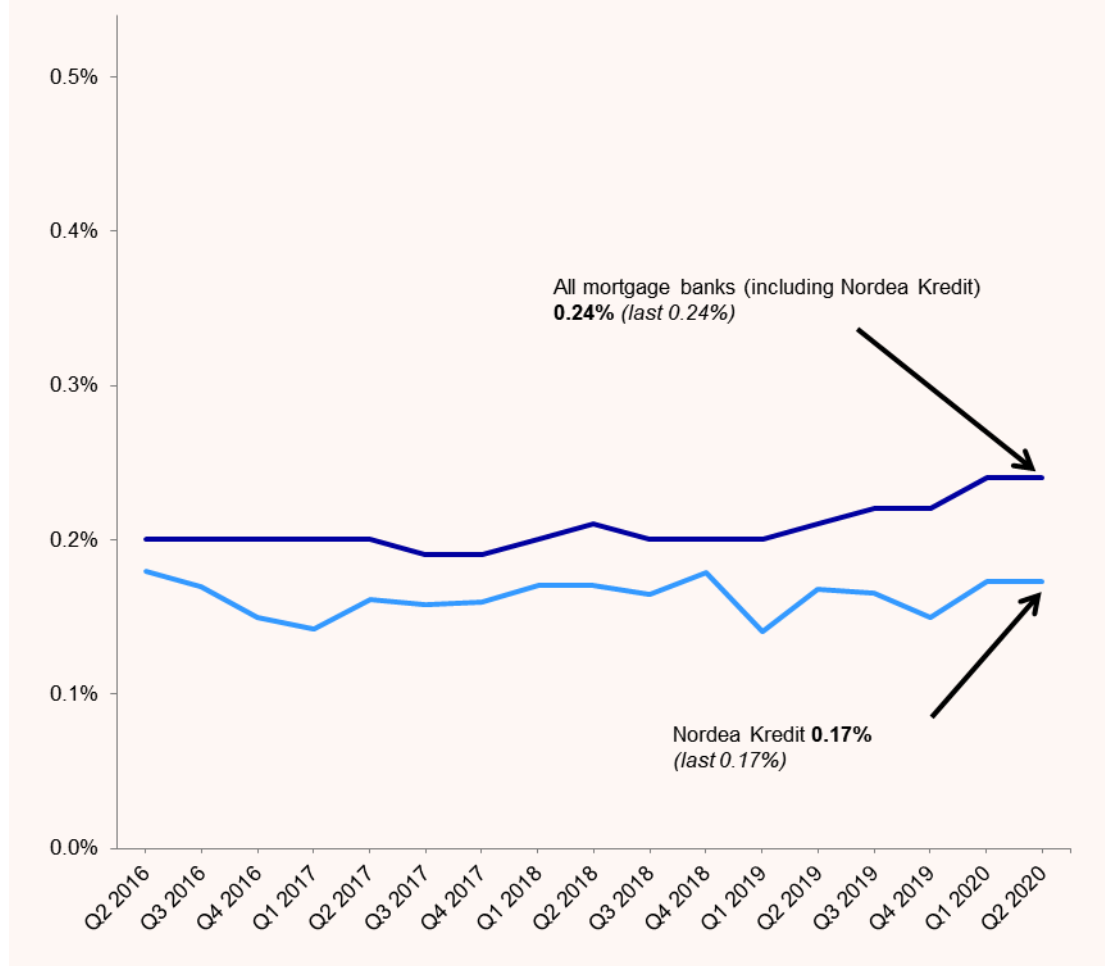
Loan to value (LTV) – loans for residential and commercial properties

Q2 2020

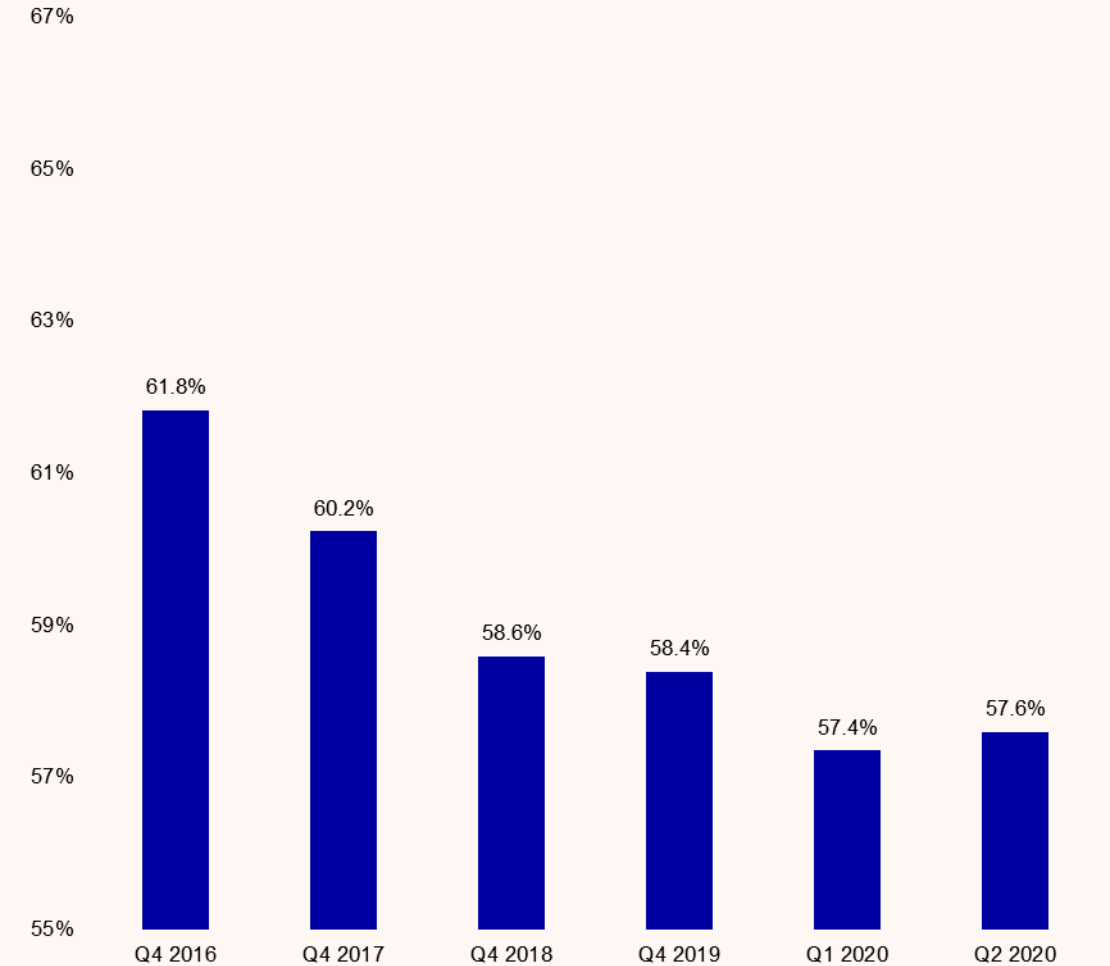
Loan type	Residential loans		Commercial loans	
Weighted average LTV - indexed	60.8%		45.8%	
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	208,955	64.8%	63,008	73.4%
>40 - <=50 %	41,836	13.0%	11,483	13.4%
>50 - <=60 %	33,259	10.3%	7,335	8.5%
>60 - <=70 %	22,555	7.0%	2,542	3.0%
>70 - <=80 %	11,939	3.7%	810	0.9%
>80%	3,709	1.2%	652	0.8%
Total	322,253	100.0%	85,820	100.0%

Asset quality

Arrears (owner occupied dwellings and holiday homes)¹



Loan to value (LTV) weighted average (all loans)



¹) Arrears as a percentage of the Q1, 2020 scheduled payments – 3½ months after due date

5. Underwriting criteria

Underwriting criteria

Q2 2020

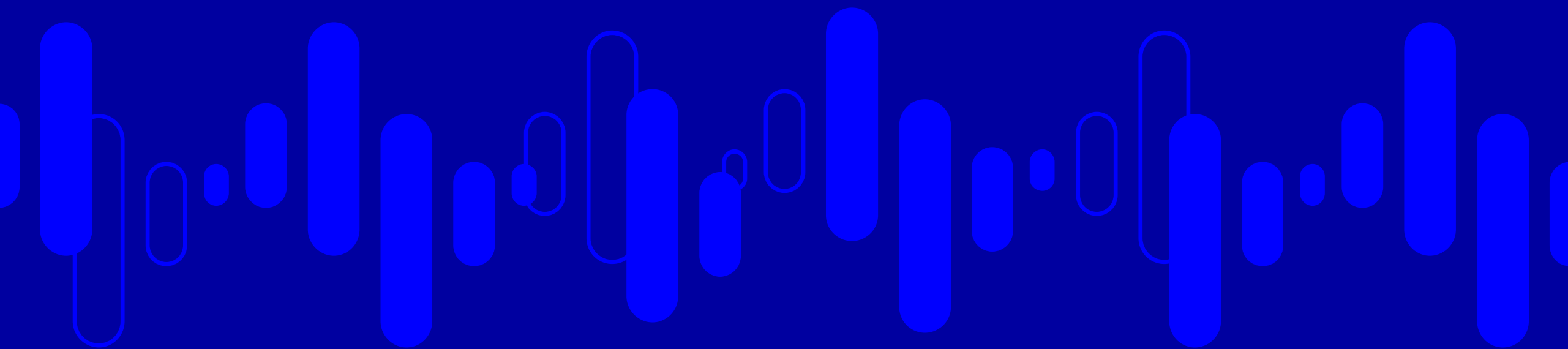
Private households

- 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.
 - LTV > 60 and LTI > 4 limit customer choice to
 - Fixed rate loans and
 - Amortising var. rate, fixed for min. 5 years
- Individual valuation of the pledged property

Corporates, agriculture etc.

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

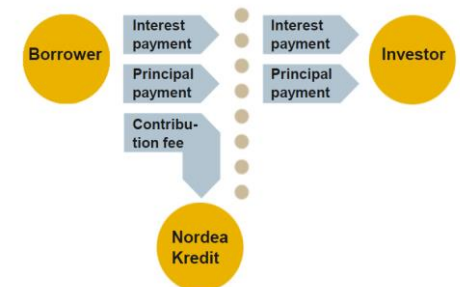
6. Covered bond framework



Danish covered bond framework

Q2 2020

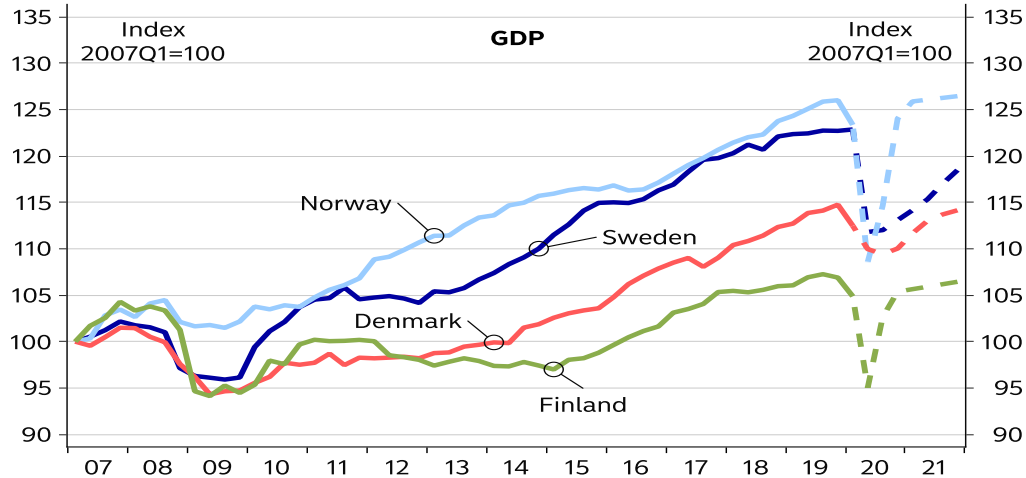
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Public Land Registry
- Limits on LTV ratios – 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 – issuer must provide supplementary capital if LTV-limits are breached
- Matching rules
 - Nordea Kredit complies with the strict balance principle utilising match funding, hence Nordea Kredit only has insignificant interest rate and foreign exchange risk
- Public supervision
 - The DFSA performs supervision and on site inspections on an ongoing basis



7. Macro

Nordic economies – years before back to normal

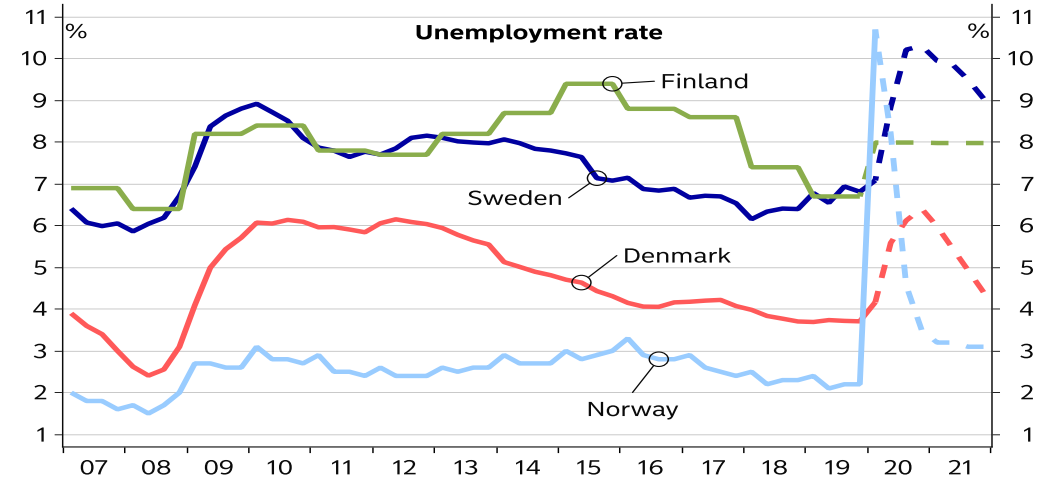
GDP development



Comments

- Lockdowns to halt the spread of Covid-19 have had enormous financial costs worldwide, and the Nordic economies are no exception.
- However, the Nordics are relatively well equipped to deal with the long-term consequences of the pandemic, thanks to solid public finances.
- In Sweden, the domestic economy is showing signs of resilience, while Finland's household consumption continues to recover. The Danish economy is in better shape now compared to past crises, and the interest rate has been a powerful tool in Norway.

Unemployment rate

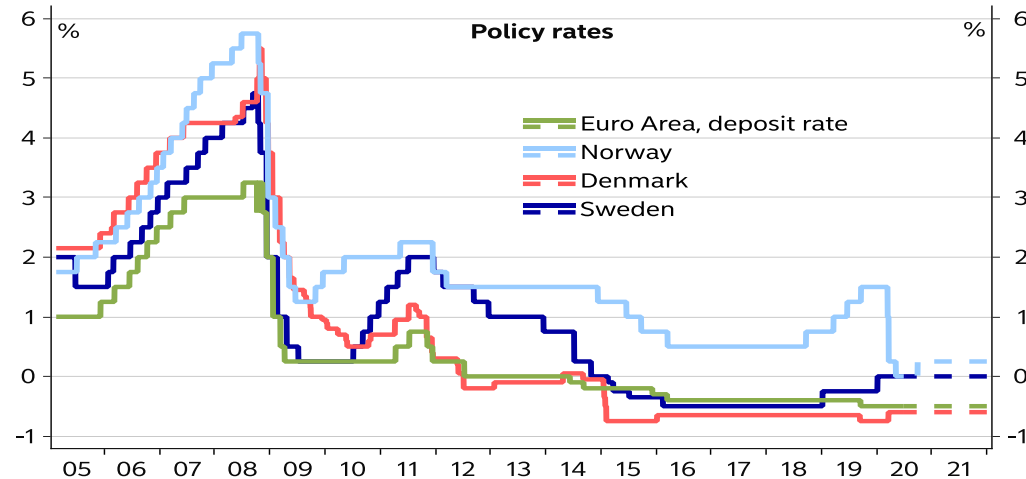


GDP, %, baseline scenarios (Nordea Markets)

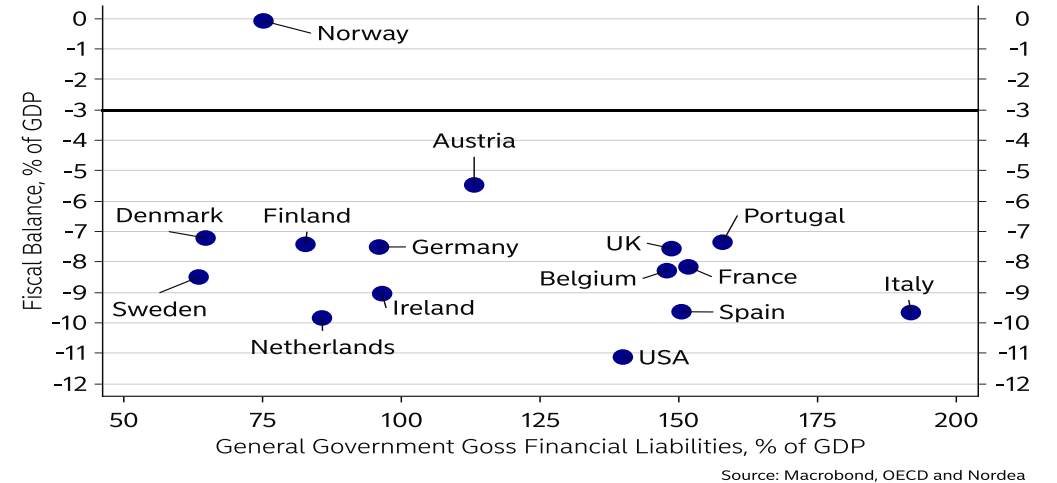
Country	2018	2019E	2020E	2021E
Denmark	2.4	2.4	-5.0	4.0
Finland	1.6	1.0	-7.0	4.0
Norway	2.2	2.3	-6.0	4.0
Sweden	2.3	1.3	-6.0	4.0

Nordic rates – low for very long

Policy rates



Public balance/debt, %, of GDP, 2021E

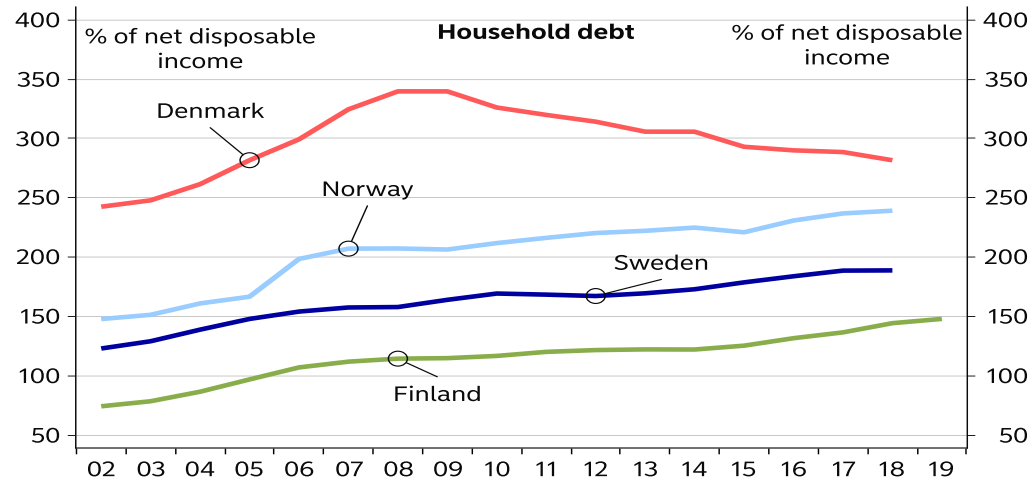


Comments

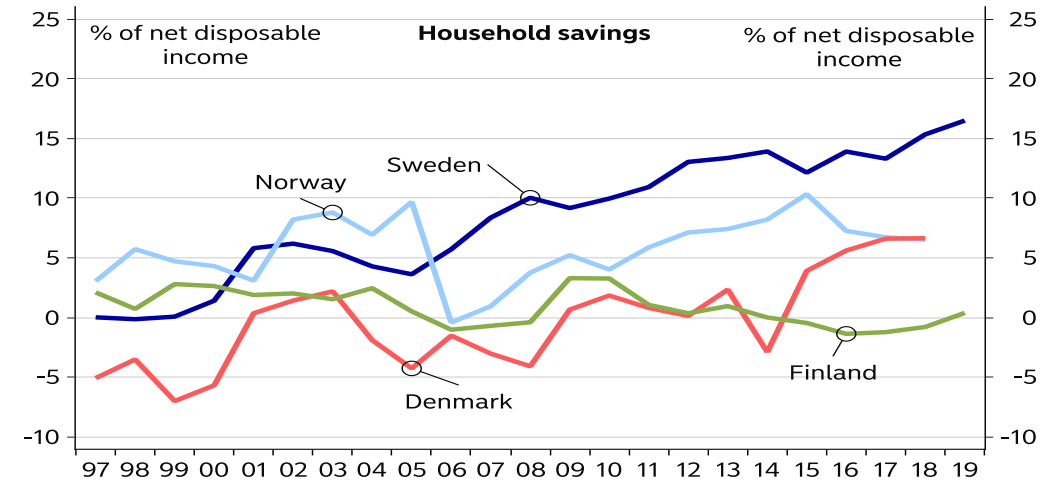
- Norway has seen three rate cuts totalling 150 bp in two months. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Liquidity measures have been ramped up by all central banks, and the governments have launched large fiscal packages to cushion the fall. More relaxed macroprudential policy has been imposed as well, though e.g. a temporary pause of amortization rules in Sweden and reduced capital requirements for Finnish financial institutions. Monetary and fiscal policy will remain accommodative for a long time.
- The Riksbank and ECB have launched new large-scale asset purchase programmes (QE) as a response to the corona crisis. The ECB is expected to purchase financial assets to a corresponding 12 percent of Euro Area GDP this year, while the Riksbank's purchases amount to 8 percent of GDP. All together, global ultra-expansionary monetary policy has contributed to calming and stabilizing international markets amidst the crisis.
- Nordic public finances were in good shape prior to the crisis and governments stood ready to act swiftly. Lower revenue and increased spending will lead to large fiscal deficits this year, hence prompting governments debt/GDP ratios to balloon. However, Nordic public finances will remain in a favorable position and are well-equipped to handle the long-term consequences of the pandemic.

Household debt remains high, but so are private and public savings

Household debt



Household savings

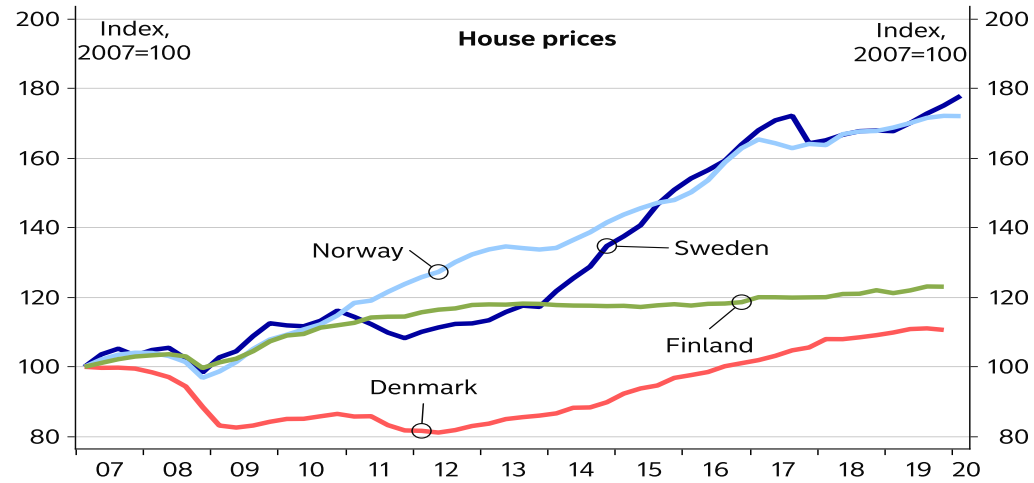


Comments

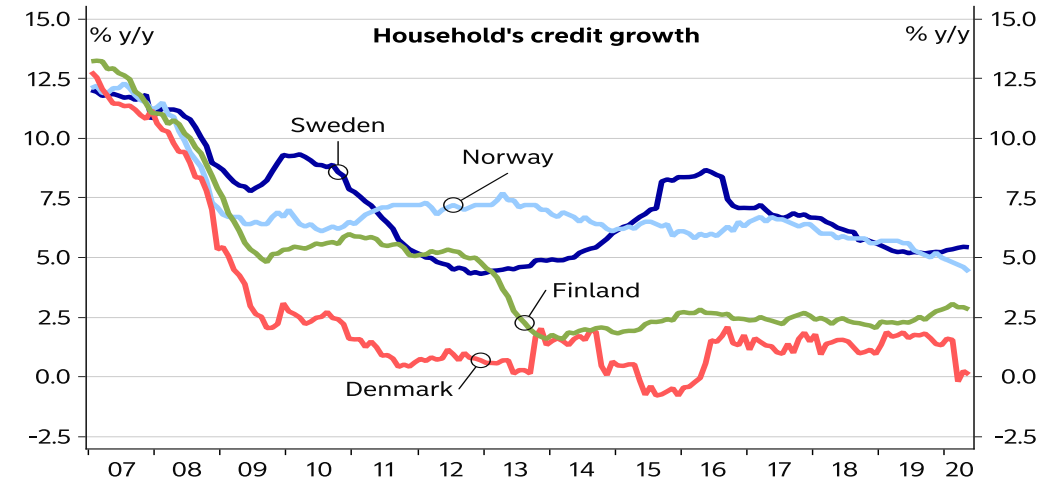
- Household debt is likely to level off in the coming year, in line with decelerating activity on the housing market. However, the debt ratio remains at elevated levels in all countries, supported by low interest rates. Uncertainty and higher unemployment will lead to increased precautionary savings, which is likely to dampen the economic recovery.
- Early labor market measures, automatic stabilizers and other measures to stimulate demand help to soften the blow on households. Robust public finances prior to the crisis increases the credibility of the measures and harsh fiscal tightening is neither needed in the short term nor expected, which is important for household's income expectations.

House price development in the Nordics

House prices



Household 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. Low interest rates, accommodative central banks and reduced supply should limit the downside in the short term.
- If the economic outlook would worsen, key risks are found in the housing market as steep declines would cause severe stress in the financial system and result in long-term stagnation of the economy. Holiday homes are particularly price-sensitive but the negative effect is expected to be partly offset by increased demand as a result of changes in travel patterns.

8. Contacts & Links

Contacts

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



Peter Brag

Senior Treasury Manager, Long Term Funding

+45 3333 1663

Peter.brag@nordea.com



Lau Kingo

Chief Treasury Manager, Long Term Funding

+45 3333 1751

Lau.kingo@nordea.com

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>