



# Nordea Kredit, Investor Presentation, Q4 2011

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This Investor Presentation has been compiled by Nordea Kredit for information purposes only, and offers facts and figures on Nordea Kredit, and the mortgage collateral supporting outstanding mortgage bonds and covered mortgage bonds.

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

Finn Nicolaisen, Nordea Group Treasury, Head of Group Funding Copenhagen, phone +45 3333 1625

Kamilla H. Skytte, Nordea Group Treasury, Chief Dealer, Group Funding Copenhagen, phone +45 3333 1626

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- Nordea Kredit – in brief
- Asset quality, losses and arrears
- Loan-to-value *(For detailed information on LTV please refer to “LTV Report 2011 Q4”)*
- Legislation
- Macro-economic factors

## Nordea Kredit – in brief I

- Founded in 1993, number of employees 133 (as per 2011, Q4)
- Nordea Kredit issues covered mortgage bonds, exclusively
- All bonds issued by Nordea Kredit are rated AAA (by S&P) and Aaa (by Moody's)
- Profit before tax 2011: 1,009 m DKK and Cost/Income ratio 16.1%
- Mortgage loans at nominal value 2011, Q4: 334.6 bn DKK
- Mortgage loans at fair value 2011, Q4: 340.7 bn DKK
- Market share 2011, Q4: 13.9% (2011, Q3: 13.8%)  
(Mortgage loans at fair value as a share of all Danish mortgage bank loans)

## Nordea Kredit – in brief II

- Late payments by borrowers 2011 Q4: 0.34% (2011 Q3: 0.38%)  
Residential properties and holiday homes, 3½ months after due date
- Average LTV 2011 Q4: 70% (2011 Q3: 68%)
- Total capital ratio 17.4% and Tier 1 capital ratio 17.4% (excl. transition rules)
- Completely match funded “Pass Through” setup with Balance Principle
- Danish mortgage banks are regulated and supervised by Finanstilsynet (The Danish FSA)

## Nordea Kredit – ratings and over-collateralisation, Q4 2011

	Moody's		S&P	
	CC 1	CC2	CC1	CC 2
Ratings of issued bonds	Aaa	Aaa	AAA	AAA
Required OC / CE for Aaa and AAA rating, %	3.0	14.0	6.42	9.81
Current CS, %	9.8	17.6	n.a.	n.a.
TPI leeway /Unused uplift	5	4	4	4

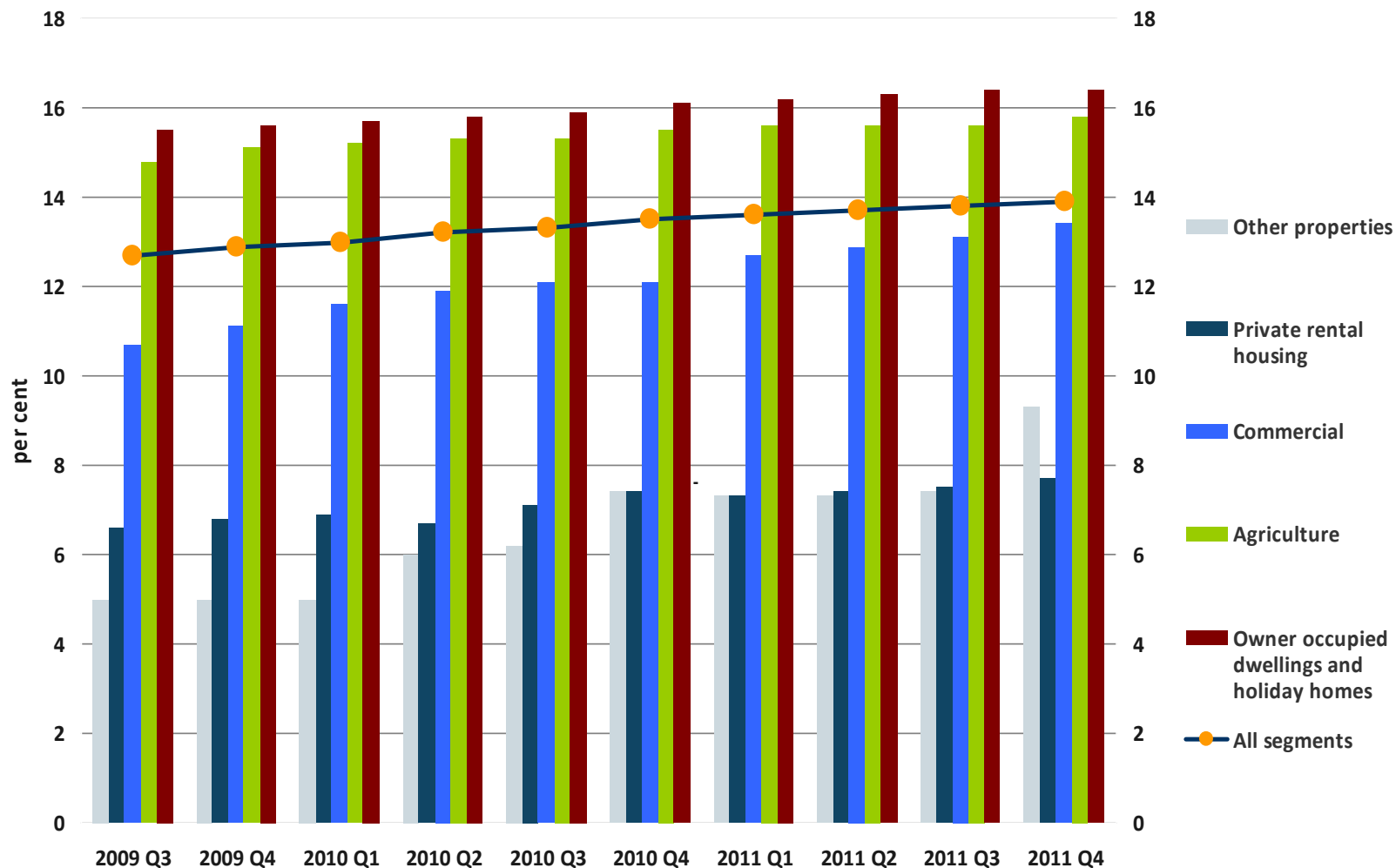
OC (over-collateralisation) and TPI leeway as measured by Moody's  
CE (credit enhancement) and unused uplift as measured by S&P

### Current OC, %

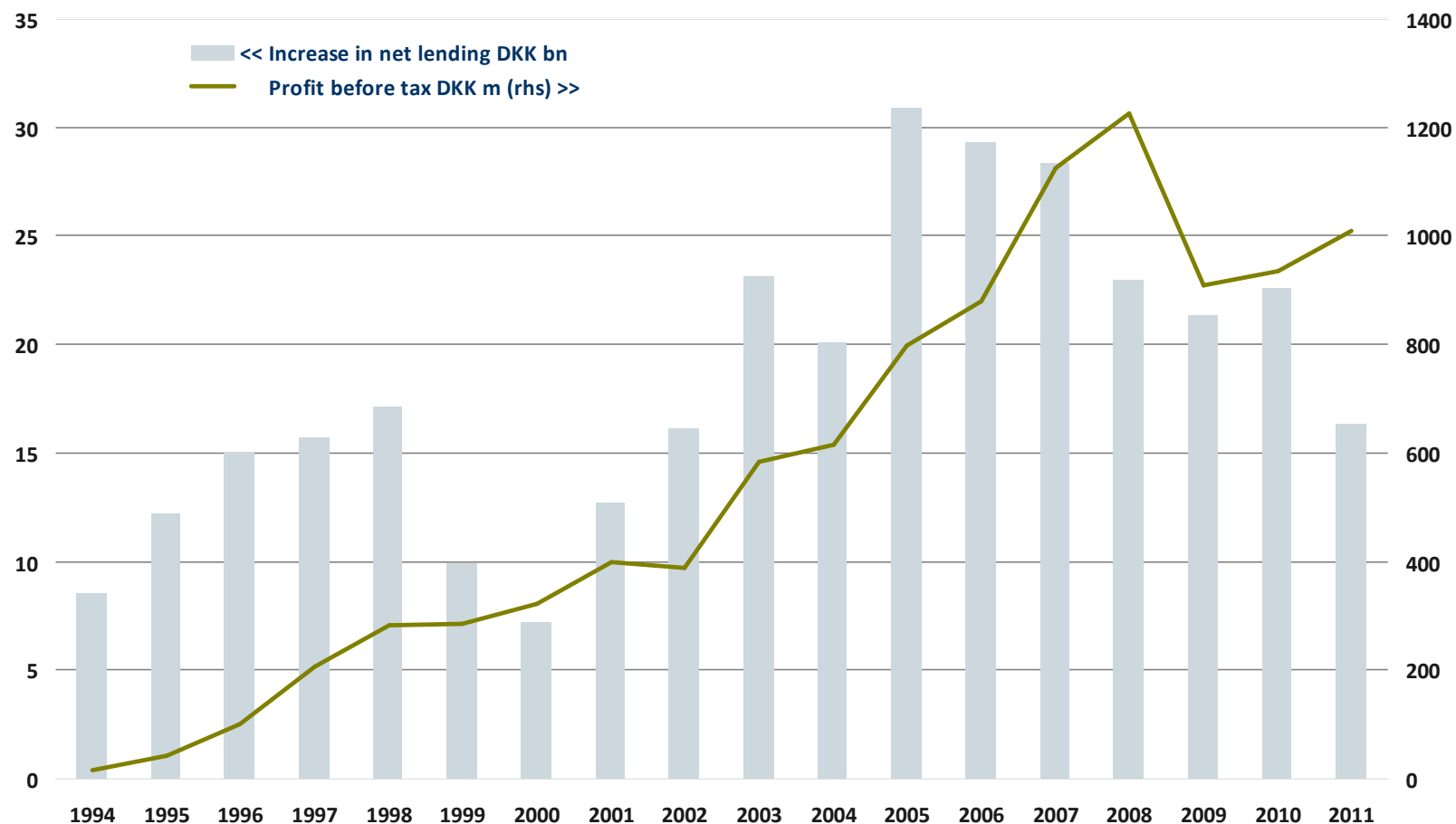
CC1: 10.5

CC2: 15.4

# Nordea Kredit – market shares in per cent of total market



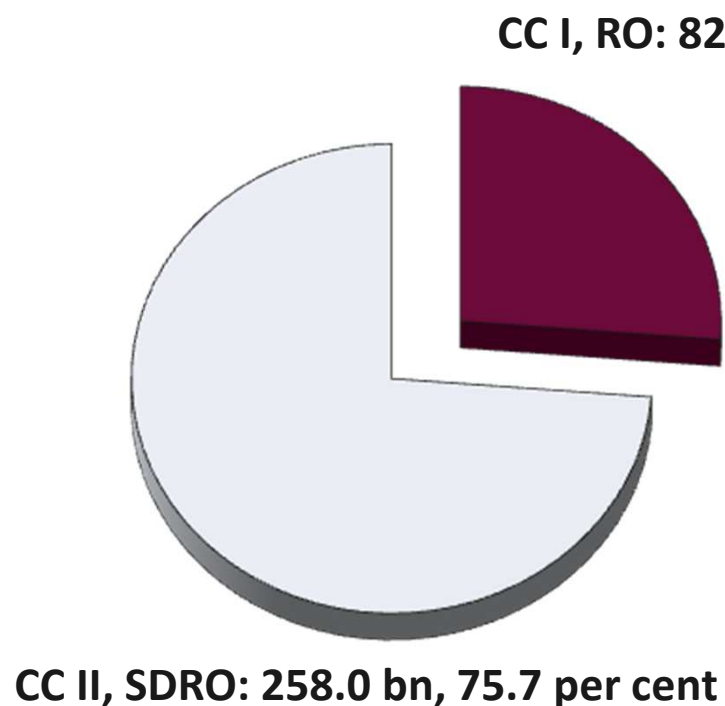
# Nordea Kredit – profit and increase in net lending



Profit before tax for 2011 was 1,009 m DKK

# Nordea Kredit – mortgage loans at fair value

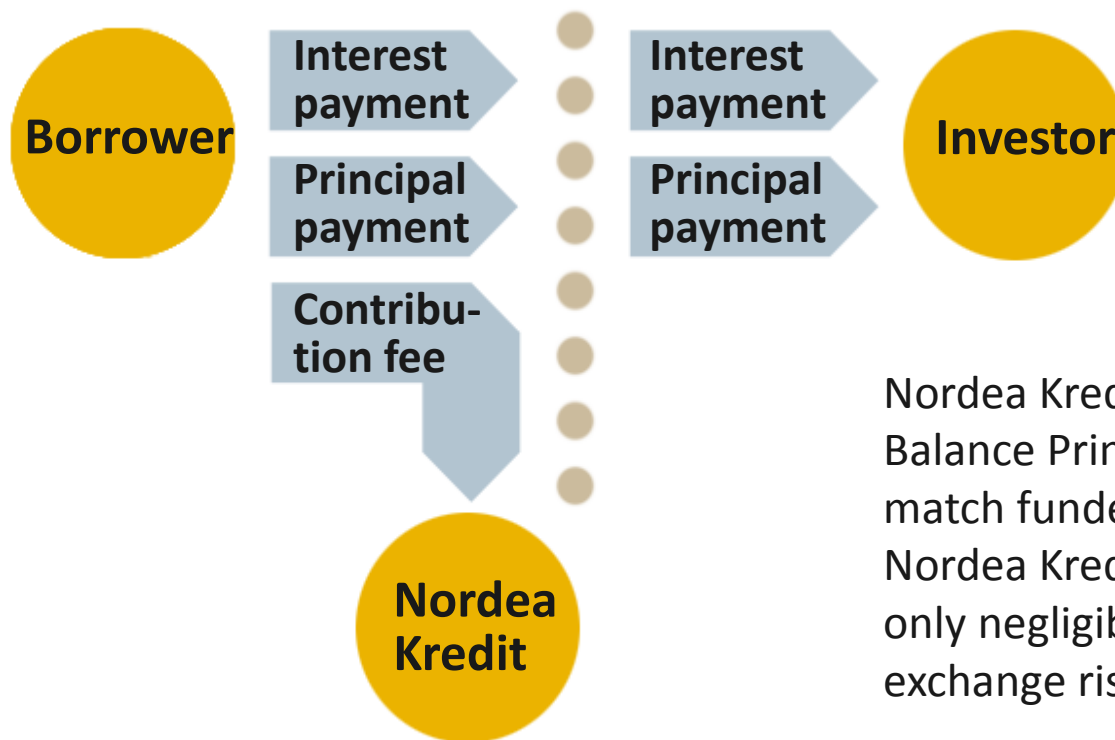
CCs I&II, 2011 Q4: DKK 340.7 bn



- Nordea Kredit has two capital centres:
  - CC I: Mortgage Bonds (Realkreditobligationer, "RO") are issued out of CC I (1993 - ). More than 97% of the bonds in CC I are grandfathered covered bonds according to UCITS/CRD.
  - CC II: Covered Mortgage Bonds (Særligt dækkede realkreditobligationer, "SDRO") are issued out of CC II (2007 - ). All bonds in CC II are covered bonds according to UCITS/CRD.
- All new issuance in 2011 exclusively in covered mortgage bonds (SDROs)



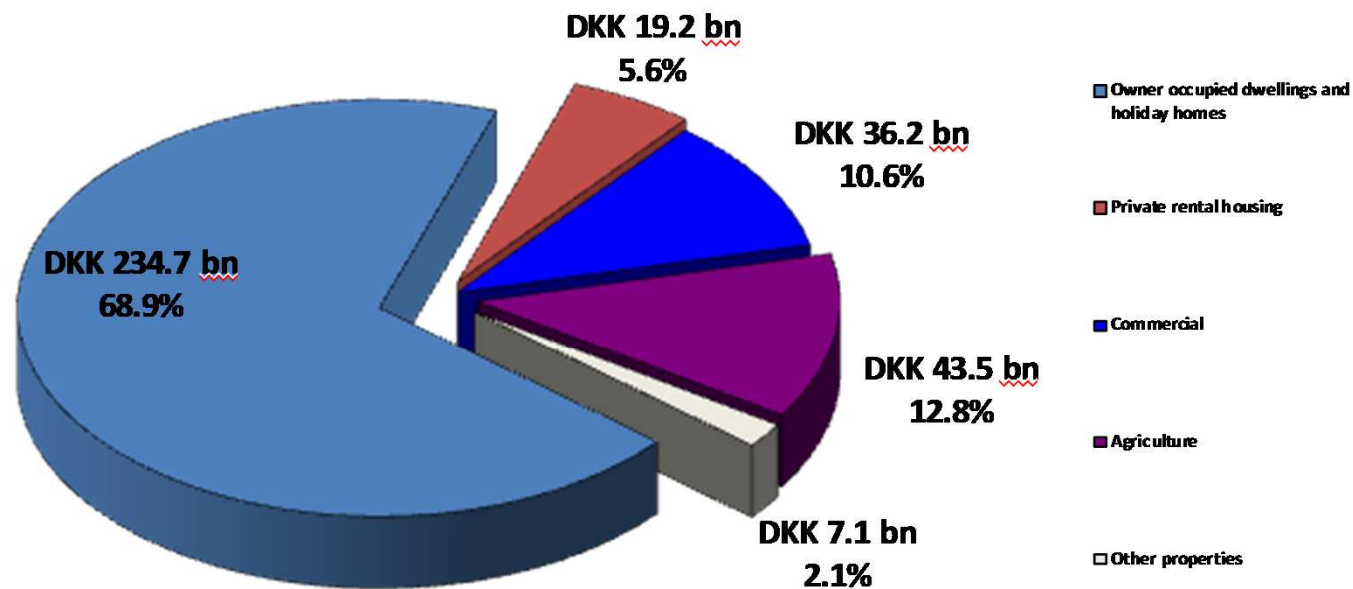
## Match funded setup due to the strict Balance Principle



Nordea Kredit complies with the strict Balance Principle, and has a completely match funded “Pass Through” setup. Nordea Kredit has no prepayment risk and only negligible interest rate risk and foreign exchange risk.

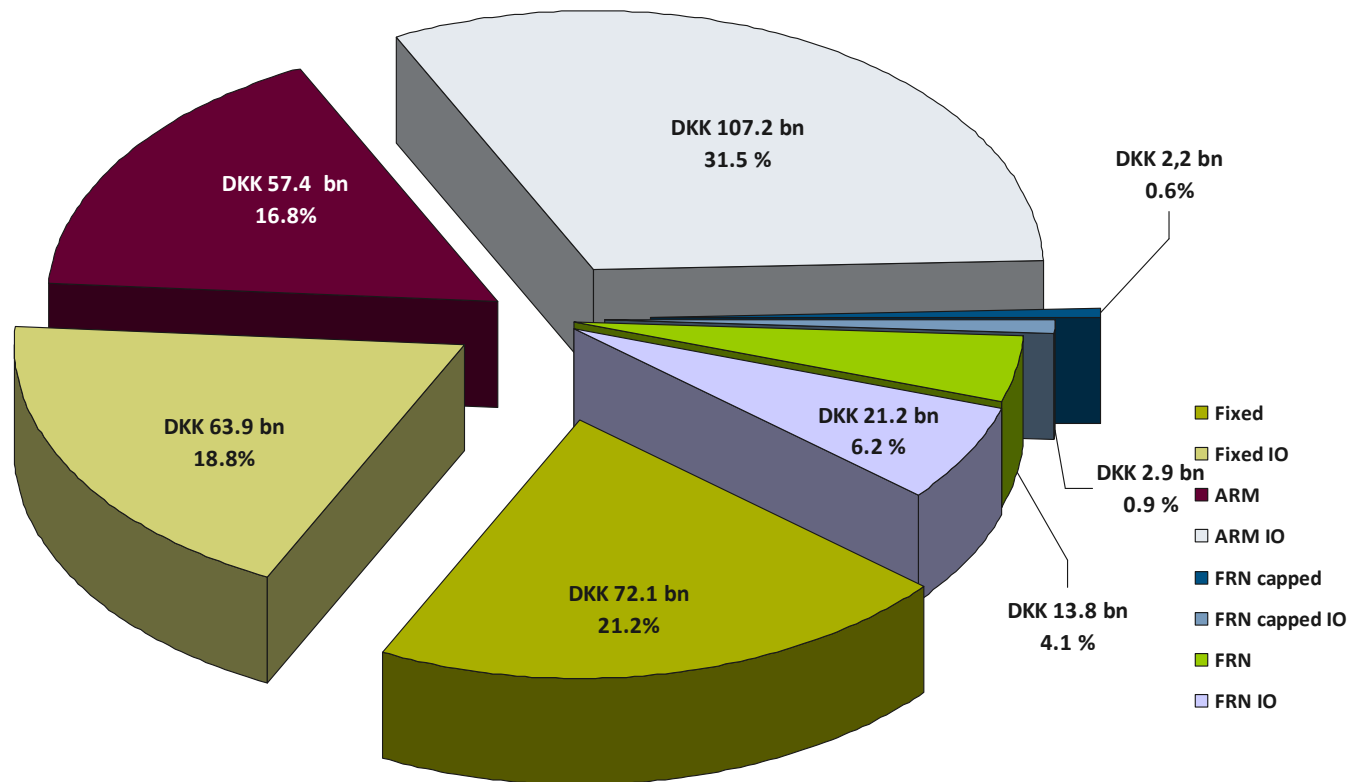
# Nordea Kredit – distribution of loans by property category

All property categories - CCs I & II, 2011 Q4 at fair value: 340.7 bn DKK



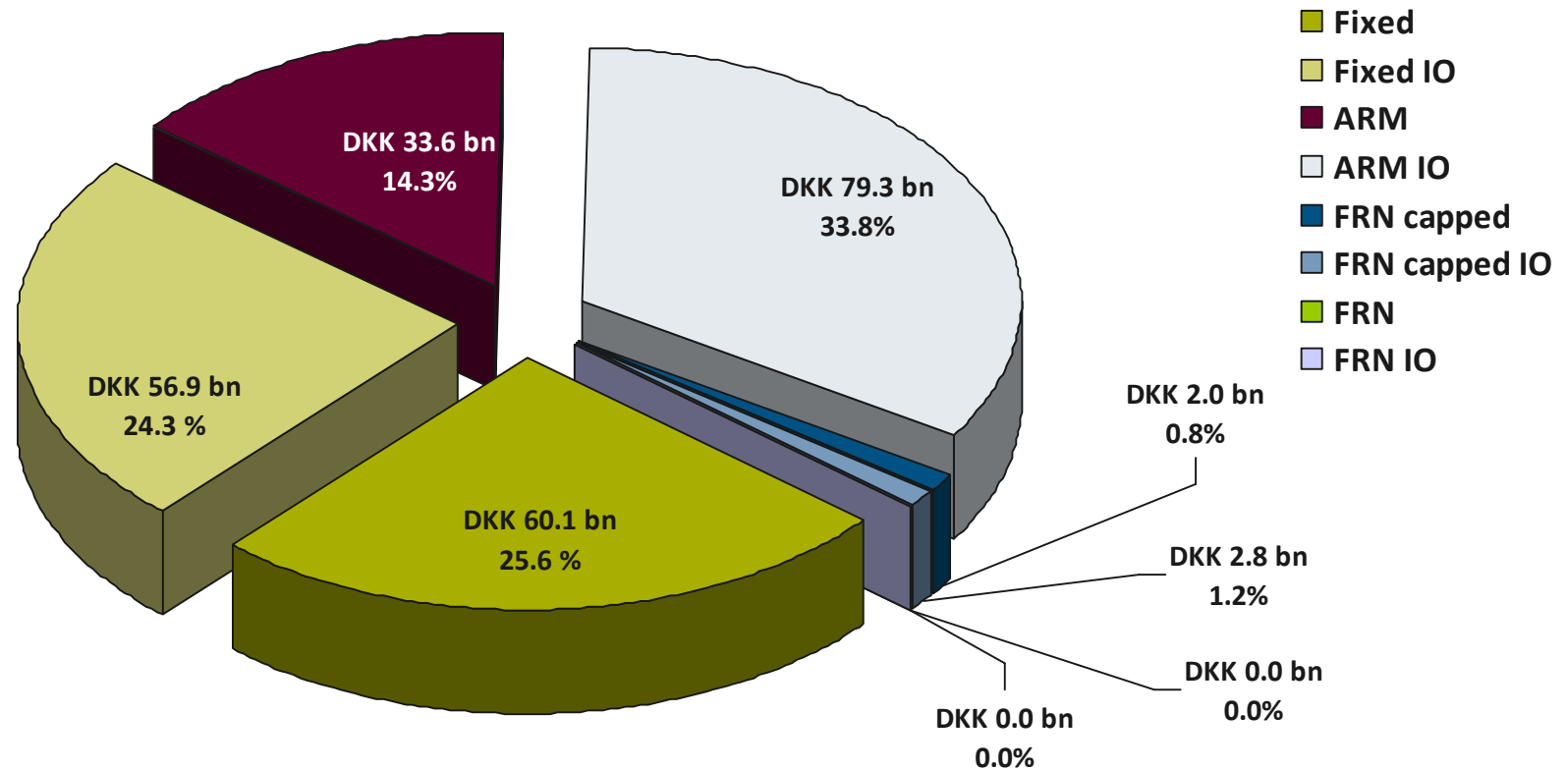
# Nordea Kredit – distribution of loans by type

All property categories - CCs I & II, 2011 Q4 at fair value: 340.7 bn DKK



# Nordea Kredit – distribution of loans by type

Residential properties and holiday homes - CCs I & II, 2011 Q4 at fair value: 234.7 bn DKK

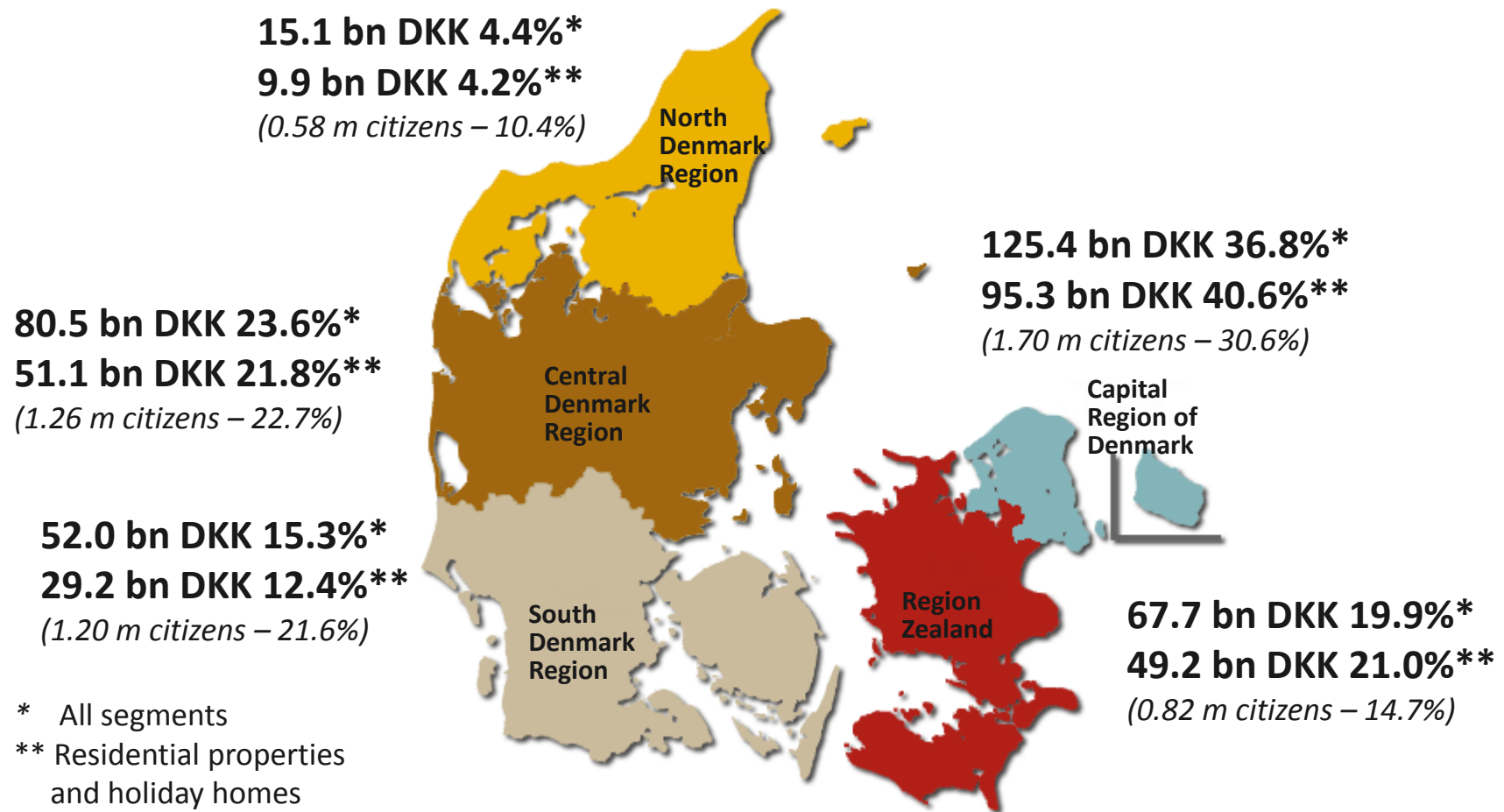


Fixed rate loans account for 49.9% of the total loan portfolio

# Nordea Kredit – geographical distribution of loans Q4, 2011

Fair value, all segments: 340.7 bn DKK, residential properties & holiday homes: 234.7 bn DKK

- Total number of citizens 5.56 m January 2011 – Source: Statistics Denmark



# Asset quality - loss guarantee by Nordea Bank Danmark

Nordea Bank Danmark takes “first losses” on Nordea Kredit loans according to the table below:

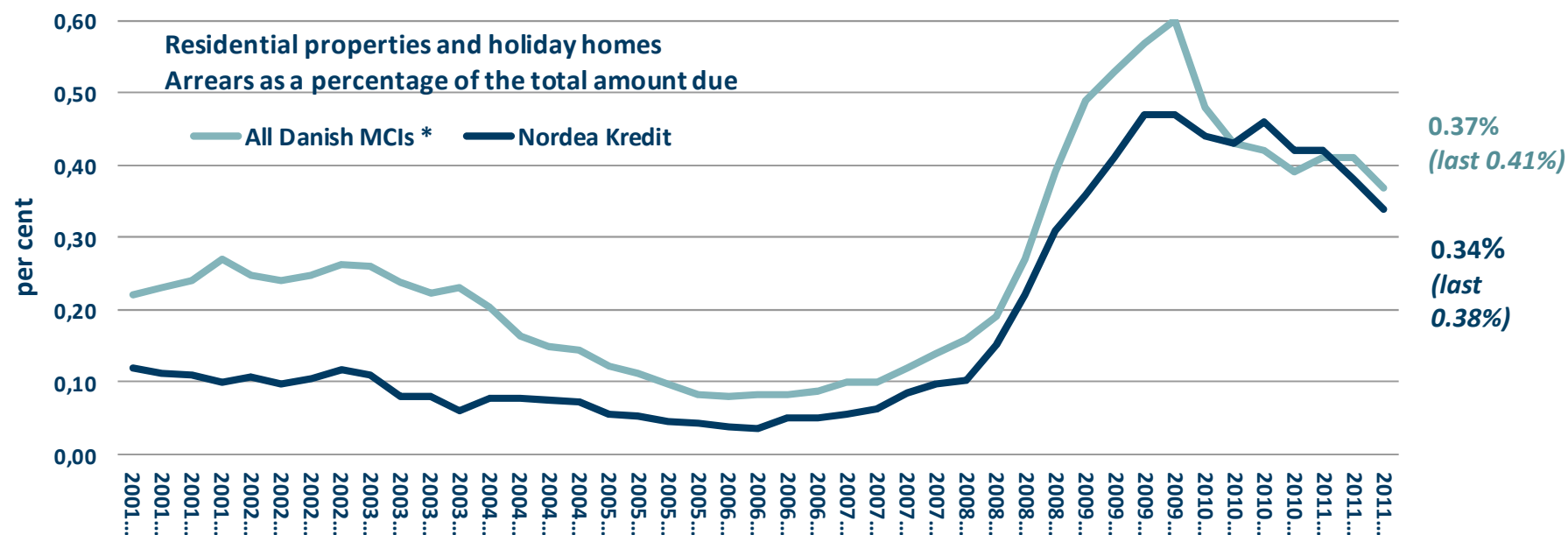
Property type	Guarantee period *	Guarantee level **
Owner occupied dwellings	5 years	25 per cent
Holiday homes	5 years	25 per cent
Subsidized property	10 years	10 per cent
Housing for youth/elderly	10 years	10 per cent
Agricultural property	10 years	25 per cent
Commercial property	10 years	25 per cent

*\*) Guarantee period starts when a loan is issued or remortgaged*

*\*\*\*) As a percentage of the original principal – disregarding all amortisation*

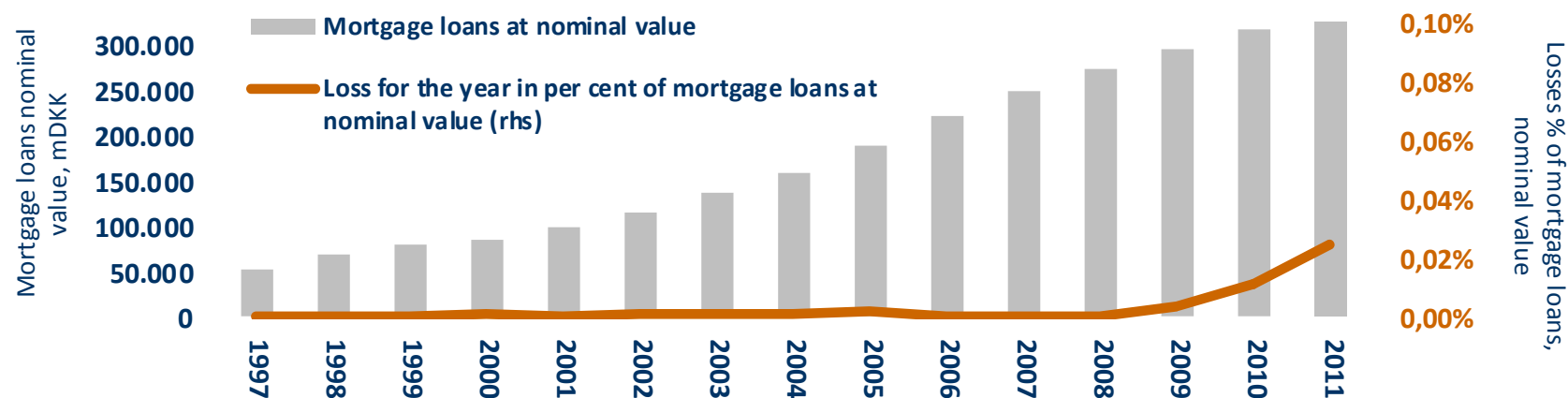
The guarantee amount is not reduced during the guarantee period, but cannot exceed the debt outstanding. A new guarantee period starts when the loan is changed e.g. due to remortgaging.

# Asset quality - late payments by borrowers - 3½ month after due date



\*) Including Nordea Kredit

## Losses in per cent of mortgage loans at nominal value



Nordea Kredit did not experience any losses prior to 1997. Total accumulated losses in Nordea Kredit since 1997: 145.5 m DKK



## Nordea Kredit – LTV, loan-to-value 2011 Q4 (2011 Q3)

	LTV CC I & II		LTV CC I		LTV CC II	
	2011Q4	2011Q3	2011Q4	2011Q3	2011Q4	2011Q3
Owner occupied dwellings	<b>77</b>	74	72	69	79	77
Private rental housing	65	64	57	57	67	67
Commercial	61	61	44	44	62	63
Agriculture	49	49	44	44	50	50
Other properties	38	40	43	41	38	40
<b>Total</b>	<b>70</b>	<b>68</b>	<b>67</b>	<b>65</b>	<b>71</b>	<b>70</b>

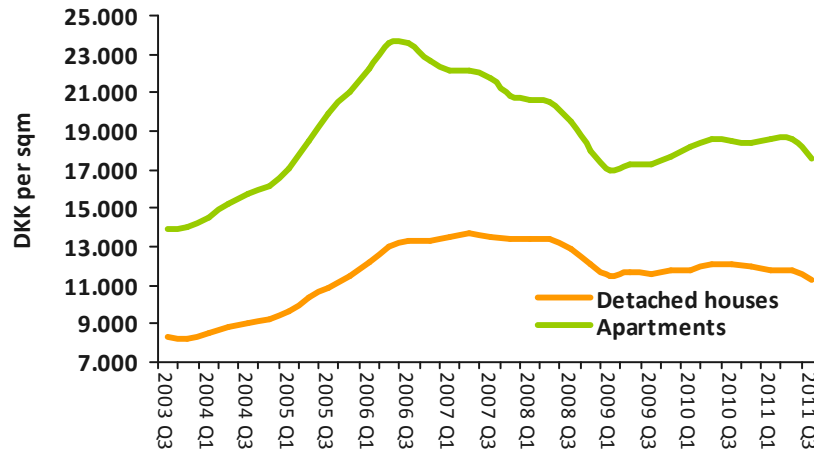
For more detailed information on LTV – please refer to “LTV Report 2011 Q4”

# Legislation

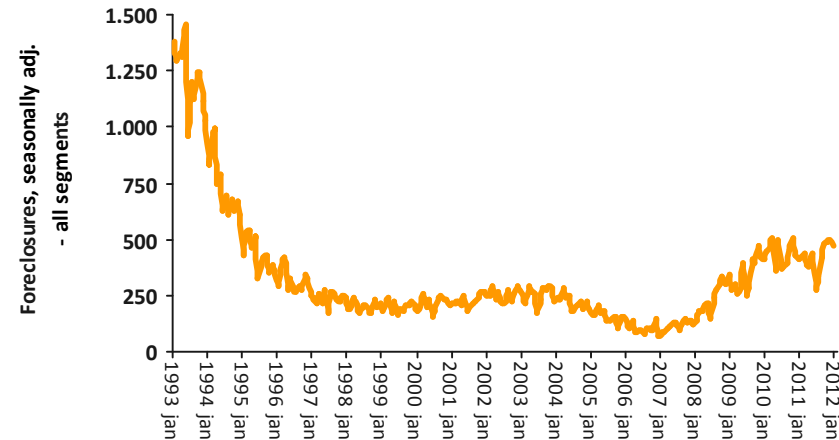
- Danish mortgage financing is regulated and supervised by the DFSA (Finanstilsynet): [www.ftnet.dk](http://www.ftnet.dk)
- Some legislation can be found in English at the DFSA's English website: <http://www.finanstilsynet.dk/en/Regler-og-praksis/Translated-regulations.aspx>
- All relevant legislation can be found in Danish at the DFSA's Danish website: <http://www.finanstilsynet.dk/da/Regler-og-praksis/Lovsamling.aspx>



# The Danish economy - house prices and foreclosures



Source: Federation of Danish Mortgage Banks (*Realkreditforeningen*), Association of Danish Mortgage Banks (*Realkreditrådet*), The Danish Bankers Association (*Finansrådet*) and The Danish Association of Chartered Estate Agents (*Dansk Ejendomsmæglerforening*).



Source: The Danish National Statistical Office. Latest data are as per December 2011

For a number of years house prices increased but by mid-2006 house prices peaked and subsequently declined. Recently, however, increases have been seen.

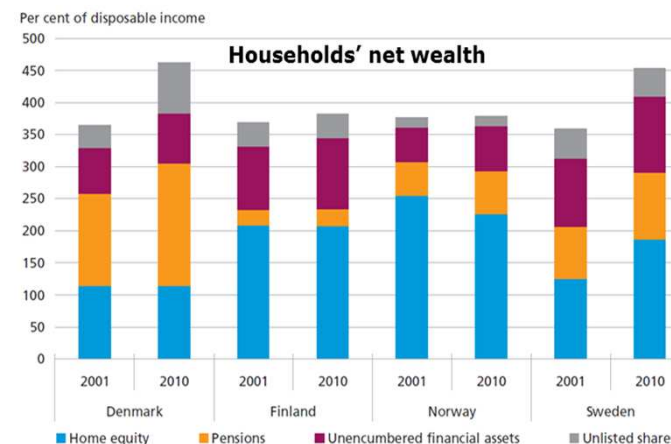
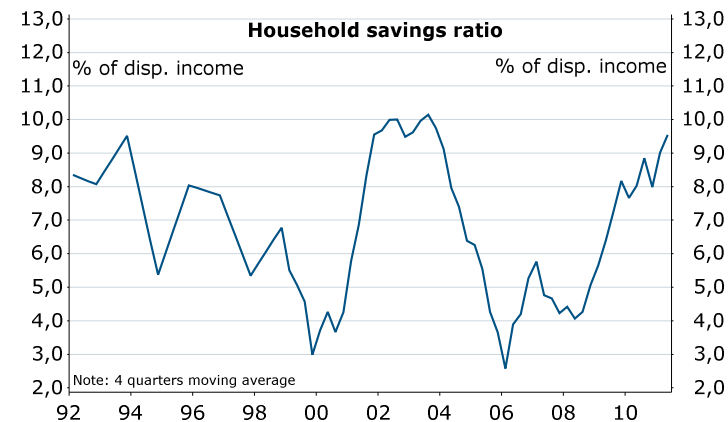
For more information on macroeconomics please refer to the current issue of “**Economic Outlook**” published by Nordea Markets, Economic Research.

Please note that the top graph to the left is based on new, recalculated data for actual sales prices. The data in this new form were first published in December, 2010 and the latest available data are as of end September 2011.

# Danish housing market:

## Low activity but high net wealth

- The prices of single-family houses have dropped more than 15% since the peak. At the same time a record number of homes are up for sale and exposure time is rising.
- However, less than 0.4% of total repayments on homeowners' mortgage have not been paid 3½ months after the due date. Forced sales have only risen slightly and is still only around 30% of the levels in the late 1980s and early 1990s.
- First and foremost this is due to the record-low mortgage interest rates which act as a buffer against new sharp price falls.
- Against this background, nominal home prices are expected to edge slightly lower during 2012 and rise marginally in 2013.
- After reaching a historical low in 2006, households have taken advantage of recent years' gains in disposable income to boost their savings.
- Despite a large gross debt the net household wealth of the Danish households is very sound.



Source: Danmarks Nationalbank

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