



# Nordea

## Nordea Kredit Covered Bonds

Q1 2019 Debt investor presentation



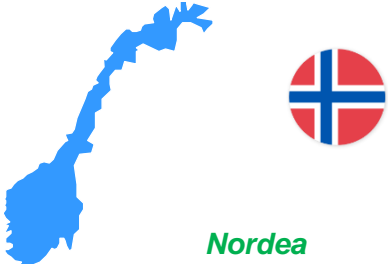
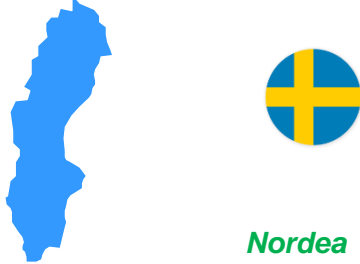

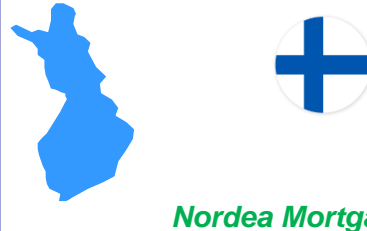
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# 1. Nordea covered bond issuance in brief

# Nordea covered bond operations

Q1 2019

Four aligned covered bond issuers with complementary roles	 <b>Nordea Eiendomskreditt</b>	 <b>Nordea Hypotek</b>	 <b>Nordea Kredit</b>	 <b>Nordea Mortgage Bank</b>	
	Legislation	Norwegian	Swedish	Danish/SDRO & RO	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size	EUR 11.2bn (eq.)	EUR 52.5bn (eq.)	Balance principle	EUR 20.1bn
	Covered bonds outstanding	EUR 8.9bn (eq.)	EUR 31.4bn (eq.)	EUR 54.5bn (eq.)	EUR 18.3bn
	OC	26%	67%	CC1/CC2 33,1%/10.1%	10%
	Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
	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



## 2. Nordea Kredit in brief

# Nordea Kredit – in brief

## Q1 2019

- 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 loans funded by issuing covered bonds
- Founded in 1993 and supervised by the DFSA
- Market share 14.1% 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 2018 DKK 2,042m
- Cost-income ratio 2018 11.3%
- Capital ratio 2018 (of which Tier 1) 26.5% (23.9%)
- More information at [nordeakredit.dk](http://nordeakredit.dk)

### 3. Cover pool key characteristics

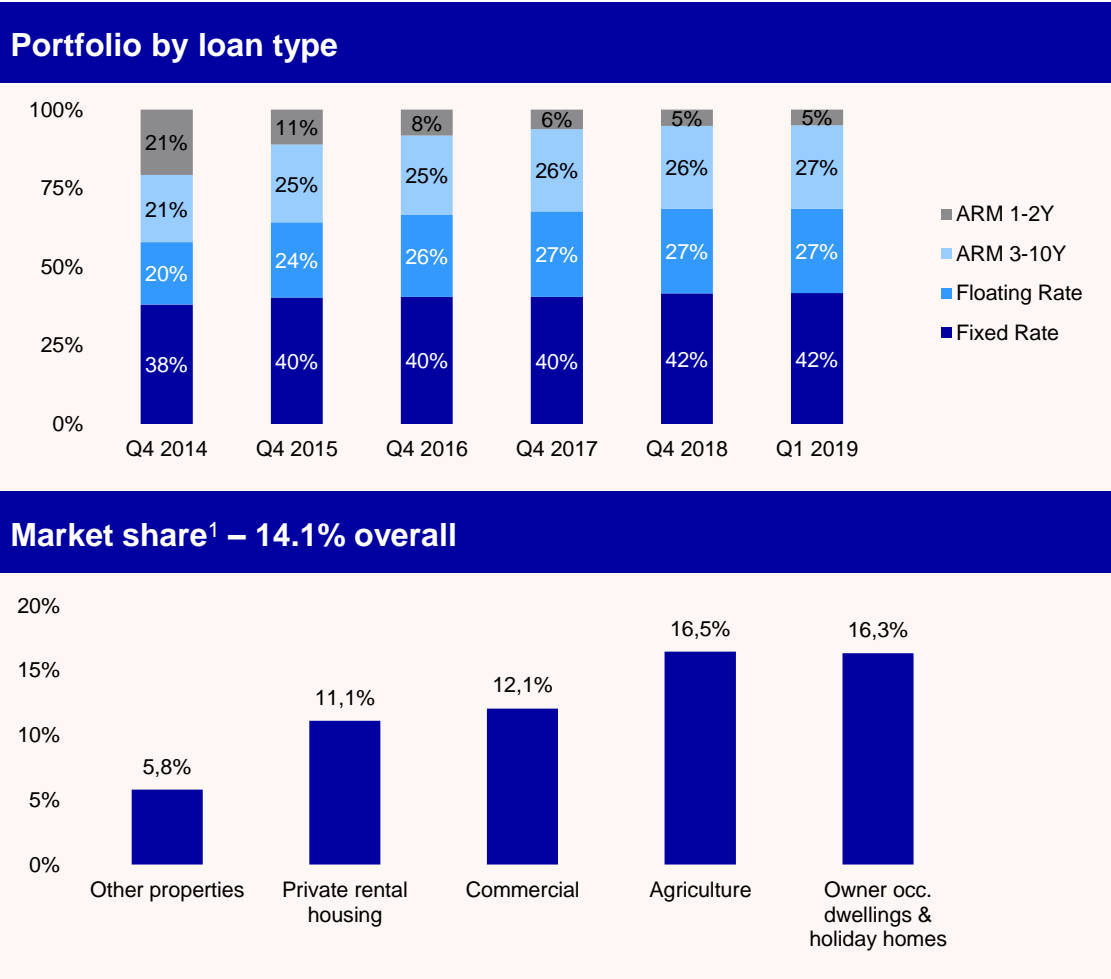
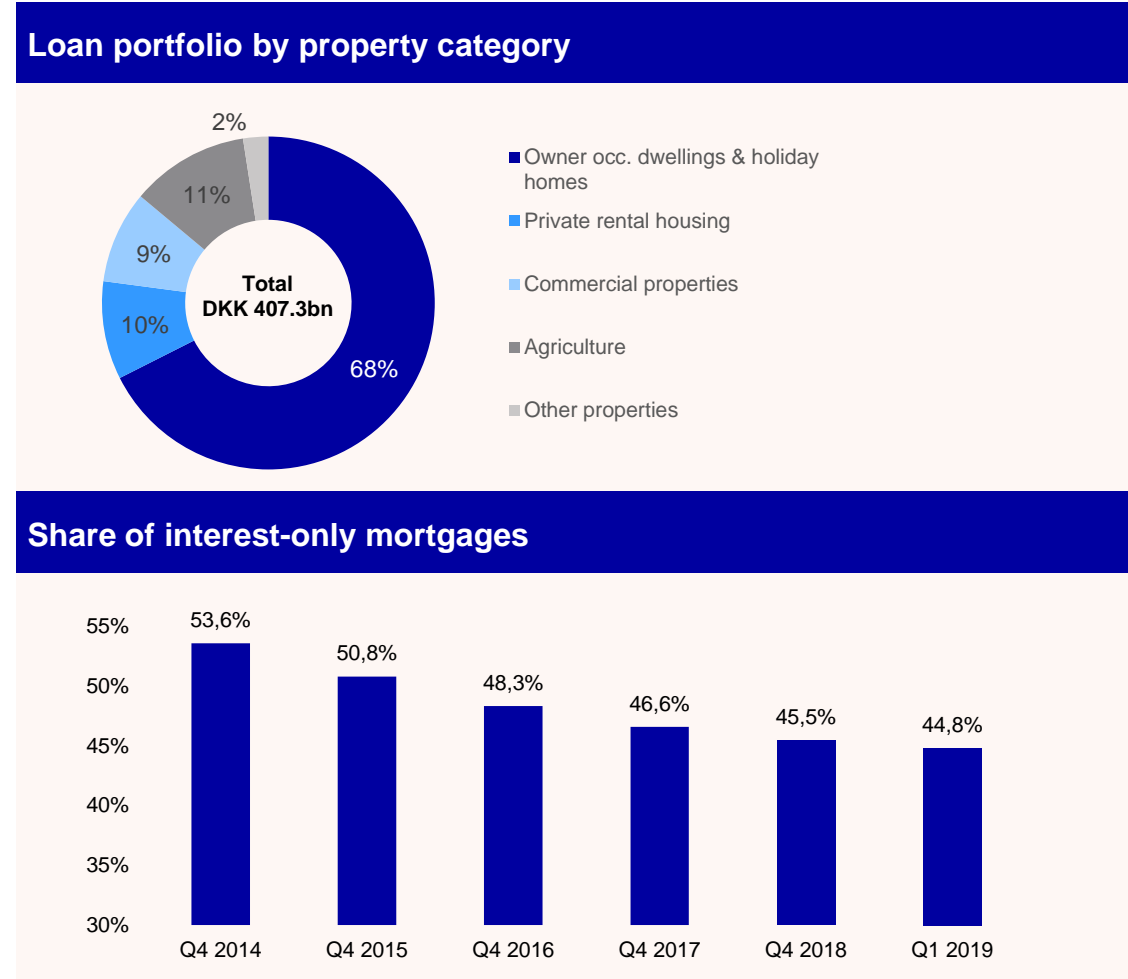
# Cover pool key characteristics

Q1 2019

Pool notional	CC1	CC2
<b>Outstanding Covered Bonds</b>	EUR 0.47bn	EUR 54.1bn
<b>Cover pool content</b>	Mortgage credit loans secured by mainly residential property	Mortgage credit loans secured by mainly residential property
<b>Geographic distribution</b>	Throughout Denmark with concentration in urban areas	Throughout Denmark with concentration in urban areas
<b>Weighted average LTV</b>	50.8%	59.5%
<b>Average residential loan size</b>	EUR 67,361.26	EUR 185,076.07
<b>Over collateralisation, OC</b>	33.1%	10.1%
<b>Rate type</b>	Fixed rate 70.6%, Floating rate 29.5%	Fixed rate 42.1%, Floating rate 57.9%
<b>Amortization</b>	Interest only 0%, Amortizing 100%	Interest only 45.1%, Amortizing 55.0%
<b>Substitute assets</b>	EUR 189m	EUR 7,538m
<b>Pool type</b>	Static	Static
<b>Loans originated by</b>	Nordea Kredit	Nordea Kredit



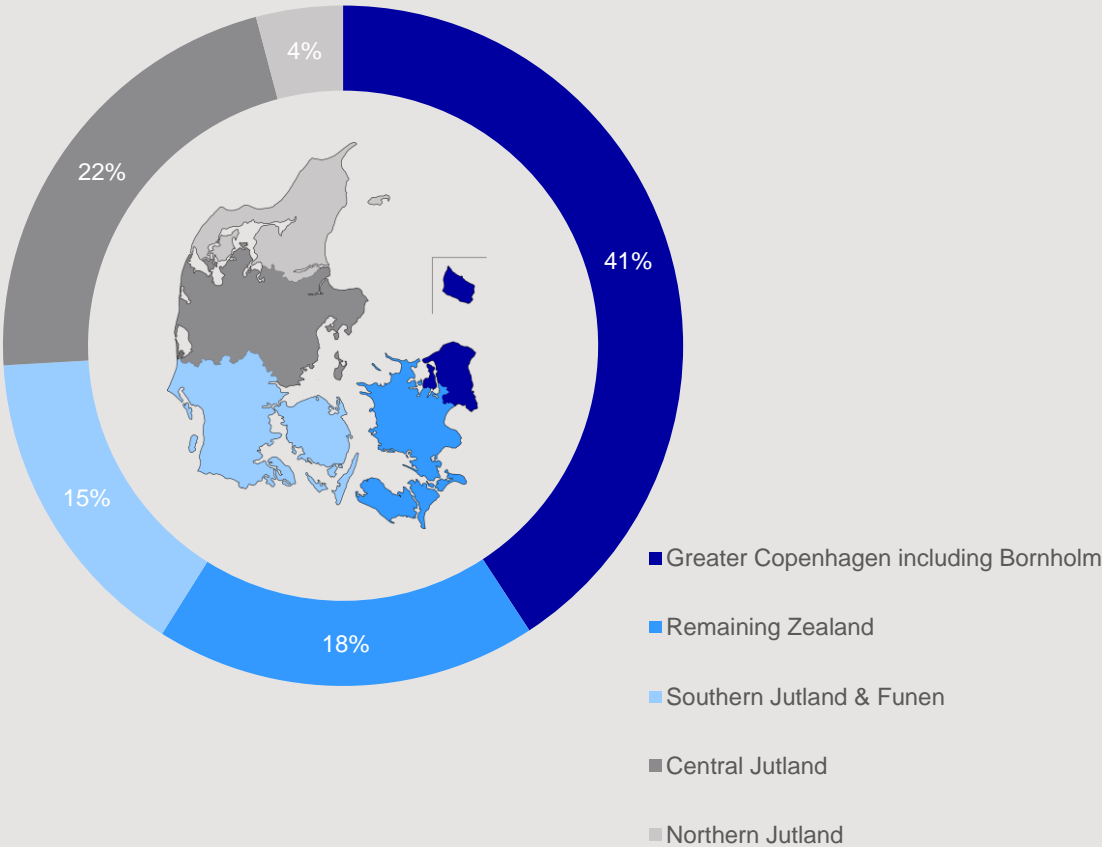
# Loan portfolio



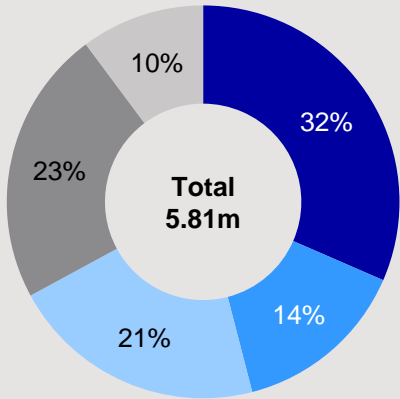
<sup>1)</sup> Market share of all Danish mortgage bank loans

# Loan portfolio by regions

## All property categories



## Danish population by regions



## 4. Asset quality

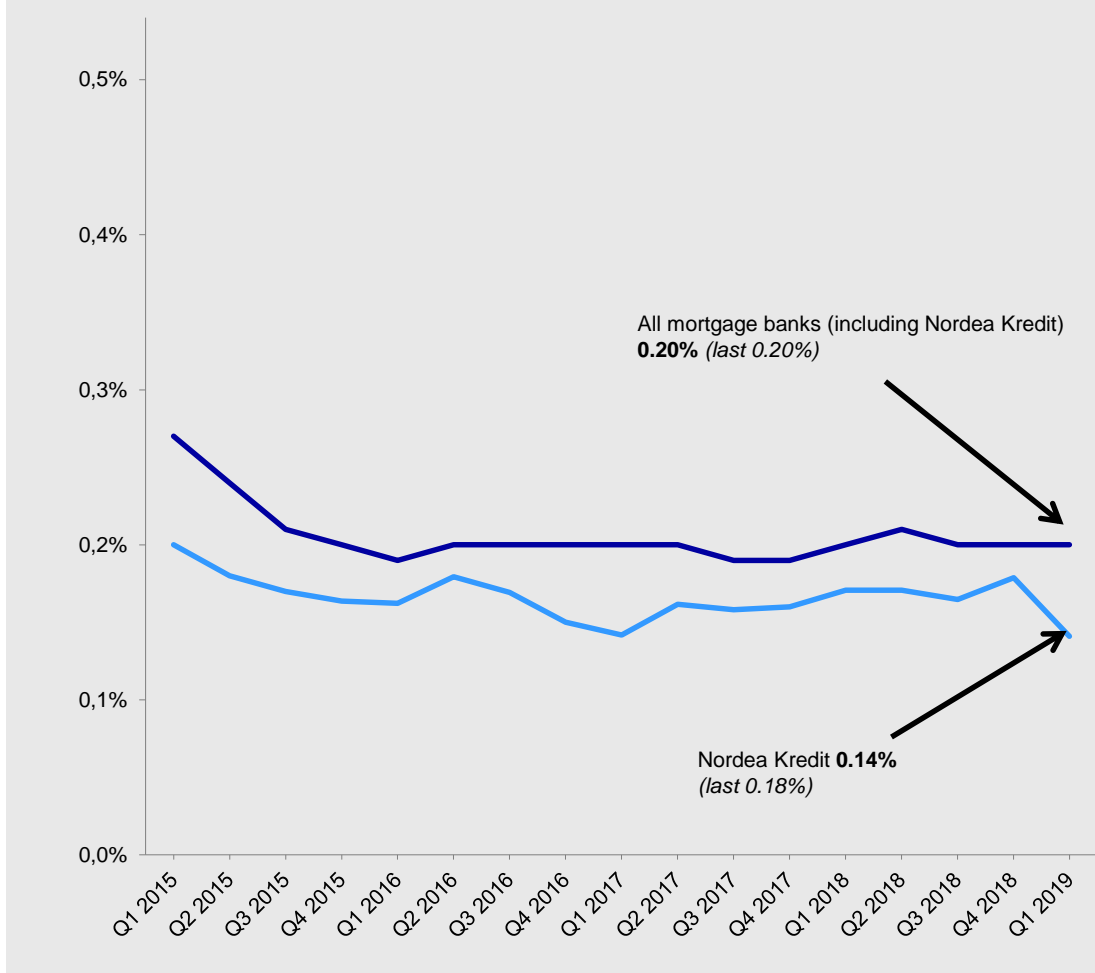
# Loan To Value (LTV) – Loan for residential properties

Q1 2019

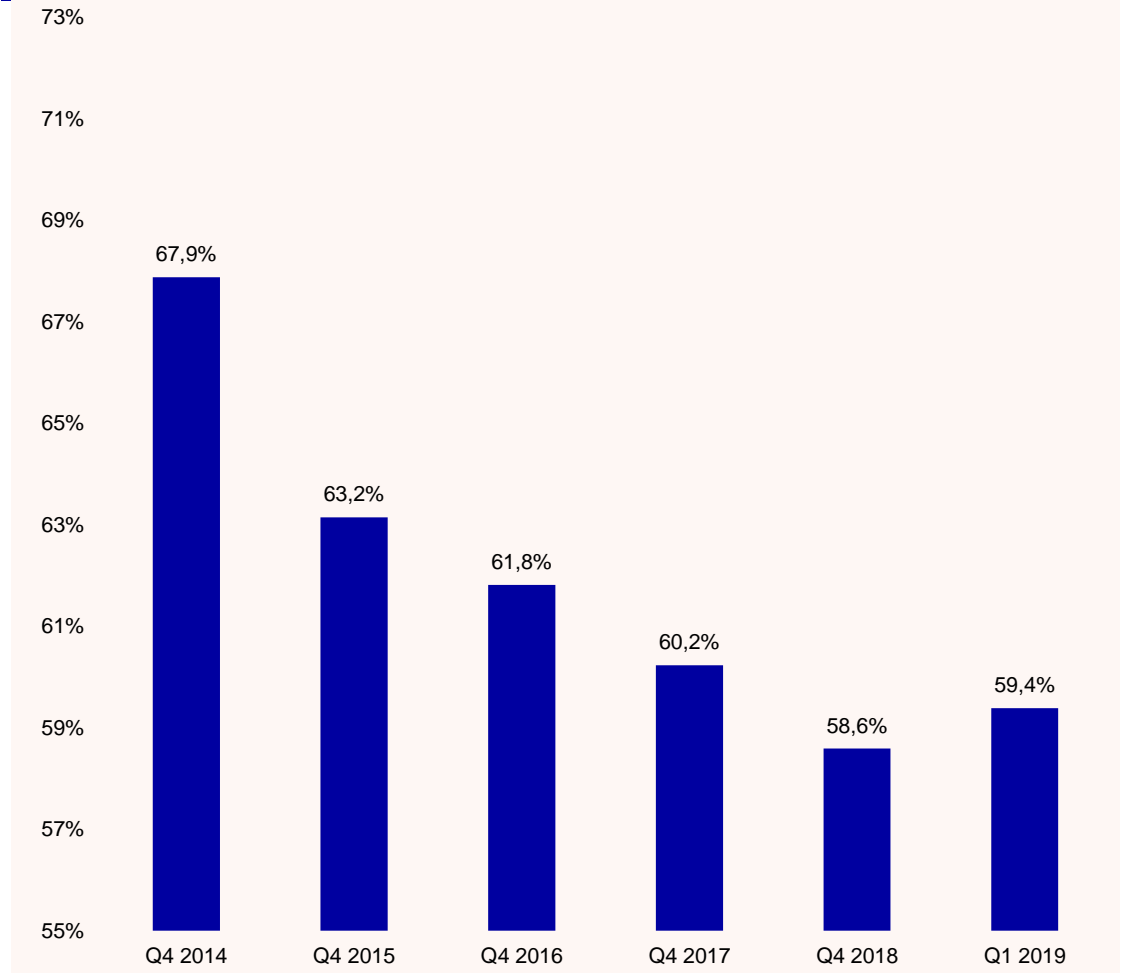
Capital Centre	CC1	CC1	CC2	CC2
Weighted Average LTV – Indexed	52.5%		63.3%	
<b>LTV buckets</b>	<b>Nominal (DKKm)</b>	<b>% Loans</b>	<b>Nominal (DKKm)</b>	<b>% Loans</b>
>0 - <=40 %	2,573	74.49%	193,520	63.03%
>40 - <=50 %	356	10.31%	39,628	12.91%
>50 - <=60 %	233	6.75%	31,982	10.42%
>60 - <=70 %	140	4.05%	22,716	7.40%
>70 - <=80 %	78	2.26%	13,122	4.27%
>100%	17	0.49%	1,100	0.36%
Total	3,454	100%	307,013	100%

# Asset quality

## Arrears (Owner occupied dwellings and holiday homes)<sup>1</sup>



## Loan-to-value (LTV) weighted average



<sup>1)</sup> Arrears as a percentage of the Q4, 2018 scheduled payments – 3½ months after due date

## 5. Underwriting criteria

# Underwriting criteria

Q1 2019

## Private households

- Behavior 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%
- 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

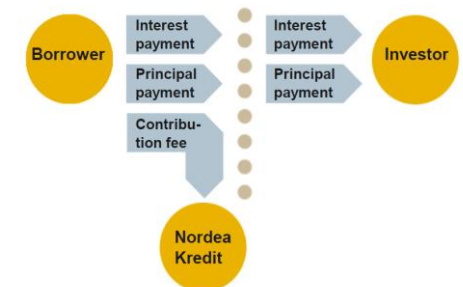
## 6. Covered Bond framework



# Danish covered bond framework

Q1 2019

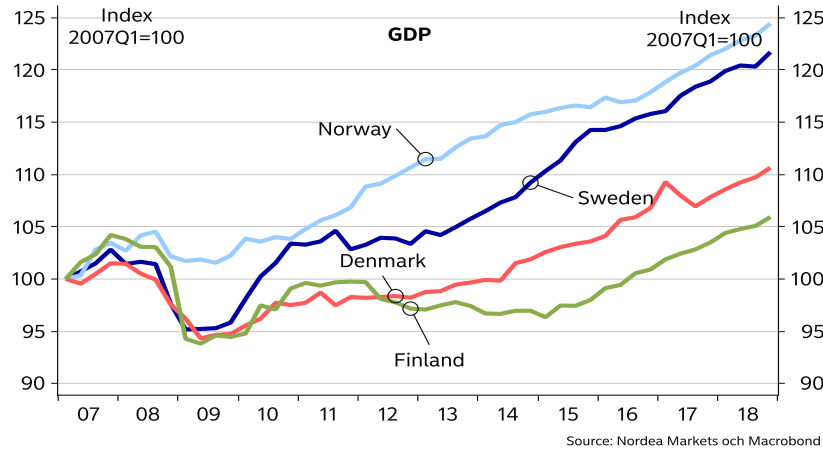
- Legal framework
  - The Financial Business Act
  - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
  - An issuing institution is required to maintain a static cover pool
  - Mortgage deeds are registered in the Public Land Registry
- Limit 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
- Independent public supervision
  - The Danish FSA (Finanstilsynet) performs supervision and inspection on an ongoing basis



## 7. Macro

# Robust Nordic economies

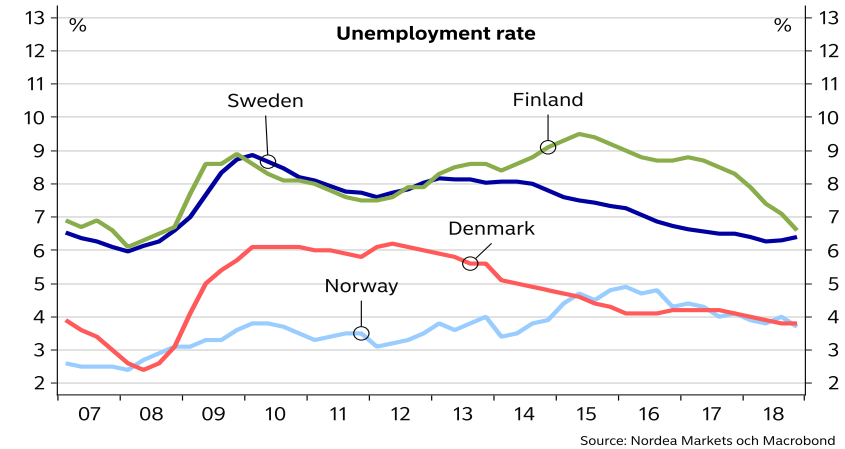
## GDP development



## Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down during the end of last year and beginning of this year more than expected, especially in the euro area.
- This has affected the Nordics to various extent. Sweden and Finland have been most hit as being more dependent on exports.
- Monetary policy has shifted to a more accommodative stance as downside risks have grown.

## Unemployment rate



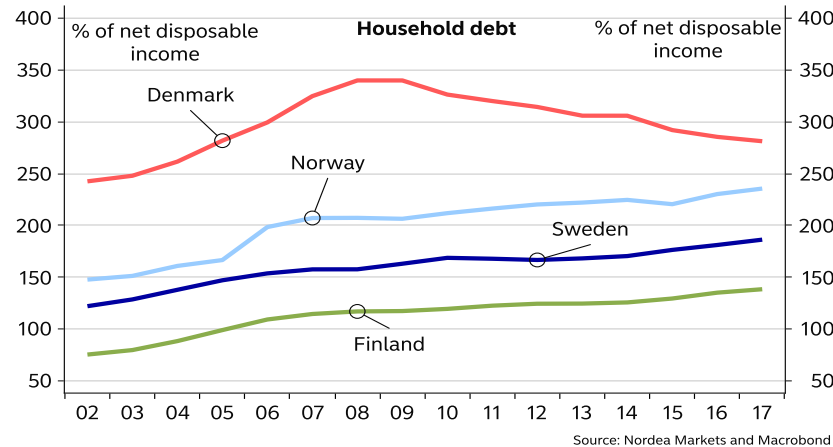
## GDP forecast, %

Country	2016	2017	2018	2019E	2020E
Denmark	2.4	2.3	1.4	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.2	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

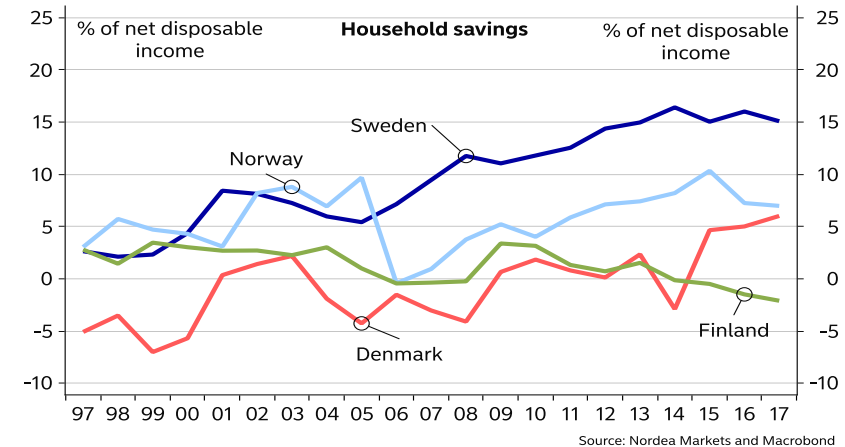
Source: Nordea Markets Economic Outlook January 2019, Macrobond and OECD.

# Household debt remains high, but so is private and public savings

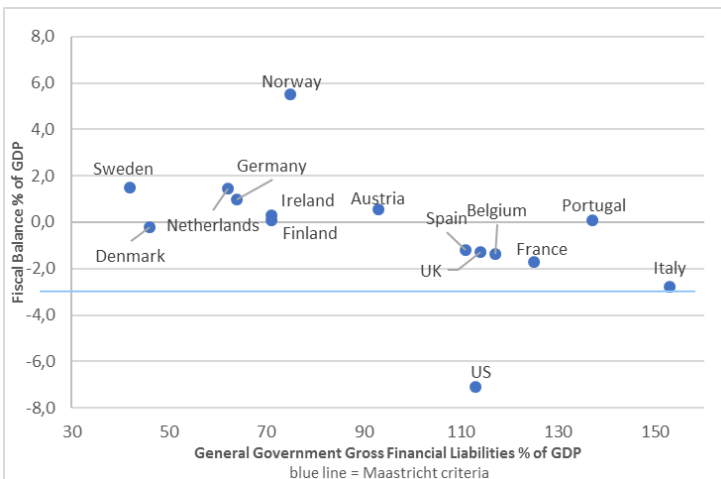
## Household debt



## Household savings



## Public balance/debt, % of GDP, 2020E

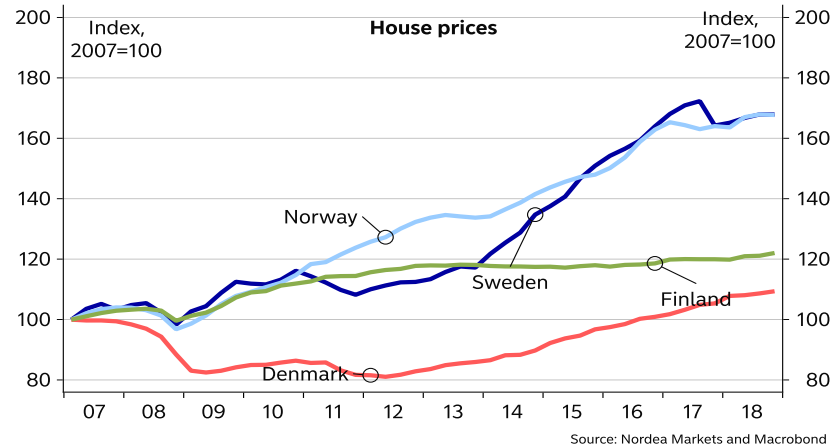


## Comments

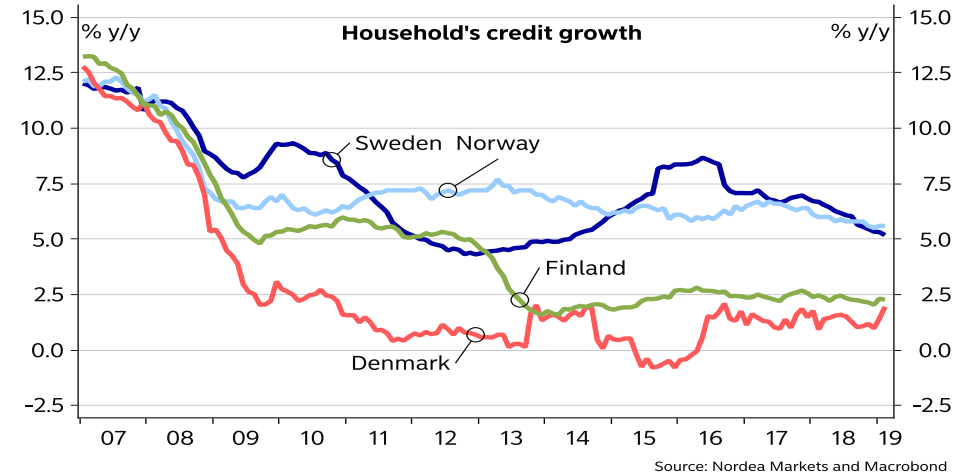
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years.
- The Nordic public finances are robust due to the overall economic recovery and relatively strict fiscal policies. Norway is in a class of its own due to oil revenues.

# House price development in the Nordics

## House prices



## Household's credit growth



## Comments

- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland.
- In Sweden house prices declined during H2 2017 but since then prices have risen slightly. We continue to argue for stable prices going forward. The current main risks are the high supply of homes as well as early signs of a weaker labour market. However, mortgage rates have historically had a strong correlation with the price development and they will most likely remain low.
- In Norway, primarily in Oslo, house prices turned down during 2017. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. However, prices have levelled out, and even increased somewhat in Oslo. Largely unchanged prices are forecast ahead.

## 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://finansstilsynet.dk/en>*
- Relevant legislation can be found in English at the DFSA's English website.  
*Link: <https://finansstilsynet.dk/en/Lovgivning>*
- All mortgage bank legislation can be found in Danish at the DFSA's Danish website.  
*Link: <http://finansstilsynet.dk/da/Lovgivning/Lovsamling>*