

The background of the slide is a photograph of a large cable-stayed bridge spanning a body of water under a clear blue sky. The bridge's concrete piers and steel cables are prominent. In the lower right corner, there is a stylized blue bar chart with five vertical bars of varying heights, suggesting a positive trend or growth.

Nordea

Nordea Kredit Covered Bonds

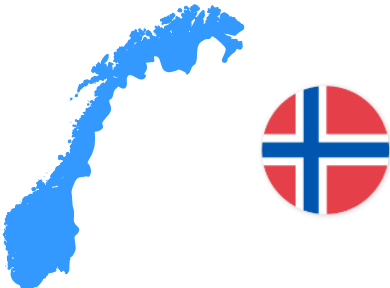
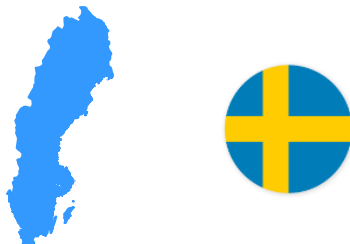


Q2 2019 Debt investor presentation

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1. Nordea covered bond issuance in brief

Nordea covered bond operations

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit *	Nordea Mortgage Bank	
					
	Legislation	Norwegian	Swedish	Danish/SDRO	Finnish
	Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
	Cover pool size	EUR 16.4bn (eq.)	EUR 51.4bn (eq.)	Balance principle	EUR 21.8bn
	Covered bonds outstanding	EUR 9.5bn (eq.)	EUR 31.4bn (eq.)	EUR 57.7bn (eq.)	EUR 16.2bn
	OC	71%	63%	CC1/CC2 33%/10%	35%
	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

Q2 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 credit loans funded by issuing covered bonds
- Founded in 1993 and supervised by the DFSA
- Market share 14.0% 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 H1 DKK 1,080m
- Cost-income ratio 2019 H1 11.8%
- Capital ratio 2019 H1 (of which Tier 1) 25.7% (23.2%)
- More information at nordeakredit.dk

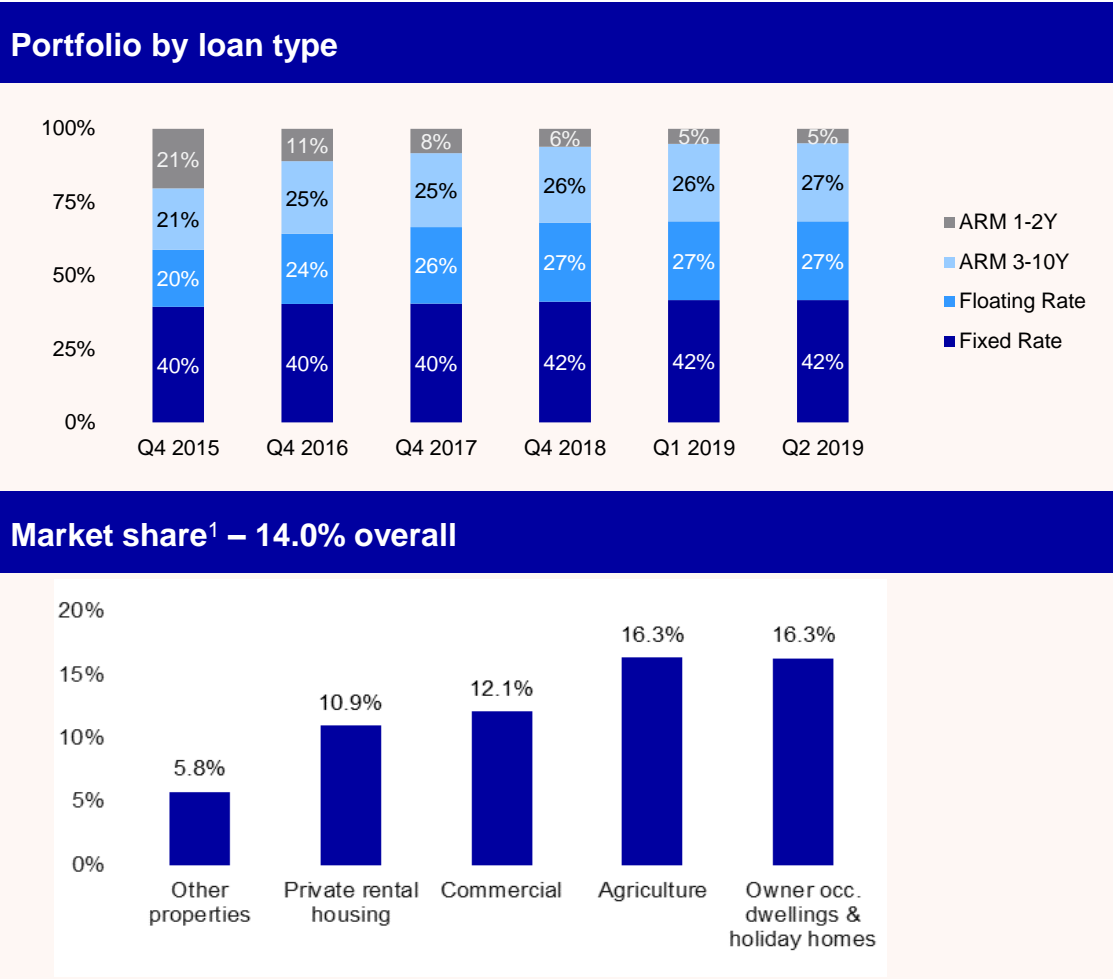
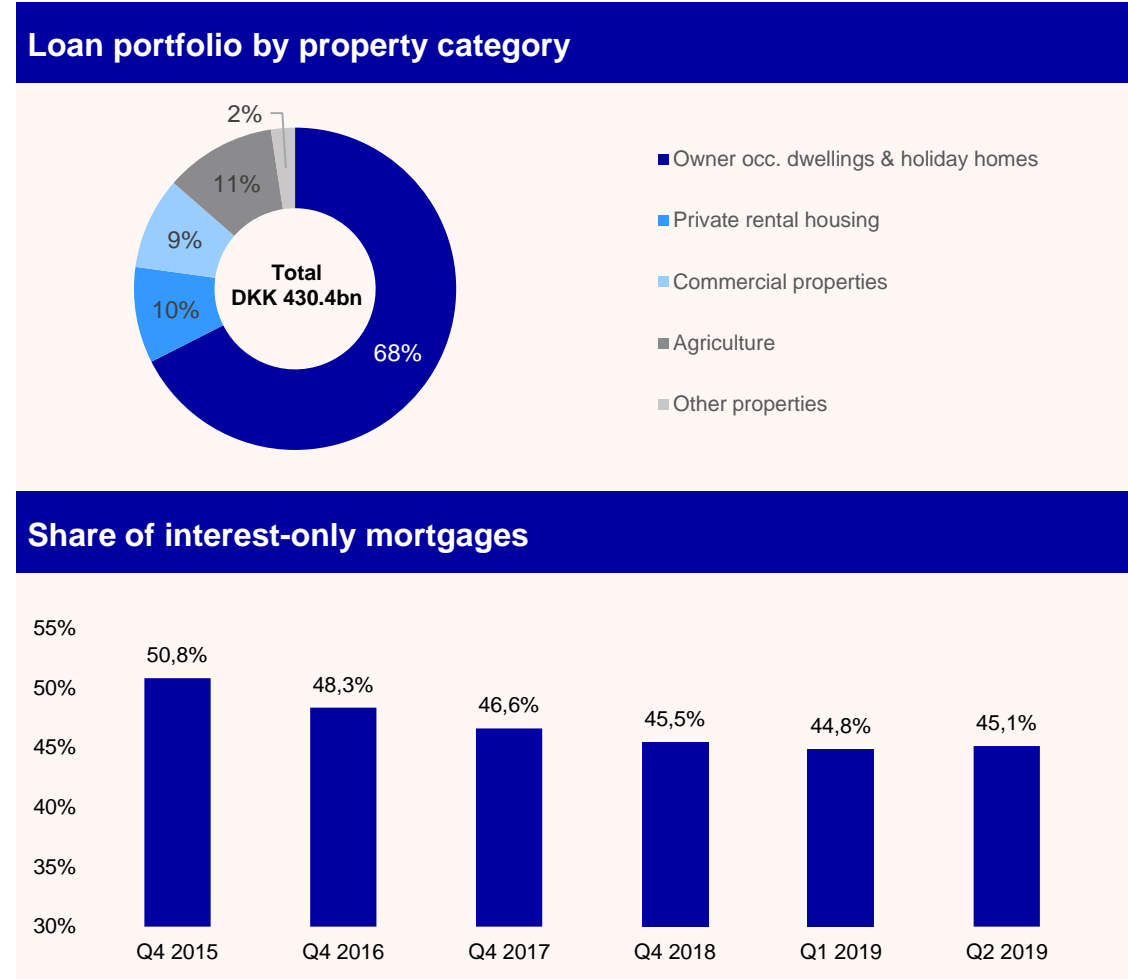
3. Cover pool key characteristics

Cover pool key characteristics – Q2 2019

Pool notional	CC1	CC2
Outstanding covered bonds	EUR 0.45bn	EUR 57.2bn
Cover pool content	Mortgage credit loans secured by mainly residential property	Mortgage credit loans secured by mainly residential property
Geographic distribution	Throughout Denmark with concentration in urban areas	Throughout Denmark with concentration in urban areas
Weighted average LTV	51.2%	59.3%
Average residential loan size	EUR 66,321.88	EUR 185,433.30
Over collateralisation, OC	40.0%	10.1%
Rate type	Fixed rate 69.7%, Floating rate 30.3%	Fixed rate 70.4% (41.9%)*, Floating rate 29.6%
Amortization	Interest only 0%, Amortizing 100%	Interest only 45.4%, Amortizing 54.6%
Substitute assets	EUR 215.8m	EUR 10,414m
Pool type	Static	Static
Loans originated by	Nordea Kredit	Nordea Kredit

* From Q2, 2019 ARMs (2-10 yrs) count as fixed rate loans in line with ECBC practice. ARMs (1 yr) count as floating rate (The figure in brackets according to the previous method)

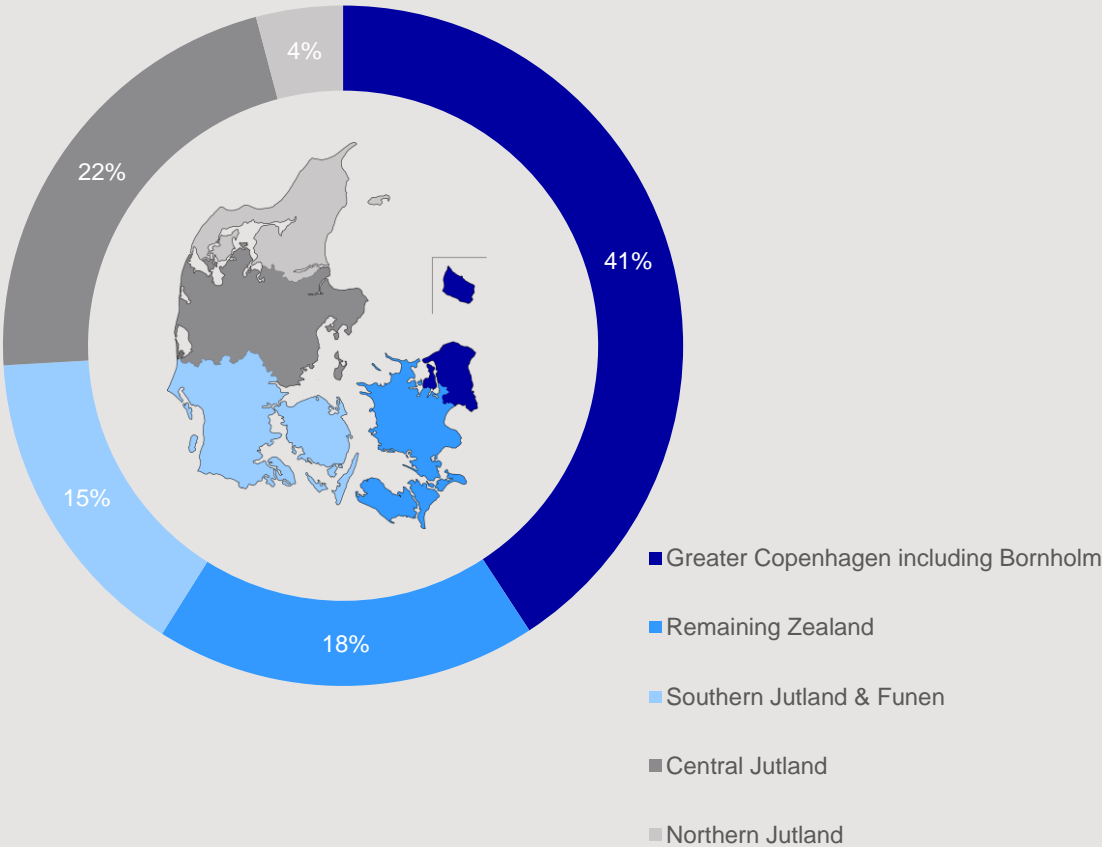
Loan portfolio



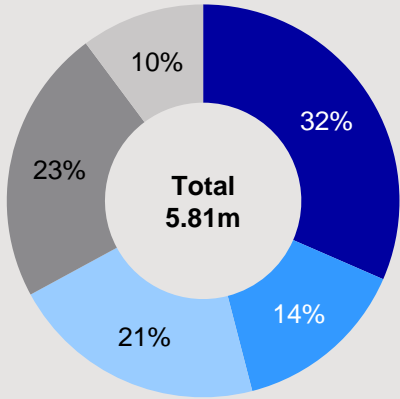
¹⁾ Market share of all Danish mortgage bank loans

Loan portfolio by regions

All property categories



Danish population by regions



4. Asset quality

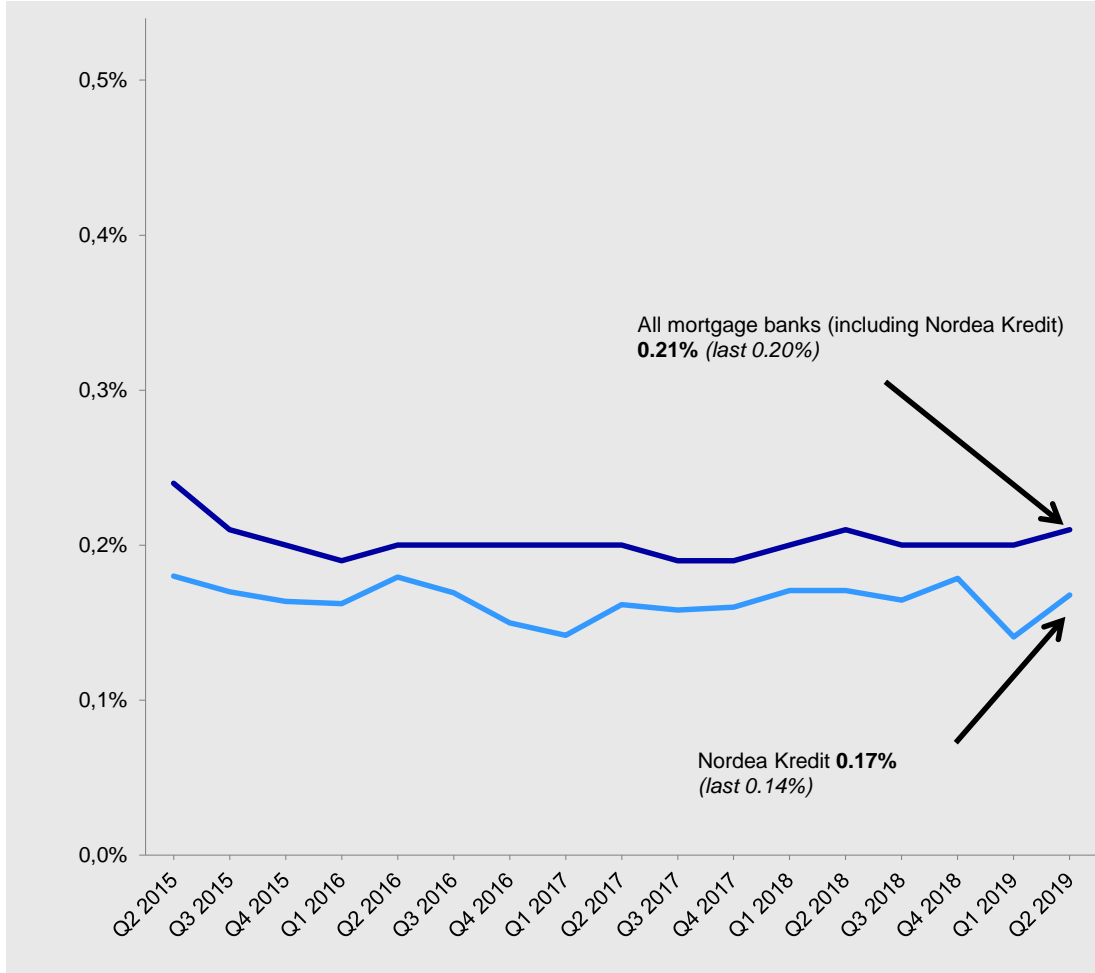
Loan To Value (LTV) – Loans for residential properties

Q2 2019

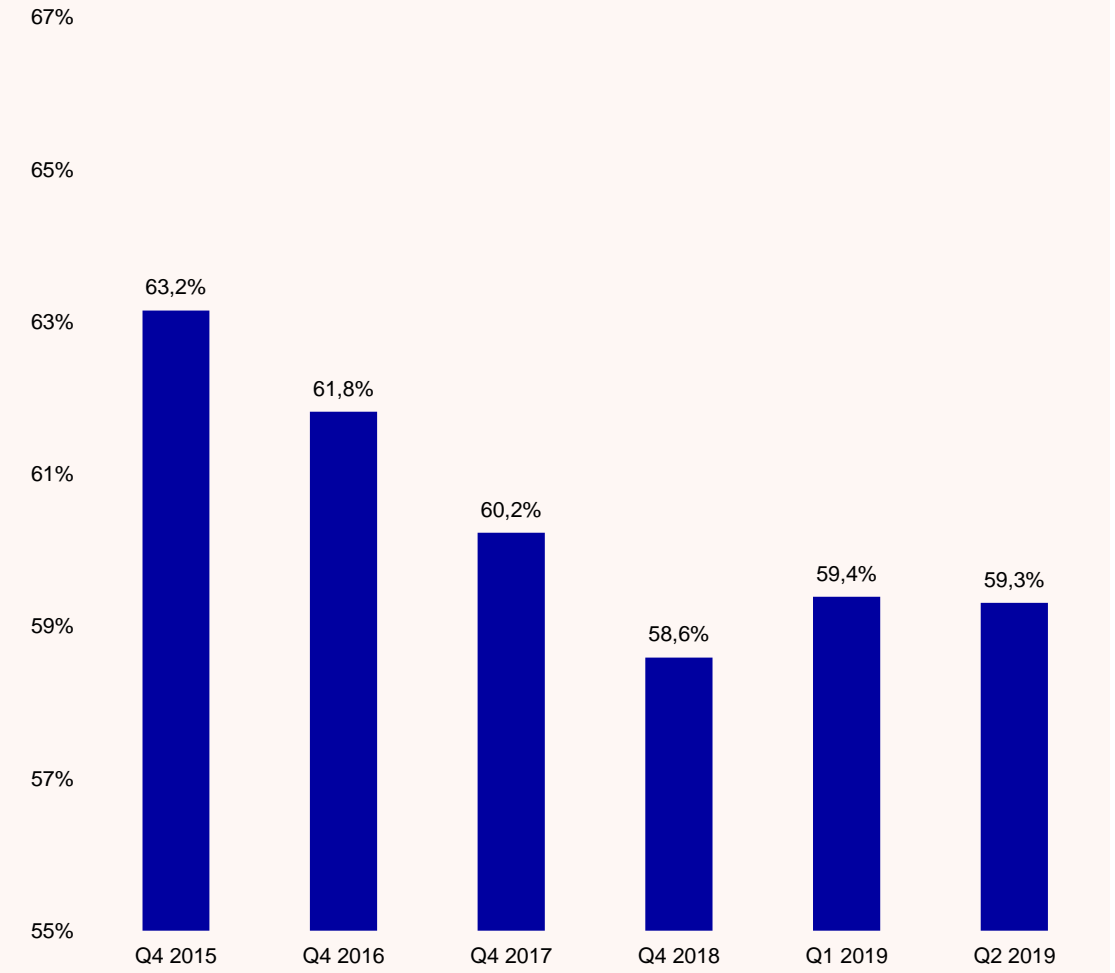
Capital Centre	CC1	CC1	CC2	CC2
Weighted Average LTV – Indexed	53.0%		63.1%	
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	2,365	74.28%	194,140	63.02%
>40 - <=50 %	324	10.18%	39,723	12.89%
>50 - <=60 %	214	6.72%	32,142	10.43%
>60 - <=70 %	132	4.15%	22,749	7.38%
>70 - <=80 %	72	2.26%	13,225	4.29%
>100%	20	0.63%	1,169	0.38%
Total	3,184	100%	308,065	100%

Asset quality

Arrears (Owner occupied dwellings and holiday homes)¹



Loan-to-value (LTV) weighted average



¹⁾ Arrears as a percentage of the Q1, 2019 scheduled payments – 3½ months after due date

5. Underwriting criteria

Underwriting criteria

Q2 2019

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%
- Individual valuation of the pledged property

Corporates, agriculture etc.

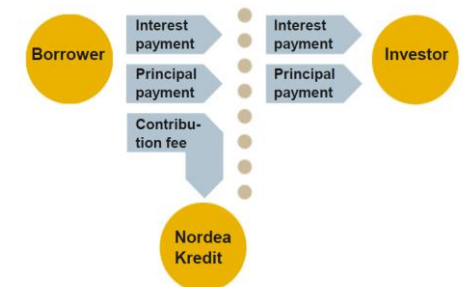
- Financial analysis with adjustments to market conditions
- Verification of key ratios and other requirements in Nordea general real estate lending policy
- Rating according to Nordea's in-house models
- Individual valuation of the pledged property
- Yearly repricing based on reassessment

6. Covered bond framework

Danish covered bond framework

Q2 2019

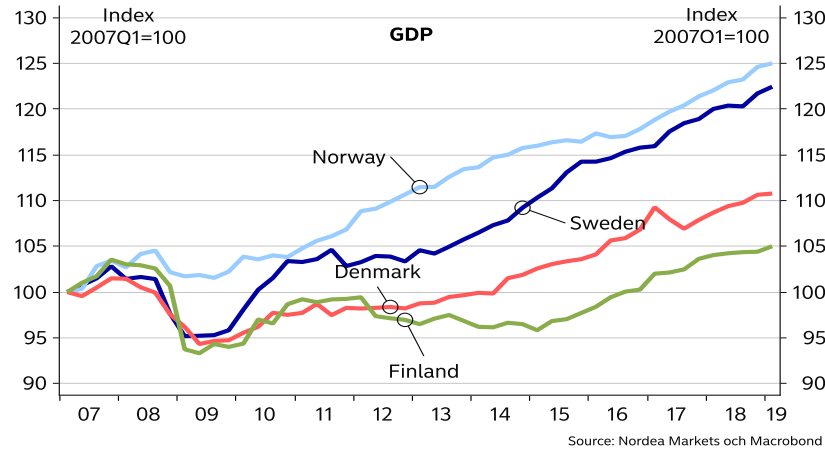
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several implementing executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Public Land Registry
- 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

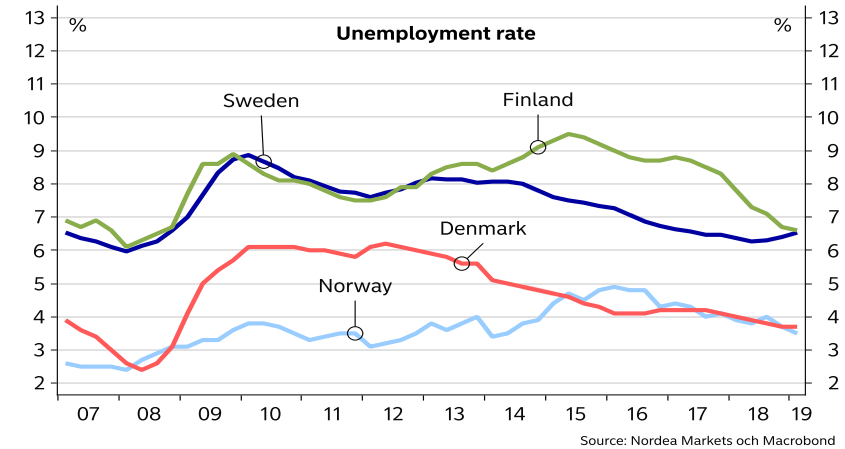
GDP development



Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down more than expected during the end of last year to this year, especially in the euro area.
- Export-dependent Sweden and Finland have been most hit by the downturn, while higher growth is projected in Norway and Denmark.
- Monetary policy has shifted to a more cautious stance (except Norway) as the global growth and inflation outlook remains subdued.
- In Sweden, unemployment is increasing from a large net inflow to the labour market as a result of the growing population. Looking forward, we expect a continued decrease in the rest of the Nordics.

Unemployment rate



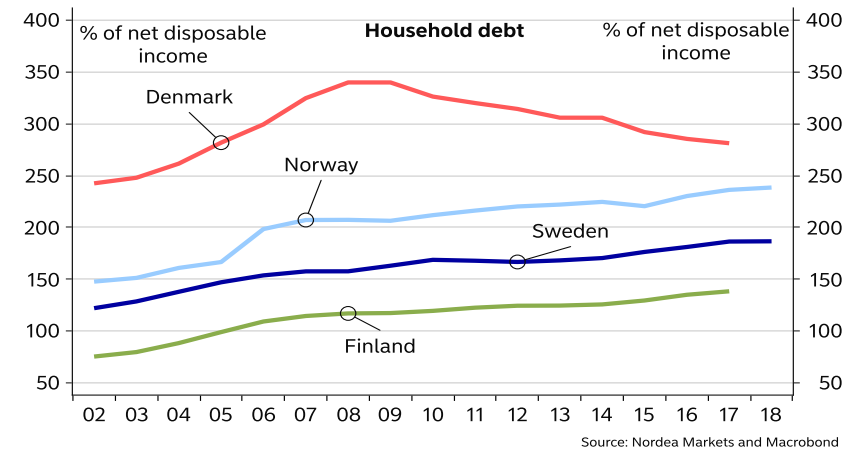
GDP forecast, %

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

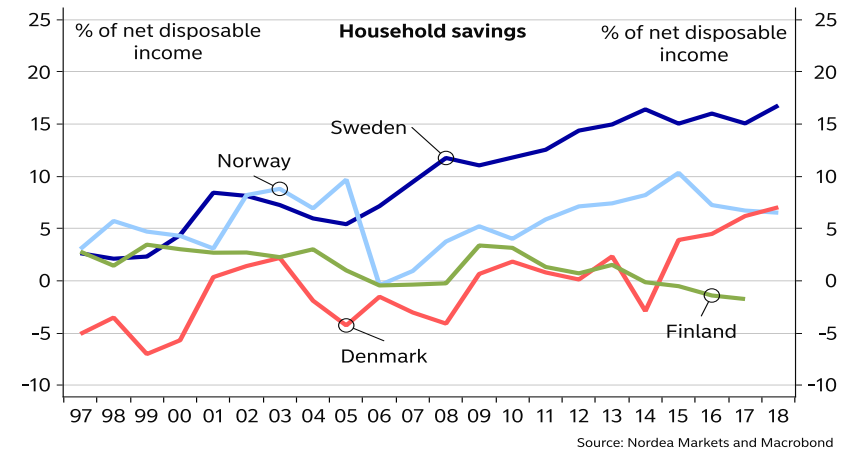
Source: Nordea Markets Economic Outlook May 2019, Macrobond and OECD.

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

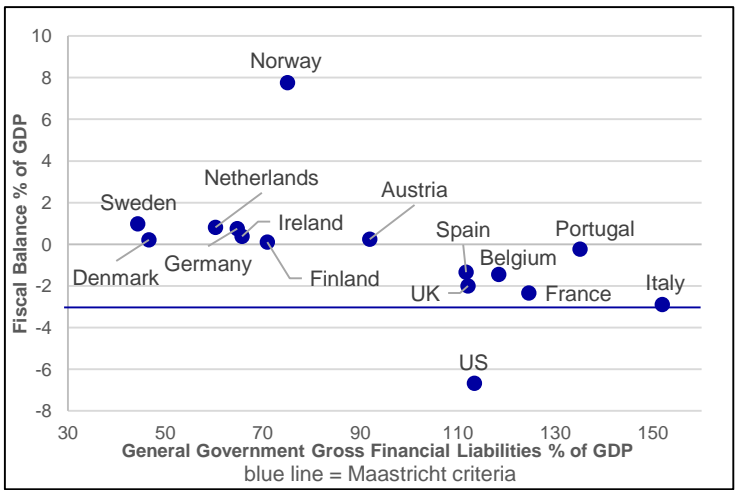
Household debt



Household savings



Public balance/debt, % of GDP, 2020E

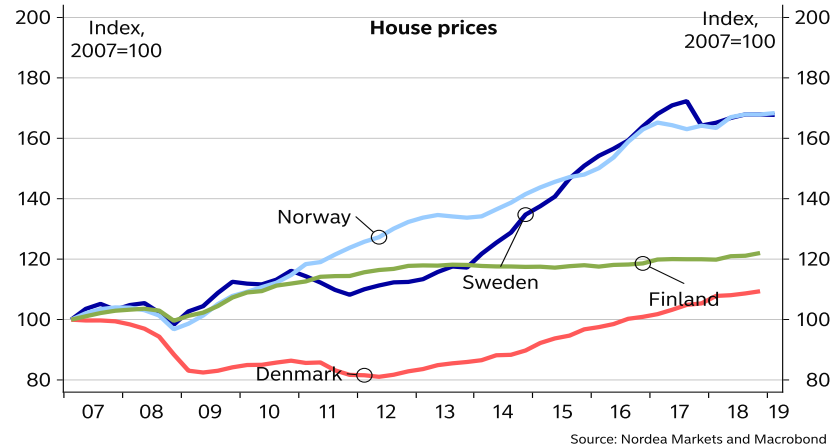


Comments

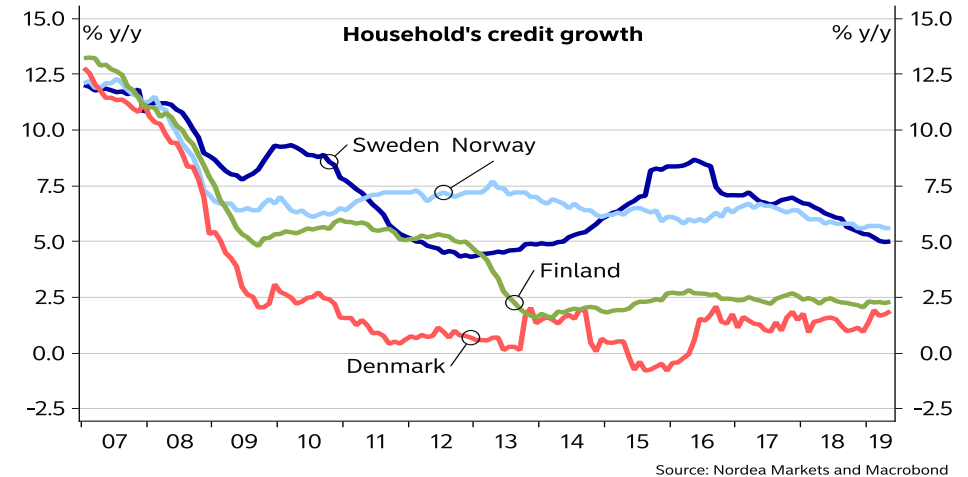
- Household debt continues to rise somewhat faster than income in Norway and Finland. Denmark continues to move in the opposite trend while Sweden is showing signs of stabilisation.
- Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined in recent years.
- The Nordic public finances are robust due to the overall economic recovery and firm 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. Credit growth in the Nordics is showing signs of stabilisation.
- In Sweden, house prices declined during H2 2017 but have since then risen slightly. The current main risks are the high supply of homes as well as 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, but have levelled out and even increased somewhat in Oslo. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. Largely unchanged prices are forecast ahead, as dampened demand from rising interest rates will be balanced by a strengthening labour market and household purchasing power.
- In Denmark, tighter regulations have been implemented in an attempt to prevent price bubbles in the housing market. Housing prices are expected to increase only slightly faster than inflation in the coming years.

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>