

Nordea



Nordea Kredit Covered Bonds

Q4 2018 Debt investor presentation



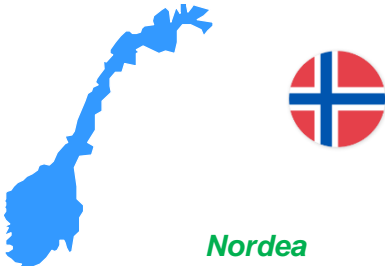
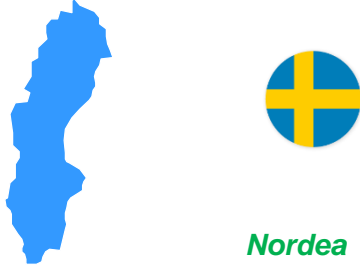


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1. Nordea Kredit in brief

Nordea covered bond operations

Q4 2018

<i>Four aligned covered bond issuers with complementary roles</i>	 Nordea Eiendoms-kreditt	 Nordea Hypotek	 Nordea Kredit	 Nordea Mortgage Bank	
	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.)	EUR 60.6bn (eq.)	EUR 20.1bn
	Covered bonds outstanding	EUR 8.9bn (eq.)	EUR 31.4bn (eq.)	EUR 55.1bn (eq.)	EUR 18.3bn
	OC	26%	67%	CC1/CC2 30,7%/9,8%	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



Nordea Kredit – in brief

Q4 2018

- 100% owned subsidiary of Nordea Bank Abp - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of 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

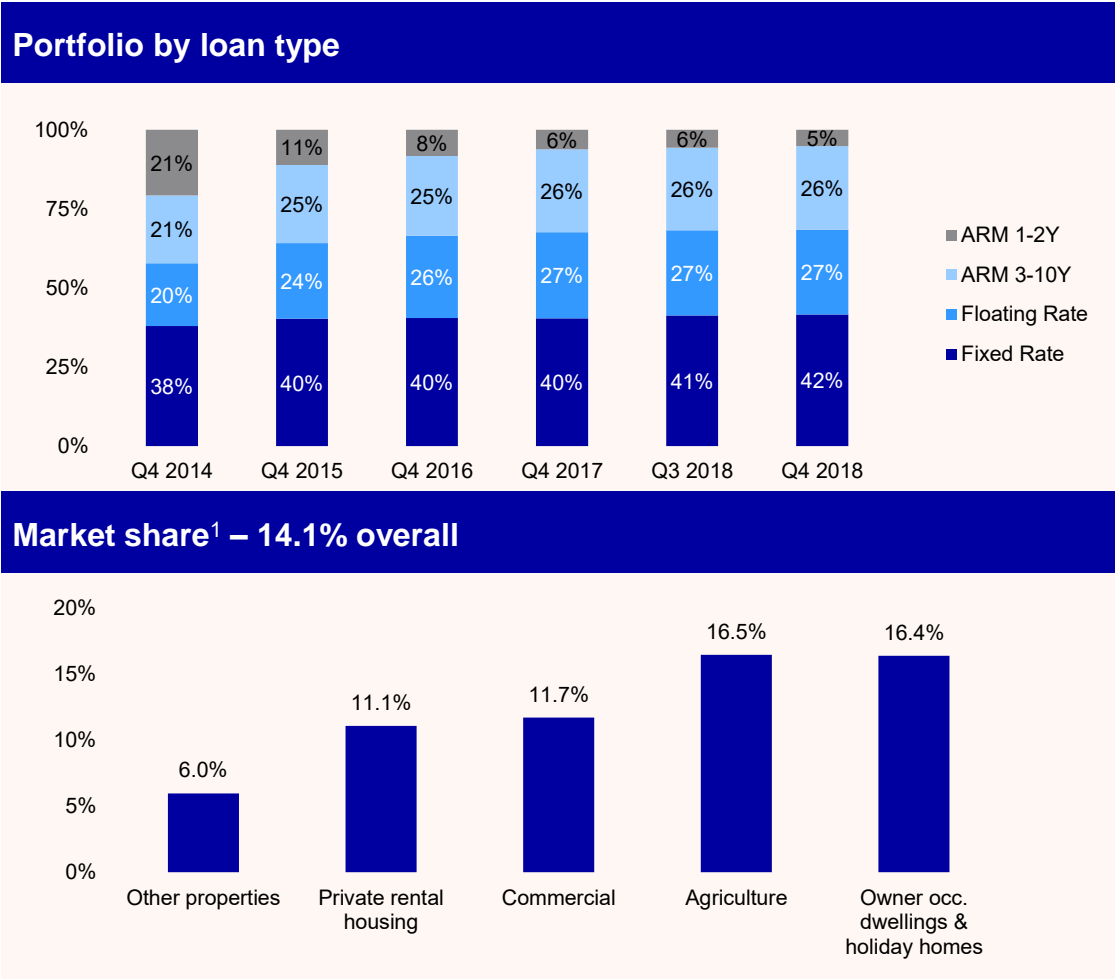
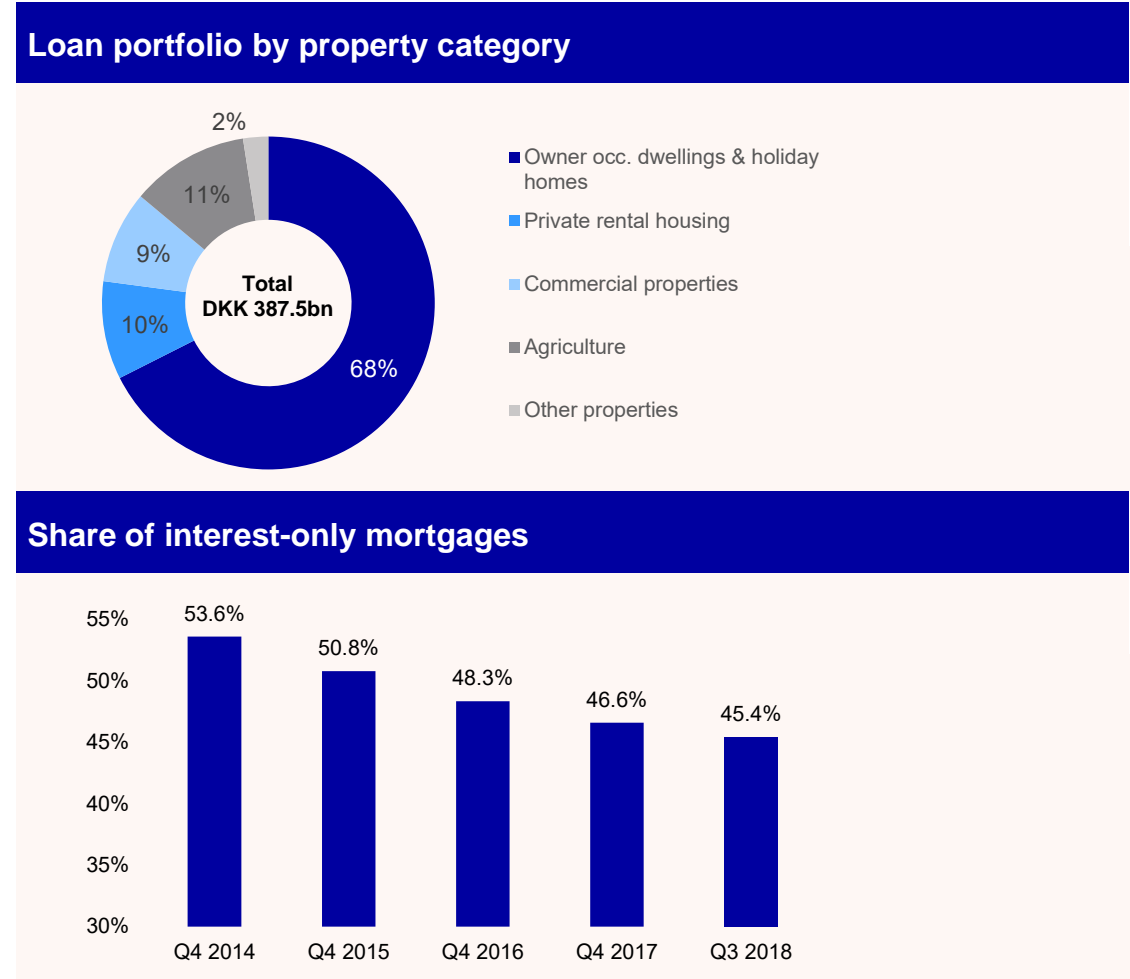
2. Cover pool key characteristics

Cover pool key characteristics

Q4 2018

Pool notional	CC1	CC2
Outstanding Covered Bonds	EUR 0.51bn (no new issuance)	EUR 54.6bn
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	52.6%	62.2%
Average loan size	EUR 61,000m	EUR 178,000m
Over collateralisation, OC	30.7%	9.8%
Rate type	Fixed rate 71.1%, Floating rate 28.9%	Fixed rate 41.5%, Floating rate 58.5%
Amortization	Interest only 0%, Amortizing 100%	Interest only 46.1%, Amortizing 53.8%
Substitute assets	EUR 188m	EUR 8,305m
Pool type	Static	Static
Loans originated by	Nordea Kredit	Nordea Kredit

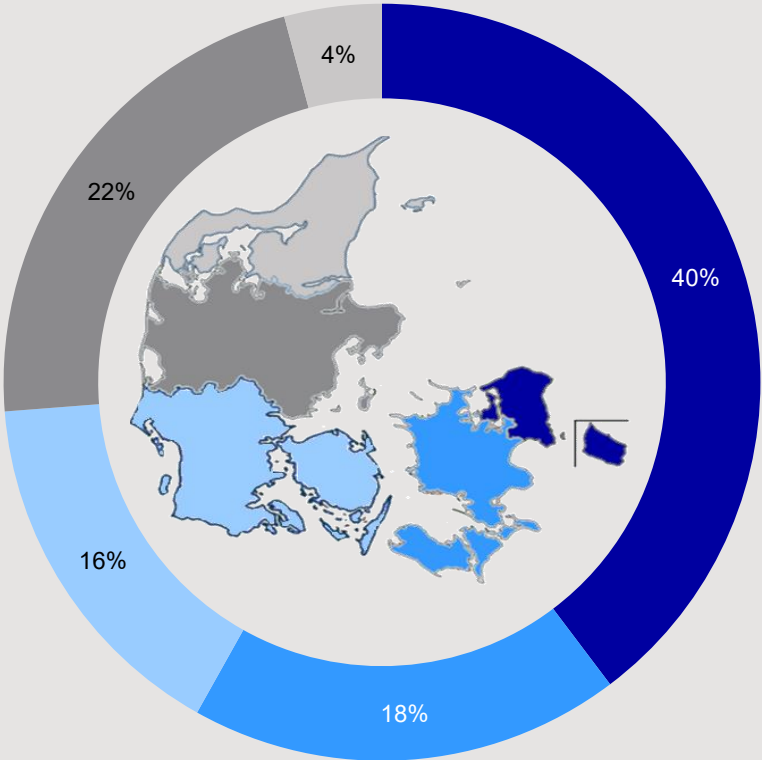
Loan portfolio



¹⁾ Market share of all Danish mortgage bank loans

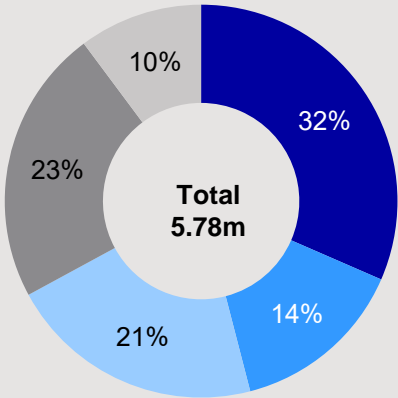
Loan portfolio by regions

All property categories



- Greater Copenhagen including Bornholm
- Remaining Zealand
- Southern Jutland & Funen
- Central Jutland
- Northern Jutland

Danish population by regions



3. Asset quality

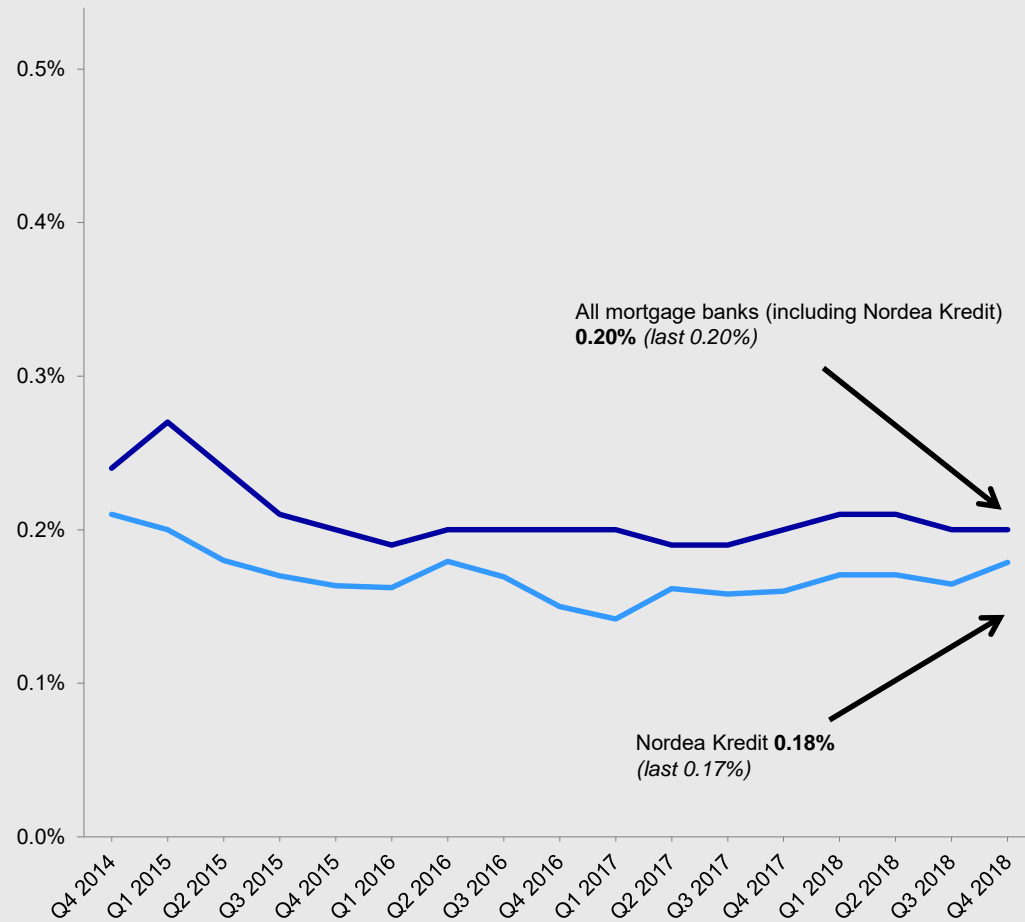
Loan To Value (LTV)

Q4 2018

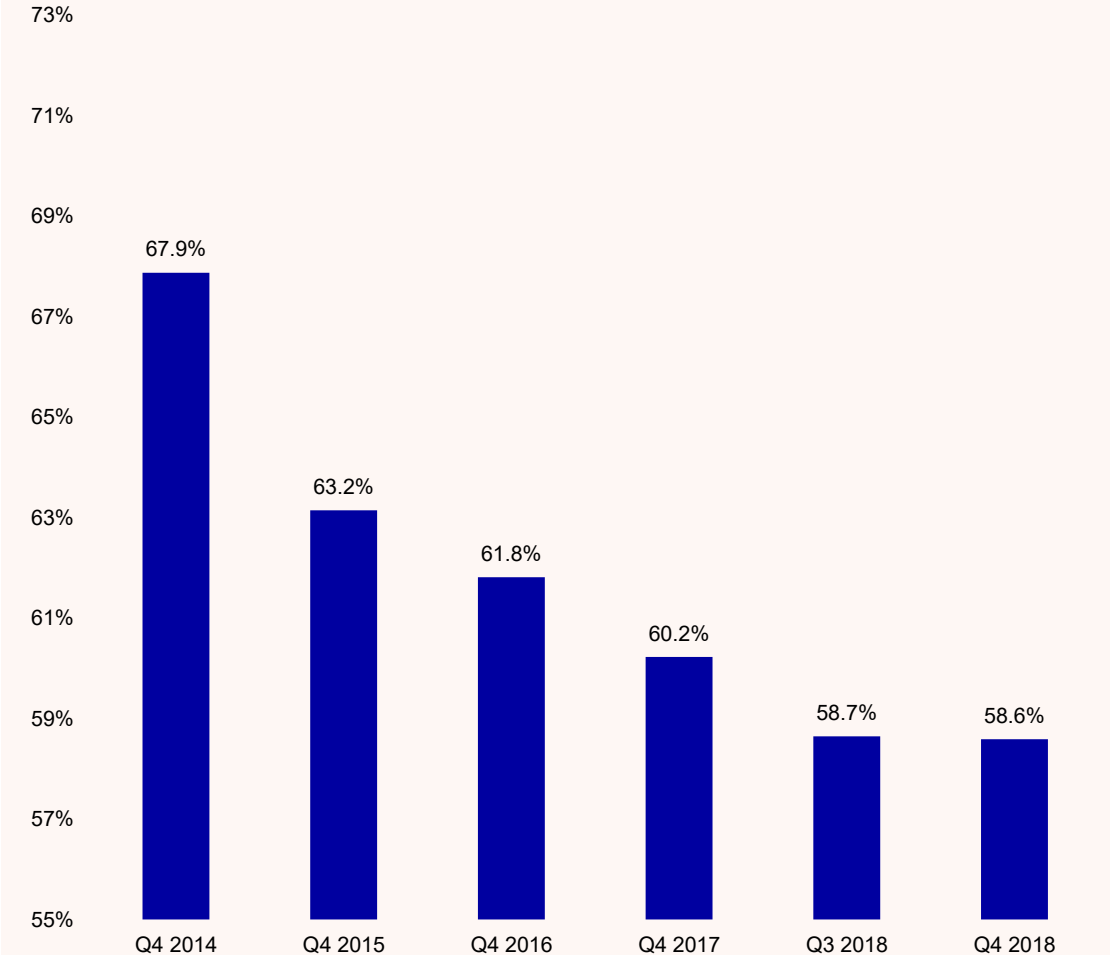
Capital Centre	CC1	CC1	CC2	CC2
Weighted Average LTV – Indexed	52.6%		62.2%	
LTV buckets	Nominal (EURm)	% Loans	Nominal (EURm)	% Loans
>0 - <=40 %	402	76%	34,429	66%
>40 - <=50 %	52	10%	6,838	13%
>50 - <=60 %	34	6%	5,235	10%
>60 - <=70 %	20	4%	3,308	6%
>70 - <=80 %	11	2%	1,727	3%
>100%	3	0.5%	188	0.3%
Total	530	100%	52383	100%

Asset quality

Arrears (Owner occupied dwellings and holiday homes)¹



Loan-to-value (LTV) overall average



¹⁾ Arrears as a percentage of the Q3, 2018 scheduled payments – 3½ months after due date

4. Underwriting criteria

Underwriting criteria

Q4 2018

Private households

- Behavior score and individual credit assessment based on income information – pay slips and most recent tax statement
- Always household budget "before-after" (based on a 30 year annuity loan with 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.

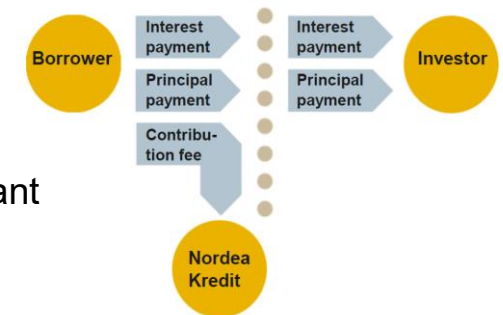
- Financial analysis with adjustments to market conditions
- Verification of key ratios and other requirements in Nordea general real estate lending policy
- Rating according to Nordea's in-house models
- Individual valuation of the pledged property
- Yearly repricing based on reassessment

5. Covered Bond framework

Danish covered bond framework

Q4 2018

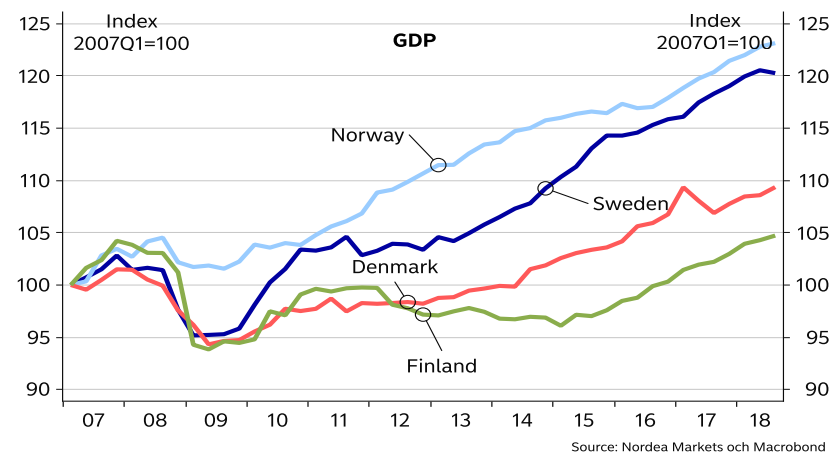
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act
- Registration
 - An issuing mortgage credit institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the public Land Registry
- Limit on LTV ratio – based on the initial value
 - 80% for housing loans (residential property)
 - 60% (70%) for commercial loans (legal lending limit)
 - 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 with only insignificant interest rate and foreign exchange risk
- Independent supervision
 - The Danish FSA (Finanstilsynet) performs supervision and on-site inspections on an ongoing basis



6. Macro

Robust Nordic economies

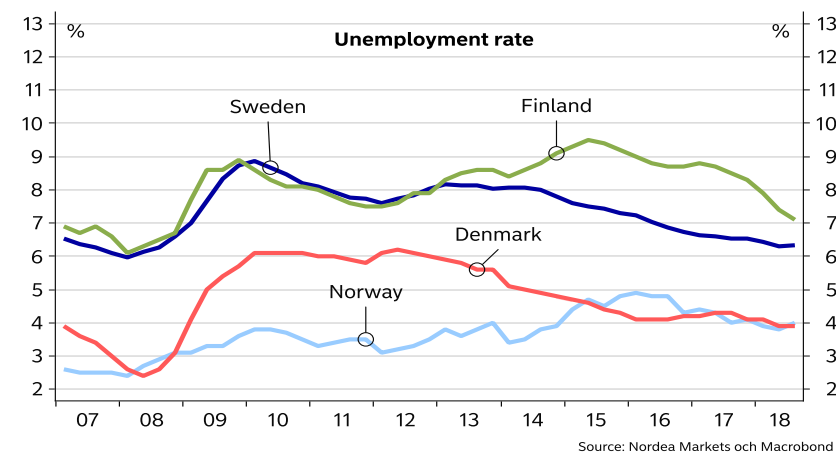
GDP development



Comments

- The Nordics have enjoyed a solid economic development in recent years. The global economy slowed down during the autumn and especially in the Euro-Area. Monetary policy has shifted to be less supportive. This has affected the Nordics to various extent. Sweden and Finland have been most hit as being more dependant on exports.
- Short-term survey indicators have declined, but from elevated levels, suggesting that growth will remain decent in the near-term and that a major slowdown of the economies is not imminent.

Unemployment rate



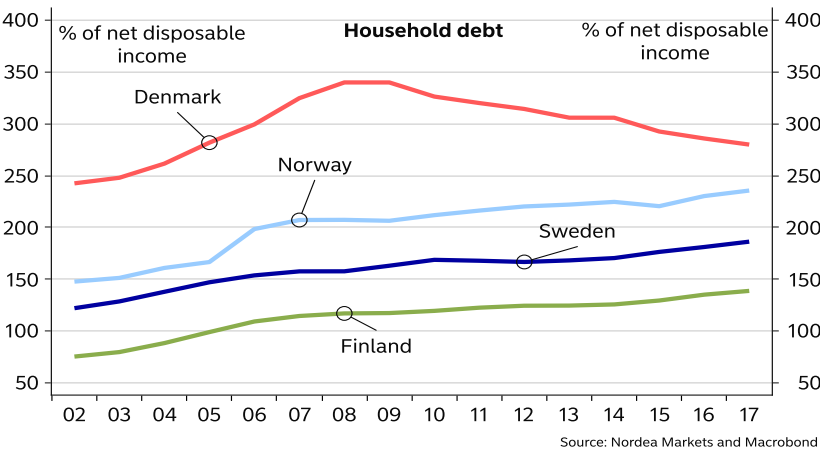
GDP forecast, %

Country	2016	2017	2018E	2019E	2020E
Denmark	2.4	2.3	0.9	1.8	1.7
Finland	2.5	2.8	2.3	1.5	1.0
Norway	1.1	2.0	2.5	2.6	2.1
Sweden	2.4	2.4	2.3	1.0	1.3

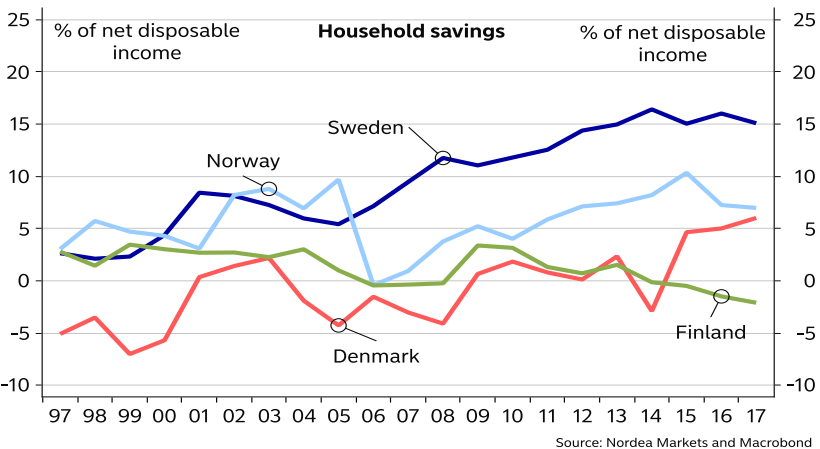
Source: Nordea Markets Economic Outlook January 2019 and Macrobond

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

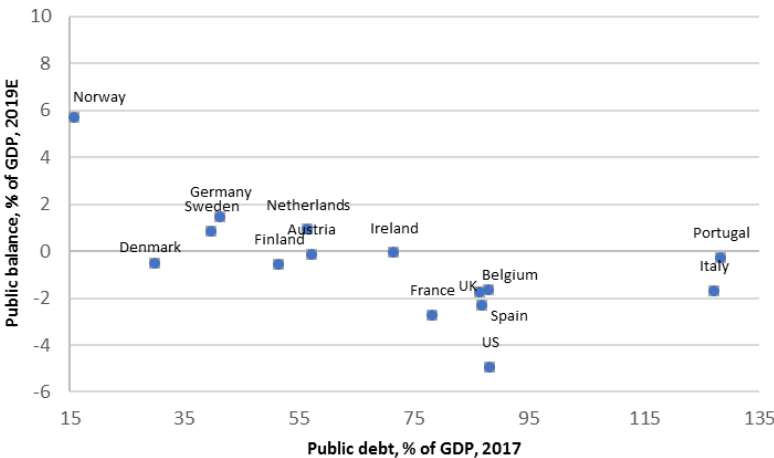
Household debt



Household savings



Public balance/debt, % of GDP, 2019E

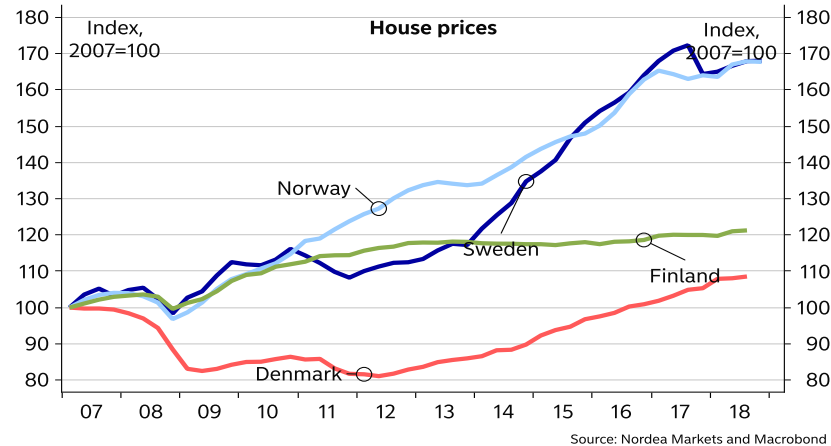


Comments

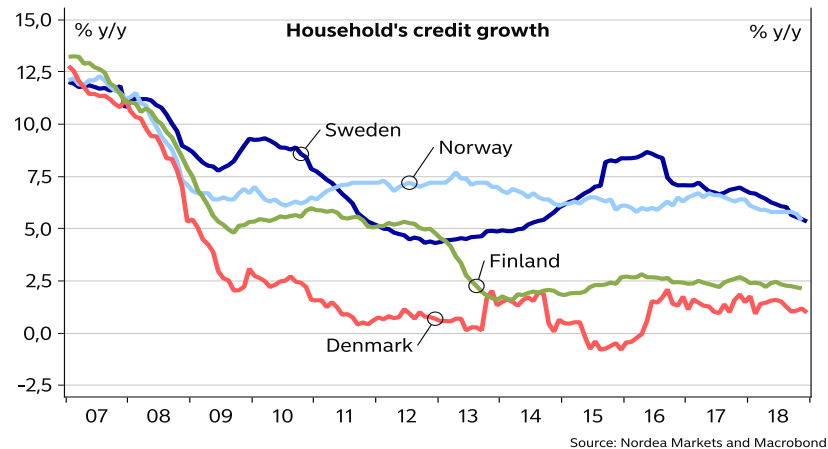
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years.
- The Nordic public finances are robust due to the overall economic 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 the trend has levelled out in 2018. The price correction was probably due to the marked rise in new buildings as well as the FSA's additional amortization requirement (March 2018). Going forward we expect house prices to remain stable as mortgage rates will remain low even though we see risks on the downside.
- 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.

7. 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-subsiary-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>