

# Nordea



## Nordea Kredit Covered Bonds

Q4 2019 Debt investor presentation



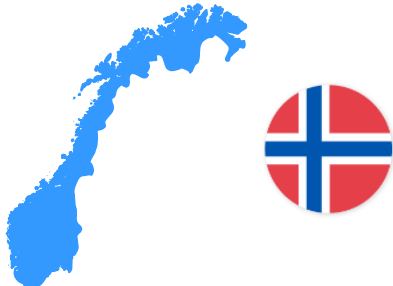
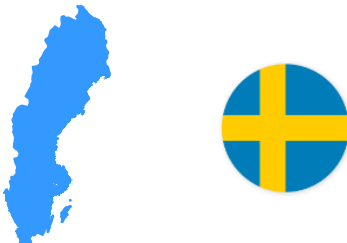

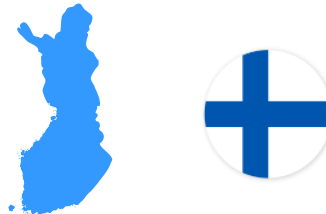
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# 1. Nordea covered bond issuance in brief

# Nordea covered bond operations

Q4 2019

Four aligned covered bond issuers with complementary roles	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank	
					
	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 16.9bn (eq.)	EUR 53.5bn (eq.)	Balance principle	EUR 21.9bn
	Covered bonds outstanding	EUR 9.9bn (eq.)	EUR 31.8bn (eq.)	EUR 58.6bn (eq.)*	EUR 16.1bn
	OC	71%	68%	8%*	37%
	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



4 \*Figures only include Capital Centre 2 (CC2). Nordea Kredit CC1 is not included, as it is a run-off pool under old legislative framework with no active issuance. CC1 volumes currently amount to less than 1% of the outstanding loans and covered bonds.

## 2. Nordea Kredit in brief

# Nordea Kredit – in brief

## Q4 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 Danish FSA (DFSA, Finanstilsynet)
- 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 DKK 2,373m
- Cost-income ratio 2019 11.4%
- Capital ratio 2019 (of which Tier 1) 27.0% (24.4%)
- More information at [nordeakredit.dk](https://nordeakredit.dk)

### 3. Cover pool key characteristics

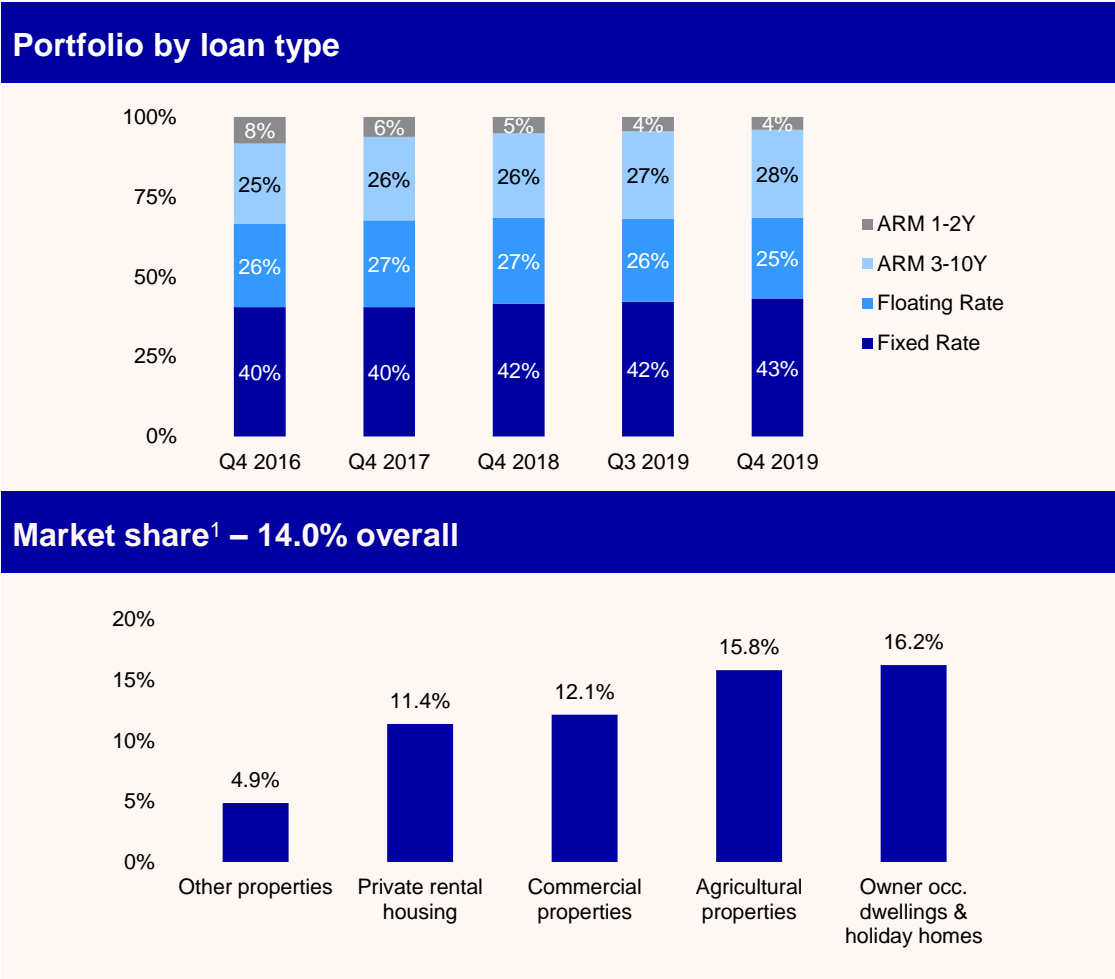
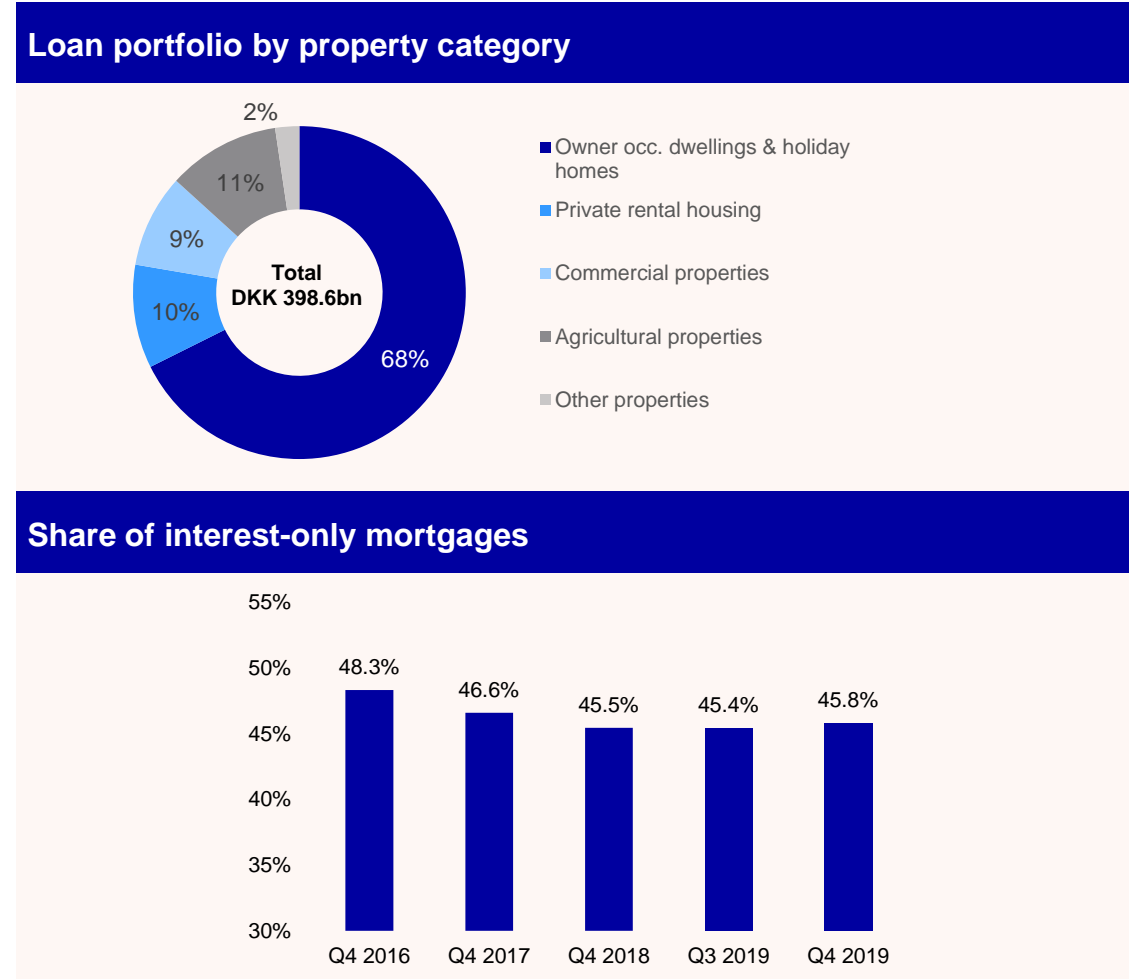
## Cover pool key characteristics

Q4 2019

<b>Outstanding covered bonds</b>	EUR 58.6bn
<b>Cover pool content</b>	Mortgage credit loans secured by mainly residential property
<b>Geographic distribution</b>	Throughout Denmark with concentration in urban areas
<b>Weighted average LTV</b>	58.5%
<b>Average residential loan size</b>	EUR 188,755
<b>Over collateralisation, OC</b>	8.2%
<b>Rate type</b>	Fixed rate 71.9%, Floating rate 28.1%
<b>Amortization</b>	Interest only 46.1%, Amortizing 53.9%
<b>Substitute assets</b>	EUR 10,094m
<b>Pool type</b>	Static
<b>Loans originated by</b>	Nordea Kredit



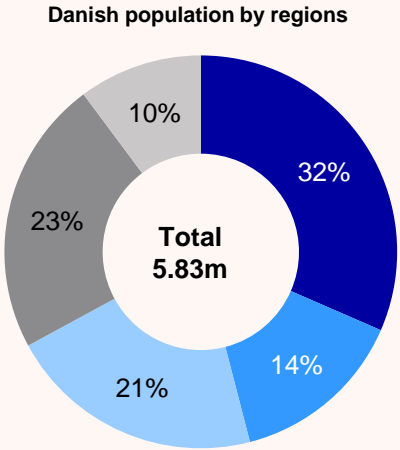
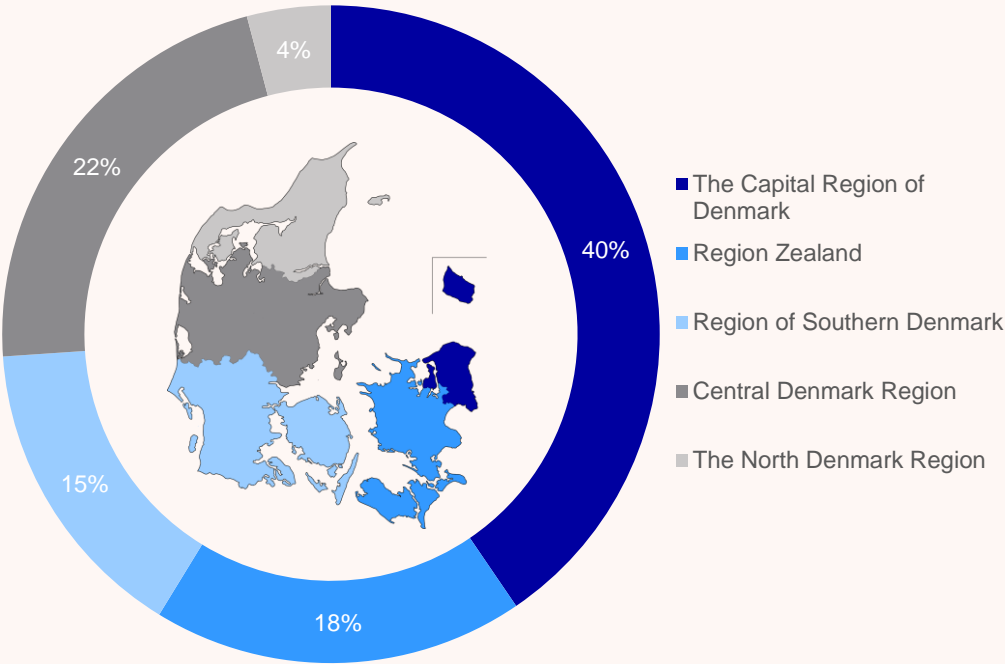
# Loan portfolio



<sup>1)</sup> Market share of the Danish mortgage credit market

# Loan portfolio by regions

## All property categories



## 4. Asset quality

# Loan to value (LTV) – loan for residential properties

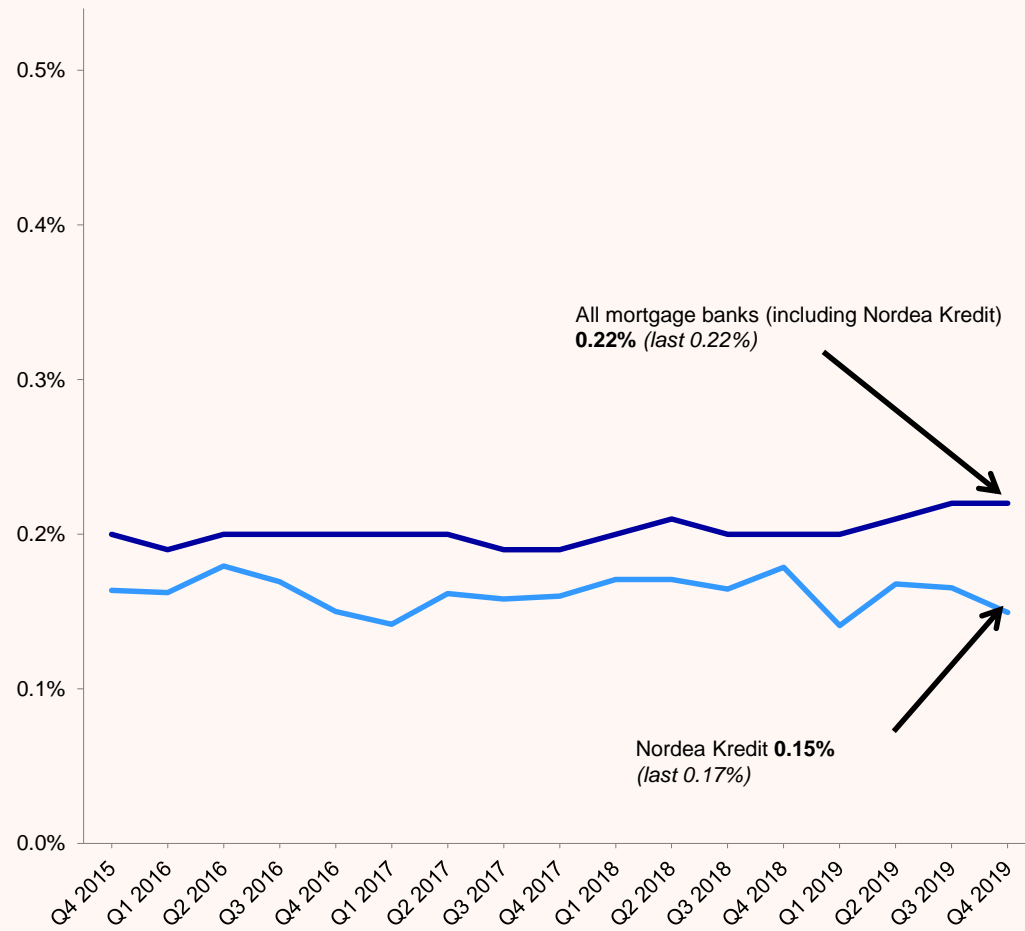
Q4 2019

Loan type	Residential loans	Commercial loans
Weighted average LTV - indexed	61.8%	46.5%

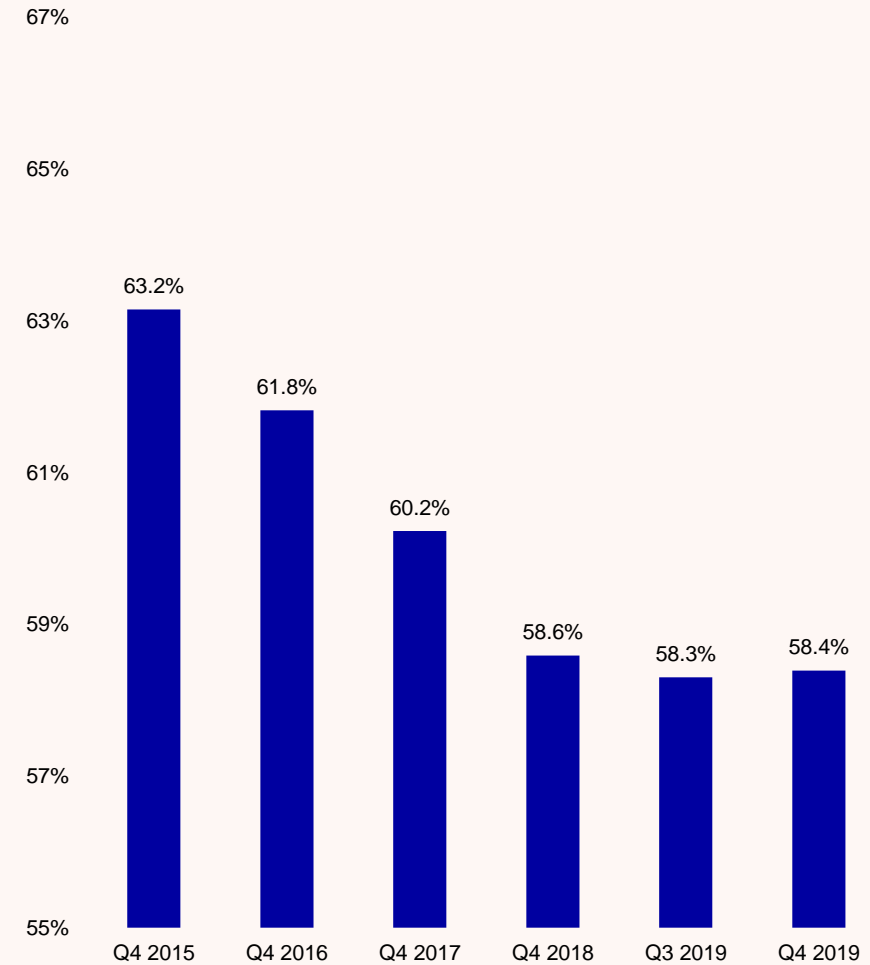
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	202,478	64.5%	64,299	72.9%
>40 - <=50 %	40,680	13.0%	11,725	13.3%
>50 - <=60 %	32,429	10.3%	7,722	8.8%
>60 - <=70 %	22,280	7.1%	2,646	3.0%
>70 - <=80 %	12,124	3.9%	894	1.0%
>80%	4,078	1.4%	908	1.0%
Total	314,069	100%	88,194	100%

# 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 Q3, 2019 scheduled payments – 3½ months after due date

## 5. Underwriting criteria

# Underwriting criteria

## Q4 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% p.a.
- 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

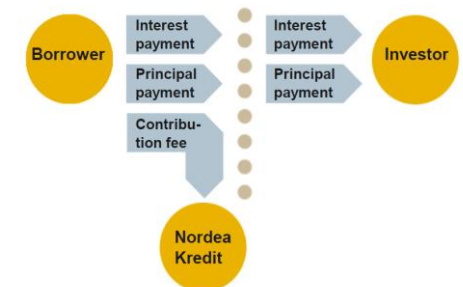
## 6. Covered bond framework



# Danish covered bond framework

## Q4 2019

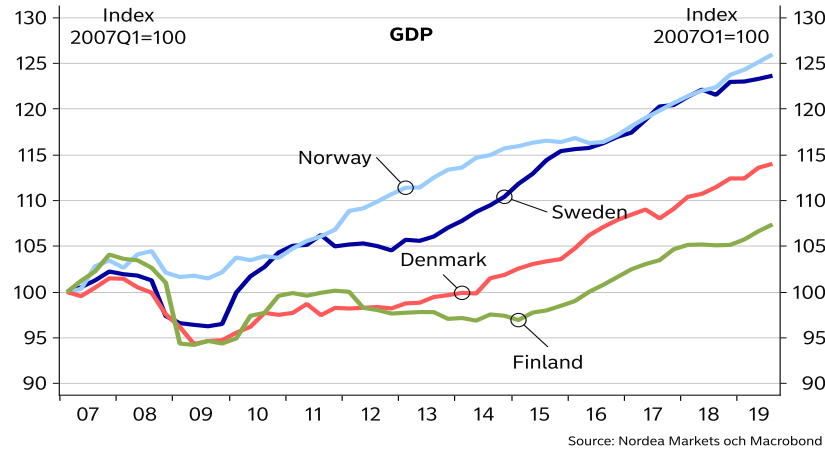
- Legal framework
  - The Financial Business Act
  - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
  - An issuing institution is required to maintain a static cover pool
  - Mortgage deeds are registered in the Public Land Registry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



## 7. Macro

# Nordic economies – solid footing

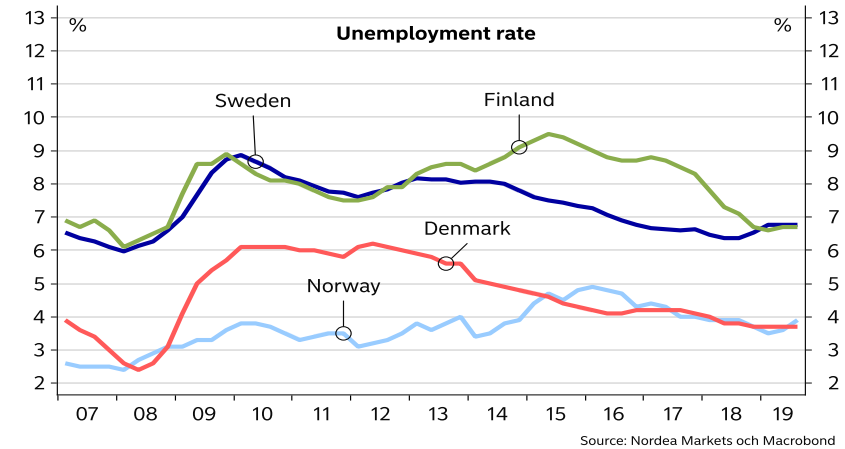
## GDP development



## Comments

- The Nordic economies are well-equipped to handle the global slowdown. Sweden is set to recover in the end of 2020, and Denmark is headed for a soft landing after a six-year upswing. Norway will continue to show strength after a solid 2019, while growth is stalling in Finland.
- Norway has seen three rate hikes in 2019 and, more surprisingly, the Riksbank hiked the repo rate to 0% in December. Monetary policy in the Nordics will however be more cautious in 2020.
- Swedish unemployment is set to increase further due to weakening domestic demand. The Danish labour market is expected to remain balanced as well as in Norway. Finnish unemployment is expected to hover at current levels if no structural reforms are implemented.

## Unemployment rate



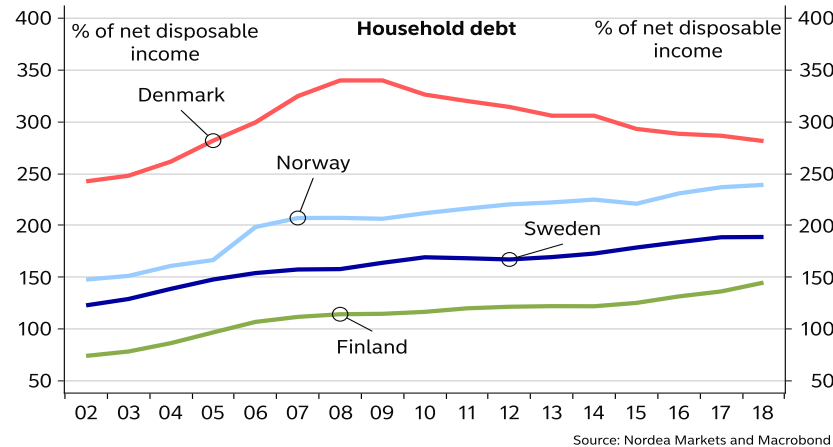
## GDP forecast, %

Country	2017	2018	2019E	2020E	2021E
Denmark	2.0	2.4	2.1	1.5	1.5
Finland	3.1	1.7	1.5	1.0	0.5
Norway	2.0	2.2	2.5	1.8	1.6
Sweden	2.7	2.3	1.1	0.8	1.8

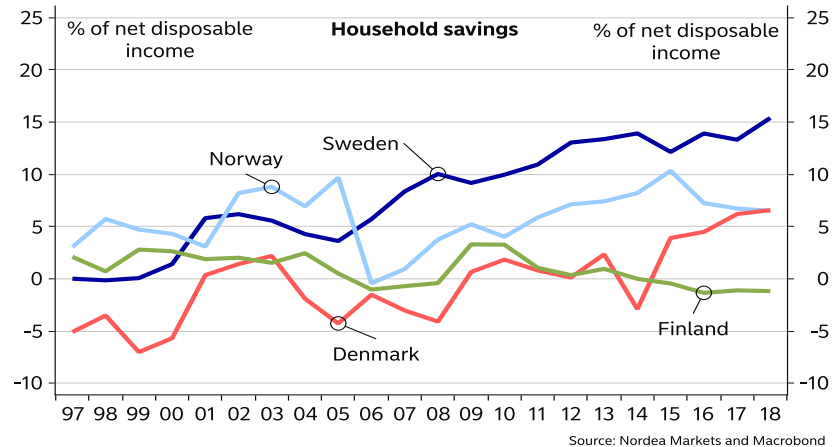
Source: Nordea Markets Economic Outlook January 2020, Macrobond and OECD.

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

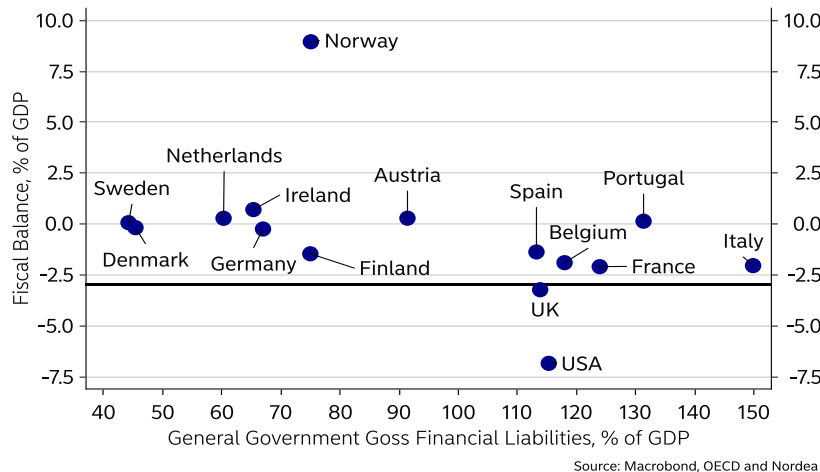
## Household debt



## Household savings



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

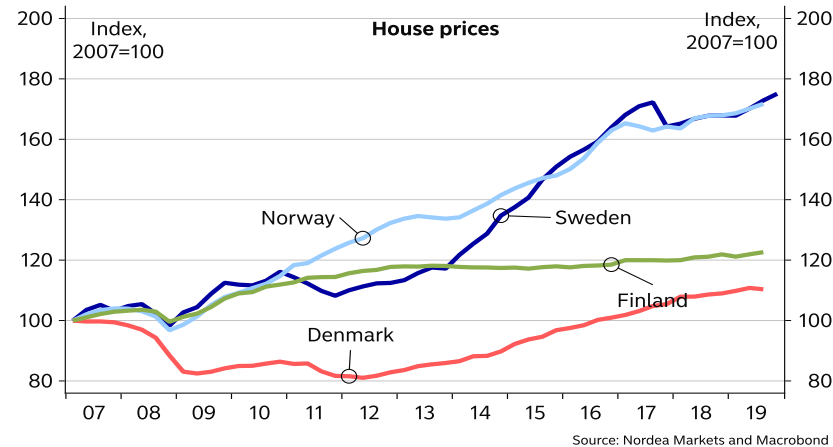


## Comments

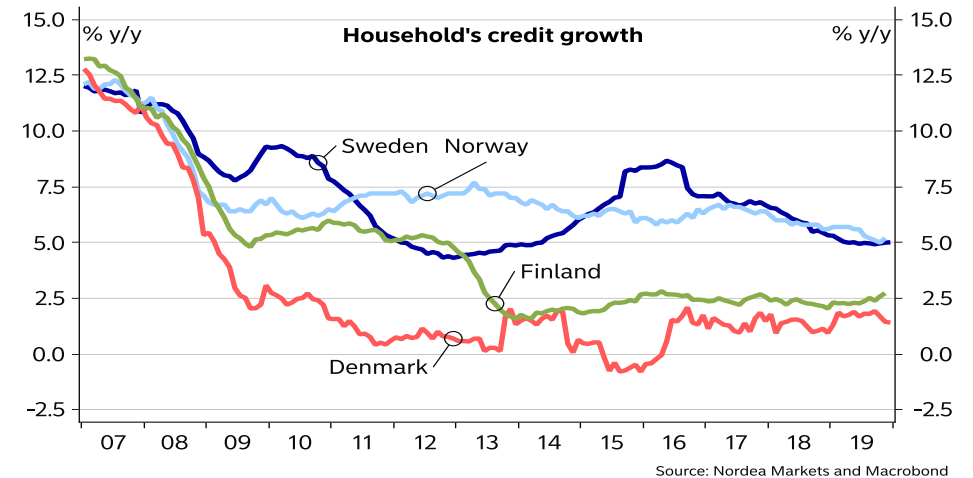
- Household debt continues to rise somewhat faster than income in Norway, Finland and Sweden. Denmark continues to move in the opposite trend, though from very high levels.
- Meanwhile, households' savings rates remain at high levels, and are increasing in Sweden and Denmark. Finnish savings have stabilized in recent years and are finally showing signs of picking up.
- 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

- Low interest rates continue to keep Nordic housing markets afloat and modest price increases are expected in the coming years. Prices continue to rise in Sweden and Norway. Danish home prices are still at a low level. The Finnish housing market was unusually active in 2019. However, uncertainty will remain while low interest rates will support prices in growing cities. Credit growth in the Nordics is moving sideways except for in Denmark.
- Swedish house prices have exceeded the previous top in 2017. The Riksbank's rate hike in late 2019 may temporarily dampen the pick-up, but the prospect of low interest rates in the foreseeable future will likely be more important for housing prices than rising unemployment and the Riksbank's isolated rate hike.
- Last year's increase in interest rates in Norway and good supply of new housing have contributed to keeping a lid on housing prices in Norway. The total rate hike was nonetheless modest, and interest rates are still very low. The housing market is this well balanced and the risk of a significant turnaround in the market is considered to be very low.
- 2019 was a good year for the Danish housing market and prices rose across most of the country. Housing prices are expected to continue to rise by around 3% annually – driven by persistently low interest rates and the expected stronger purchasing power of households.

## 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>*