

Nordea

Nordea Kredit Covered Bonds
Q1 2021 Debt Investor Presentation



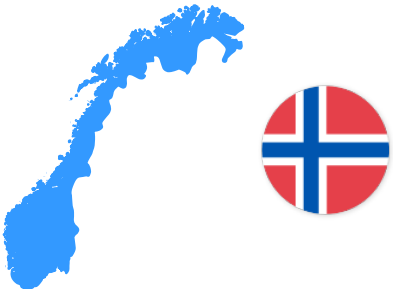
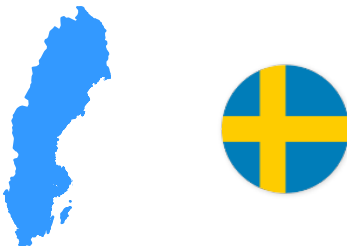

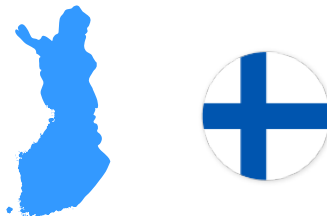
Table of contents

1. Nordea covered bond issuance in brief	3
2. Nordea Kredit in brief	5
3. Cover pool key characteristics	7
4. Asset quality	11
5. Underwriting criteria	14
6. Covered bond framework	16
7. Macro	18
8. Contacts and links	22

1. Nordea covered bond issuance in brief

Nordea covered bond operations

Q1 2021

Four aligned covered bond issuers with complementary roles	Nordea Eiendoms kreditt	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 17.7bn (eq.)	EUR 59.1bn (eq.)	Balance principle	EUR 23.2bn
	Covered bonds outstanding	EUR 12.9bn (eq.)	EUR 41.2bn (eq.)	EUR 59.1bn (eq.)*	EUR 21.0bn
	OC	37%	44%	8%*	10%
	Issuance currencies	NOK	SEK	DKK, EUR	EUR, GBP
	Rating (Moody's / S&P)	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 2021

- 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% of the Danish mortgage credit market
- All covered bonds are rated AAA by 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 2020: DKK 1,640m
- Cost-income ratio 2020: 22.2%
- Capital ratio 2020 (of which Tier 1): 25%
- More information at nordeakredit.dk

3. Cover pool key characteristics

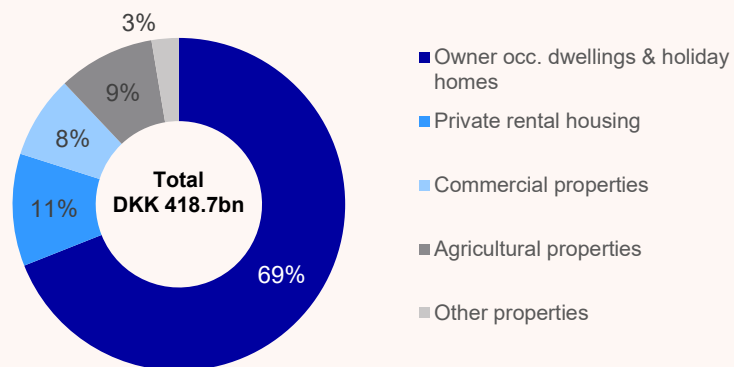
Cover pool key characteristics

Q1 2021

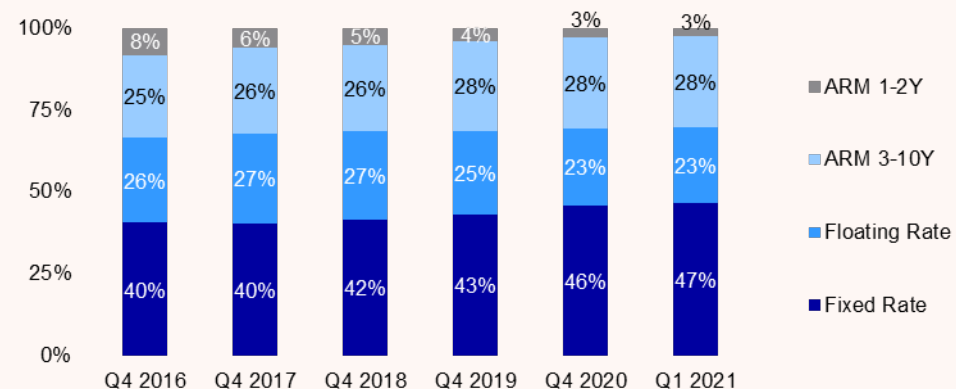
Outstanding covered bonds	EUR 59.1bn.
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 62.7bn.)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	55.37%
Average residential loan size	EUR 196,740
Over collateralisation, OC	7.8%
Rate type	Fixed rate 74.8%, Floating rate 25.2%
Amortization	Interest only 48.2%, Amortizing 51.8%
Substitute assets	EUR 7,31m.
Pool type	Static
Loans originated by	Nordea Kredit CC2

Loan portfolio

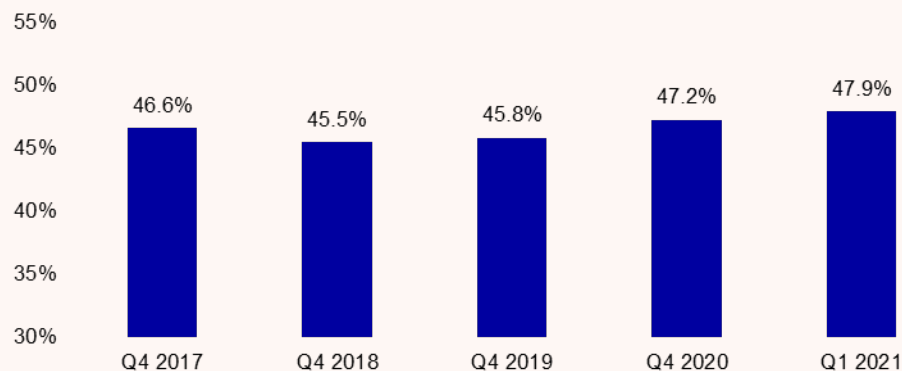
Loan portfolio by property category



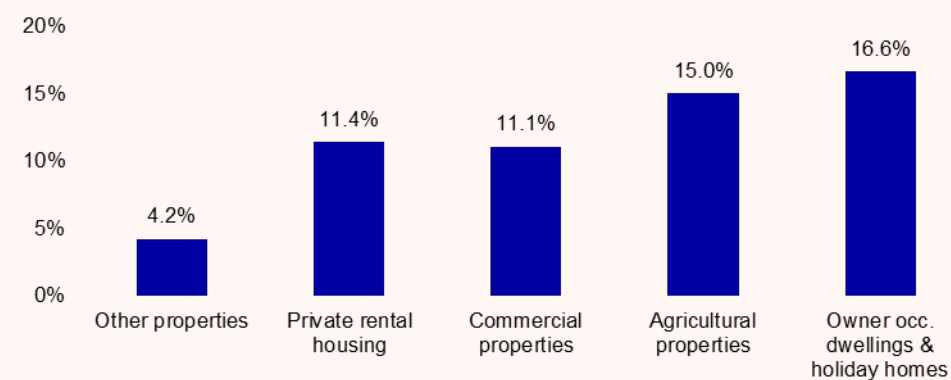
Portfolio by loan type



Share of interest-only mortgages



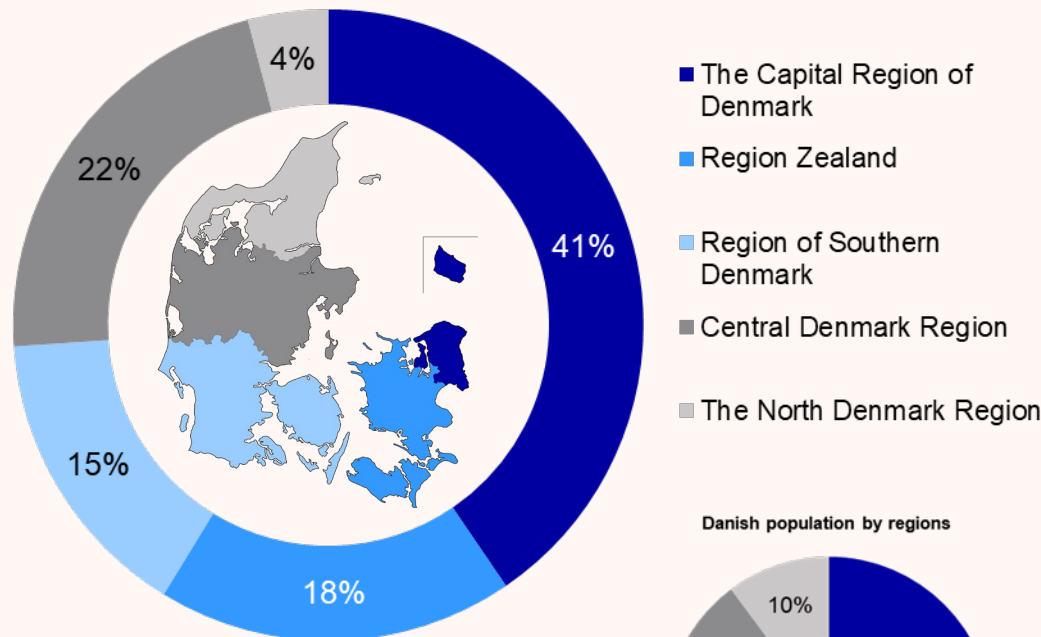
Market share¹ – 14% overall



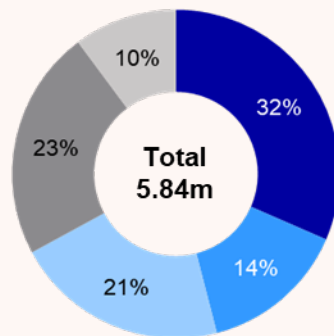
¹⁾ Market share of the Danish mortgage credit market

Loan portfolio by regions – and green bonds

Portfolio by regions



Danish population by regions



Green bonds

Since November 2019 Nordea Kredit has offered corporate customers green mortgage loans funded by designated green covered mortgage bonds (Current ISIN DK0002046689).

Green loans can be granted against a mortgage on climate-friendly properties according to the criteria set out by Nordea Kredit in the Nordea Green Bond Framework.

Total volume of these green covered mortgage bonds amounted to DKK 6.98bn by the end of Q1 2021.



**Sustainable
Choice**

4. Asset quality

Loan to value (LTV) – loans for residential and commercial properties

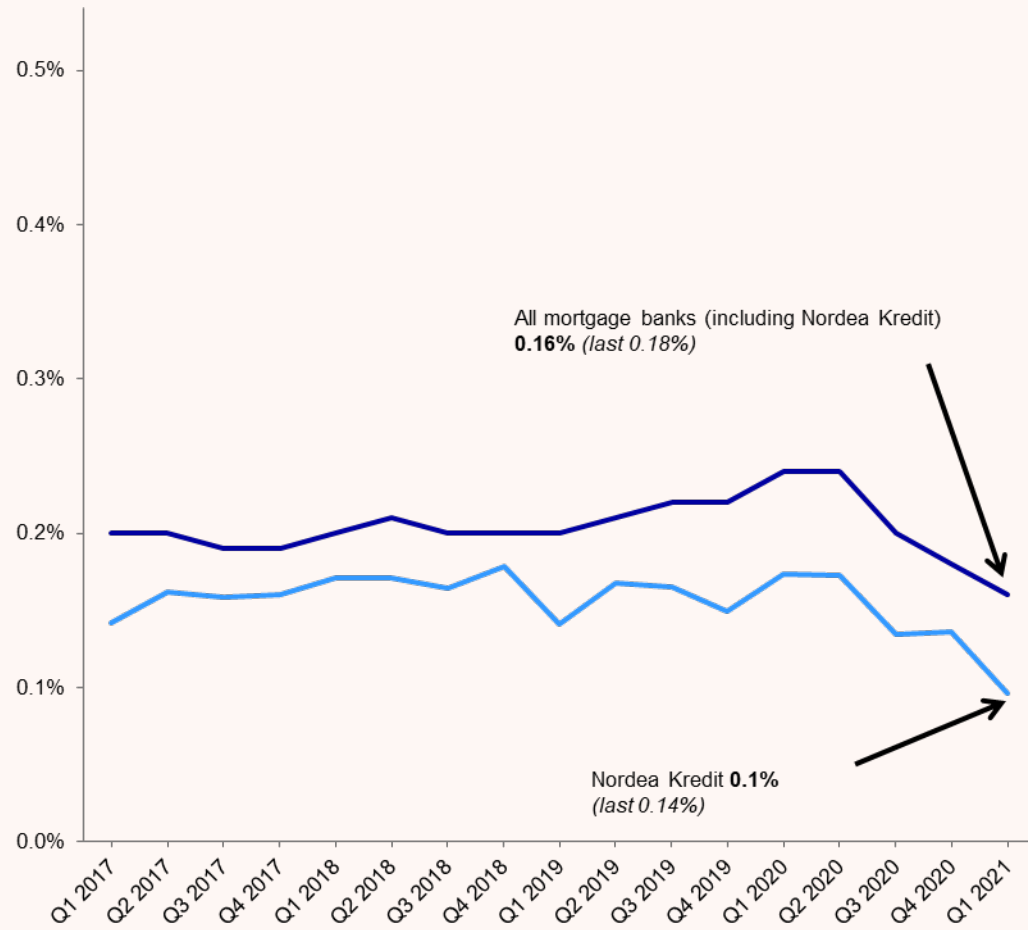
Q1 2021

Loan type	Residential loans	Commercial loans
Weighted average LTV - indexed	58.0%	44.4%

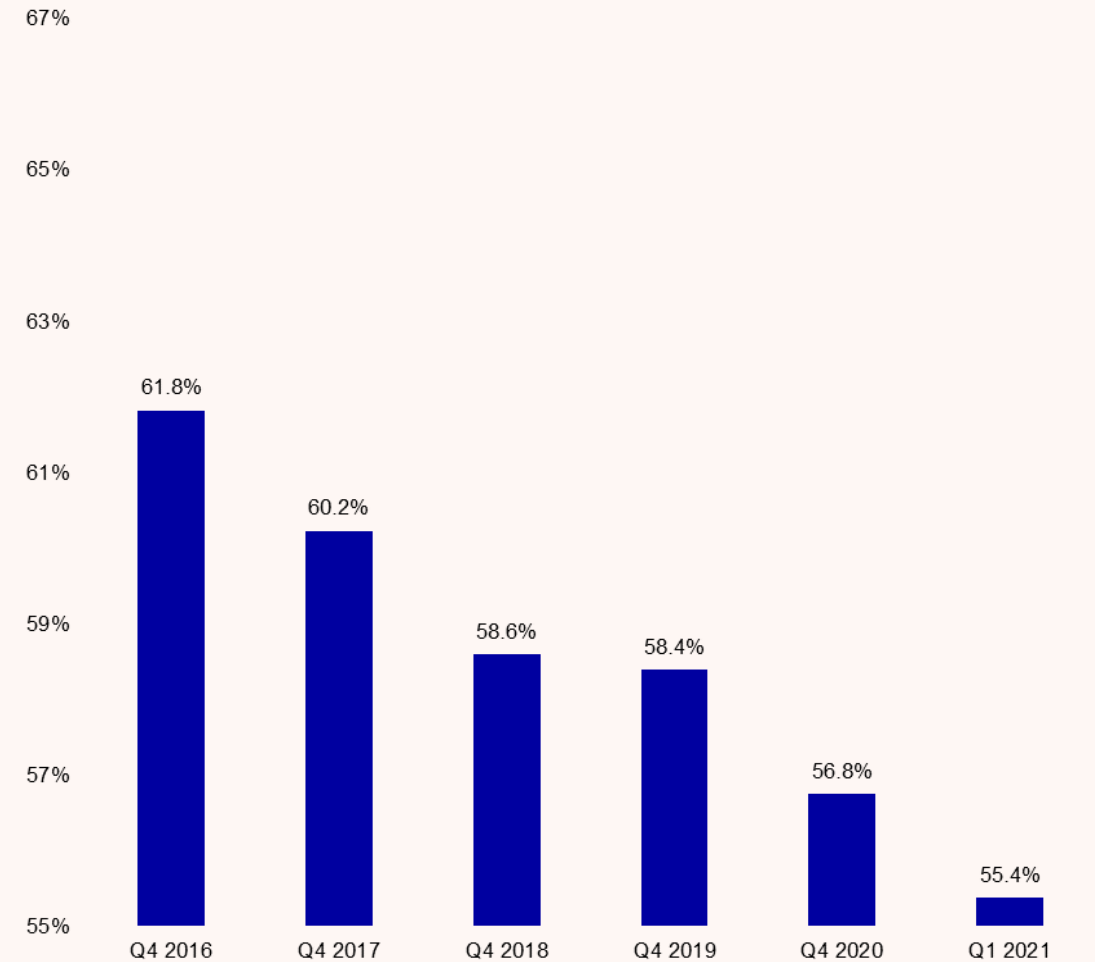
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	226,437	68.1%	62,568	74.8%
>40 - <=50 %	43,025	12.9%	10,556	12.6%
>50 - <=60 %	31,972	9.6%	7,002	8.4%
>60 - <=70 %	20,302	6.1%	2,358	2.8%
>70 - <=80 %	8,566	2.6%	697	0.8%
>80%	2,086	0.6%	504	0.5%
Total	332,343	100.0%	80,719	100.0%

Asset quality

Arrears (owner occupied dwellings and holiday homes)



Loan to value (LTV) weighted average (all loans)



5. Underwriting criteria

Underwriting criteria

Q1 2021

Private households

- Behavioural score and individual credit assessment are conducted based on income information, e.g. payslips and tax information
- "Before-after loan" household budgets are made and used in the assessment (based on 30 years annuity and fixed interest rate)
 - In case of adjustable or floating interest rates, an additional stress test based on the variable interest rate +1 percentage point is conducted
 - If the LTV (loan to value) is > 60 and LTI (loan to income) is > 4, the customer can choose:
 - Fixed rate loans and
 - Amortising variable rate, fixed for minimum 5 years
- An individual valuation is made of the pledged property

Corporates, agriculture etc.

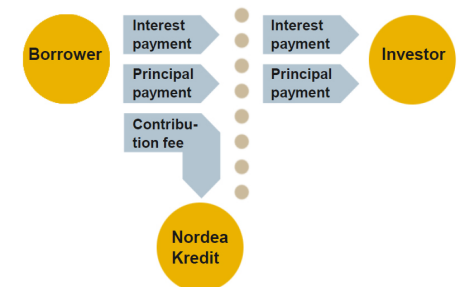
- A financial analysis of the customer is made, including adjustments for current market conditions
- Key ratios and other requirements in Nordea general real estate lending policy are verified
- Rating of the customer according to Nordea's in-house models
- An individual valuation is made of the pledged property
- Yearly repricing based on reassessment

6. Covered bond framework

Danish covered bond framework

Q1 2021

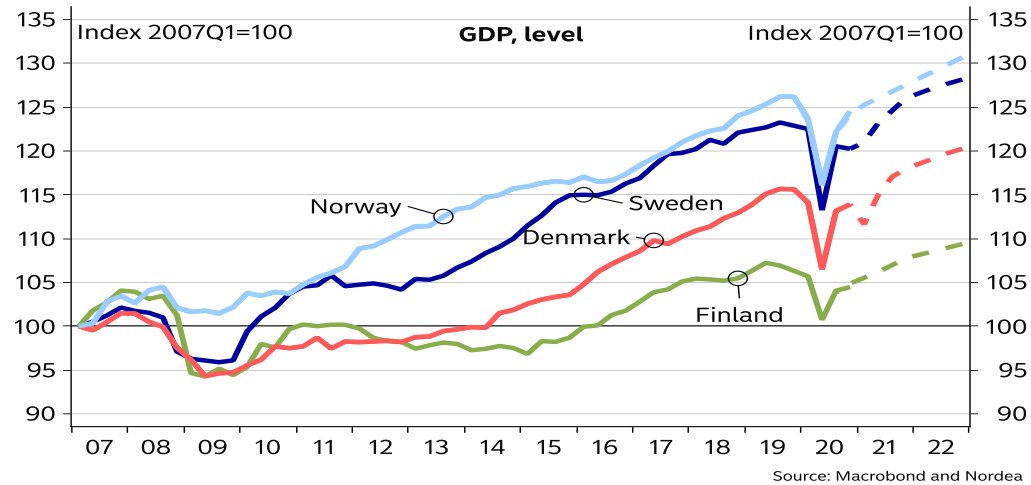
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Public Land Registry
- Limits on LTV ratios – 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 – issuer must provide supplementary capital if LTV-limits are breached
- Matching rules
 - Nordea Kredit complies with the strict balance principle utilising match funding, hence Nordea Kredit only has insignificant interest rate and foreign exchange risk
- Public supervision
 - The DFSA performs supervision and on site inspections on an ongoing basis



7. Macro

Nordic economies – strong rebound in sight

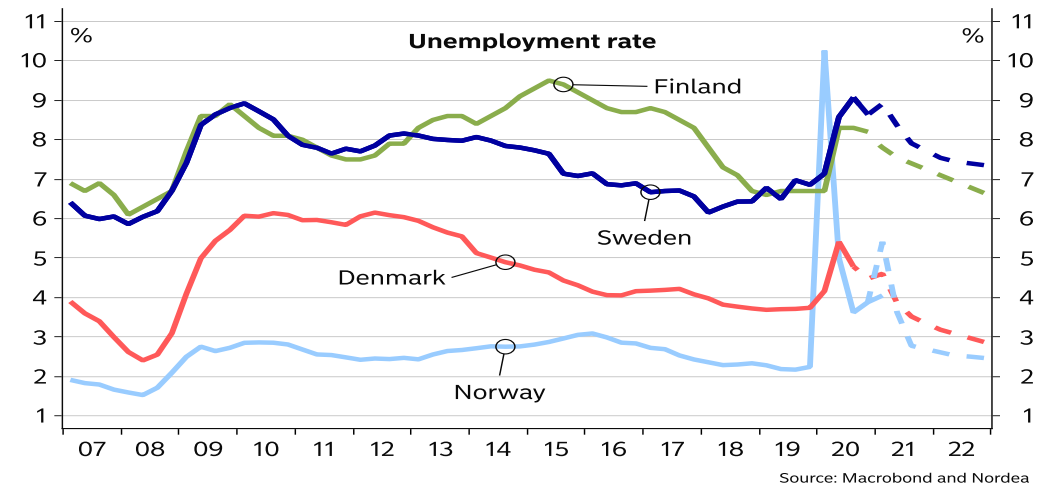
GDP development, %



Comments

- After the dramatic setback in 2020 due to the coronavirus, there appears to be light at the end of the tunnel for 2021
- Vaccines are expected to bring long-awaited relief and the prospect of a return to normal. Nordic households' relatively strong finances pave the way for a broad recovery, as pent-up demand unwinds when restrictions are lifted
- The labour market has shown resilience, largely due to government subsidies such as short-term furloughs. The hard-hit services sector will rebound swiftly, and GDP is expected to reach pre-crisis levels in mid-to-late 2021

Unemployment rate, %

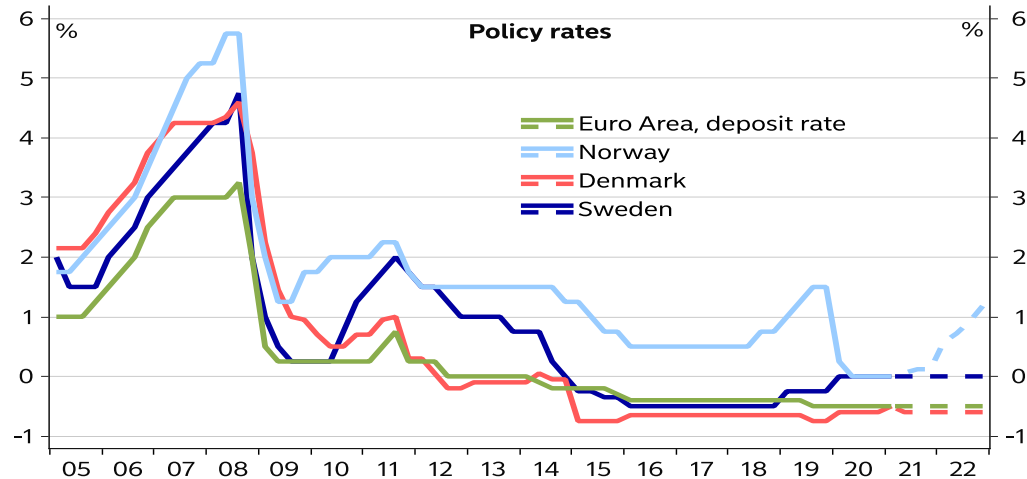


GDP forecasts from Economic Outlook January 2021, %

Country (% y/y)	2020	2021E	2022E
Denmark	-2.7	2.5	3.5
Finland	-2.9	3.0	2.0
Norway	-2.5	2.7	4.3
Sweden	-2.8	4.0	3.0

Nordic rates – Nordics well-equipped to handle the long-term consequences of COVID-19

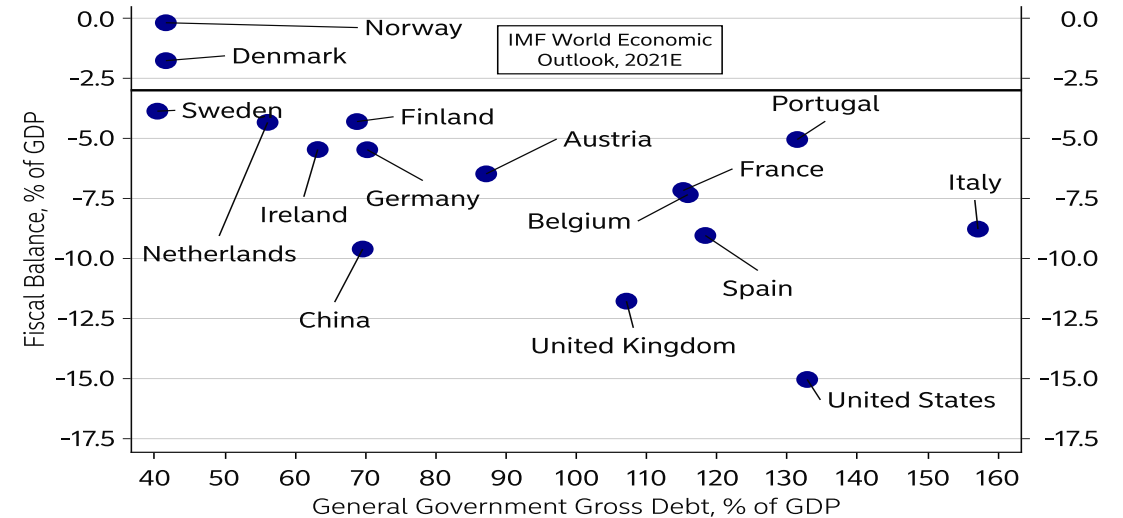
Policy rates, %



Comments

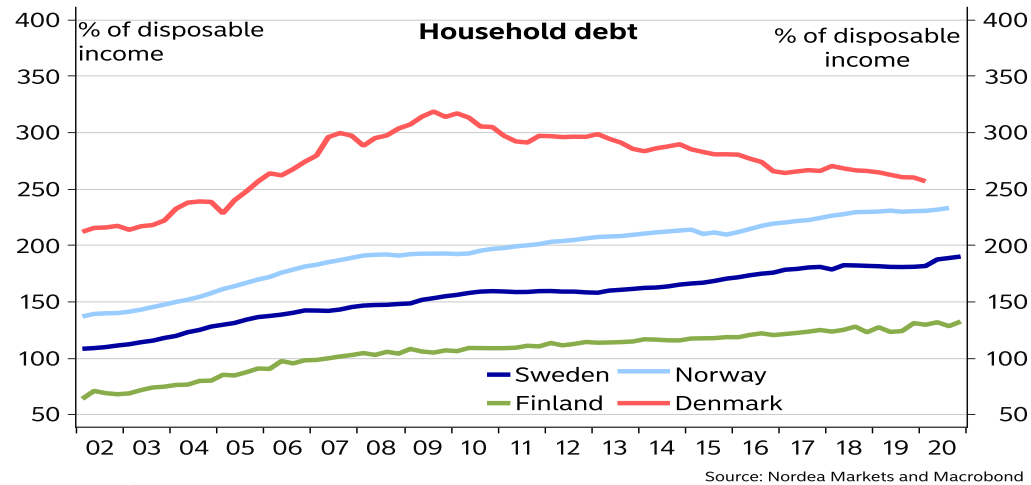
- Norges Bank now expects to start increasing rates in December 2021. However, due to its conservative assumptions regarding the roll-out of vaccines, we expect the bank to raise the policy rate in September. Policy rates in the euro area, Denmark and Sweden are expected to remain unchanged throughout the forecast period
- Sveriges Riksbank and the ECB launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to purchase financial assets corresponding to 7% of euro area GDP in 2021, while Sveriges Riksbank's purchases amount to an expected 8% of Swedish GDP
- Solid public finances prior to 2020 have enabled the Nordic governments to act swiftly during the COVID-19 crisis. Large recovery packages have been announced in 2021 as well as in 2020. Fiscal deficits are expected to narrow this year and approach zero in 2022, except for Finland. The Nordics are relatively well equipped to handle the long-term consequences of the pandemic

Public balance/debt (2021E), %



Households remain resilient

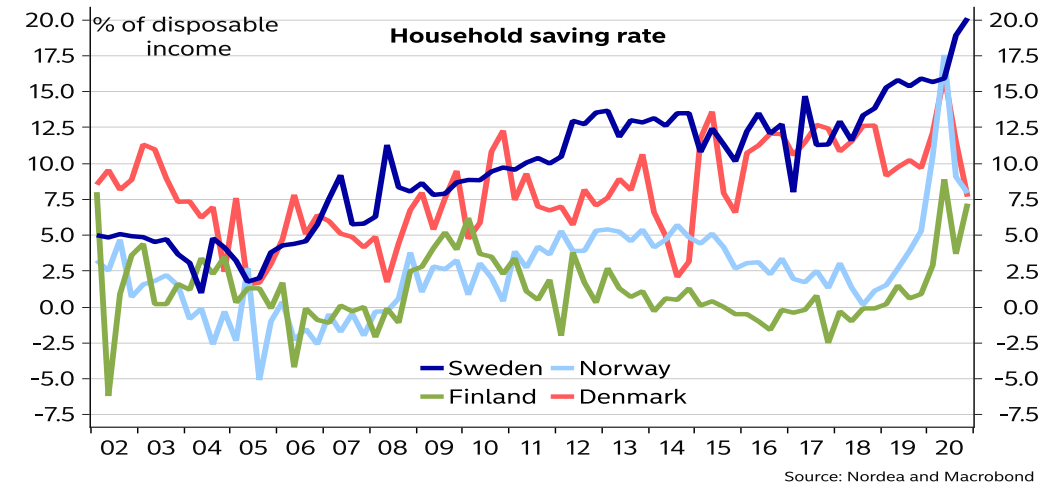
Household debt, %



Comments

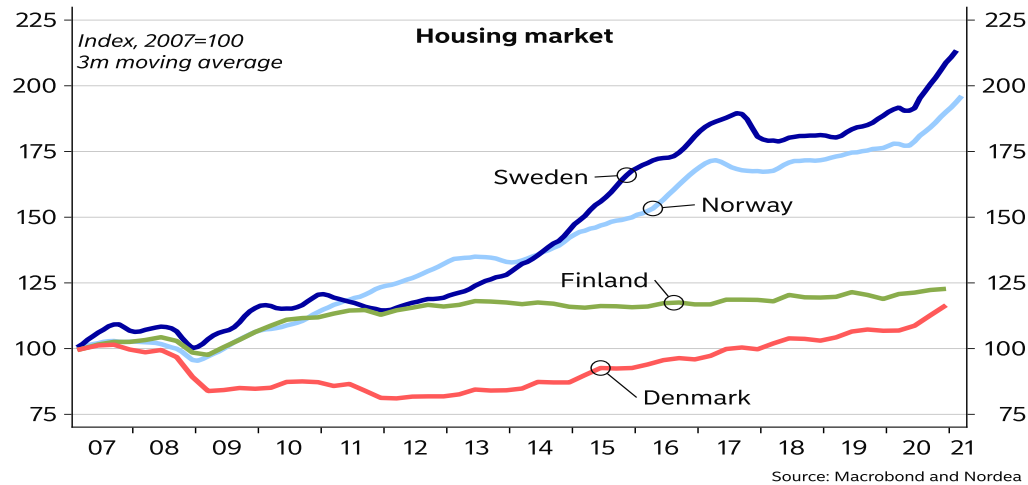
- Household savings have increased dramatically during the crisis, largely due to a decline in spending. Despite high debt levels, Nordic households' strong finances are expected to support economic growth as soon as restrictions are lifted. Low interest rates and economic stimulus continue to support credit growth and the housing market
- Early labour market measures, automatic stabilisers and other measures to stimulate demand have helped to soften the blow to households and businesses. Robust public finances prior to the crisis have increased the credibility of the measures and harsh fiscal tightening is neither needed in the short term nor expected, which is important for income expectations among households

Household savings, %

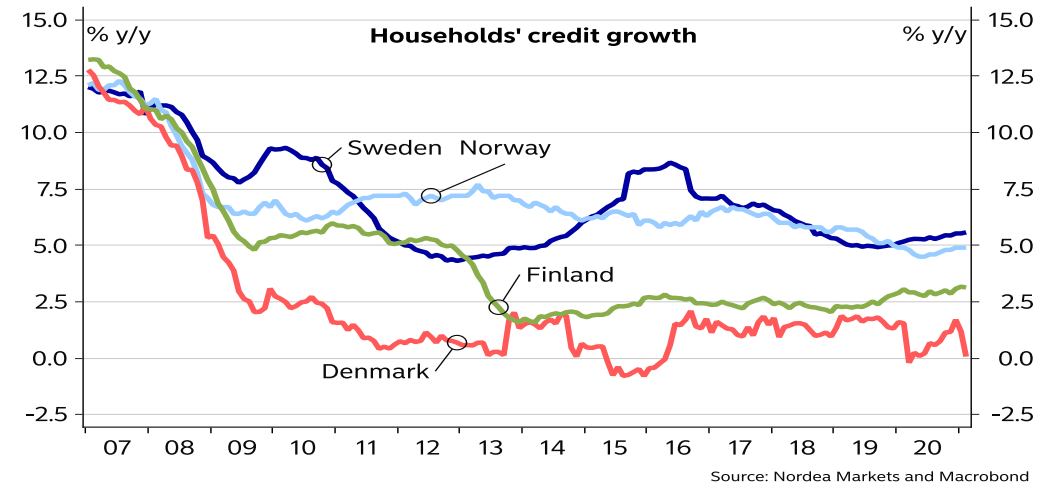


Nordic housing markets heat up

House prices



Households' credit growth



Comments

- Contrary to expectations, house prices have increased to record-high levels in all the Nordic countries during the crisis. This is not least due to the unprecedented expansionary fiscal and monetary policy in support of households and businesses
- The crisis has had a limited effect on those groups in the labour market which are more active in the housing market, while demand has surged due to preferences shifting towards larger homes and single-family homes. At the same time, people's mobility has been severely restricted, causing a sharp decline in the number of homes on the market, which in turn has contributed to driving prices higher
- House prices are expected to continue to rise in all four countries this year and next year. However, interest rates are not likely to go lower, and at some point, the expansionary fiscal policies will come to an end. Moreover, as mobility levels increase, housing supply will increase again. Against this backdrop, the pace of price growth will slow. If the housing market remains in good shape, the economy will as well, so the benign trend in house prices is helping all the Nordic countries to get through the crisis

8. Contacts & Links

Contacts

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



Peter Brag

Senior Treasury Manager, Long Term Funding

+45 3333 1663

Peter.brag@nordea.com



Morten Keil

Head of Covered Bonds, Long Term Funding

+45 3333 1875

morten.keil@nordea.com

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>