

Nordea

Nordea Kredit Covered Bonds

Q3 2020 Debt Investor Presentation



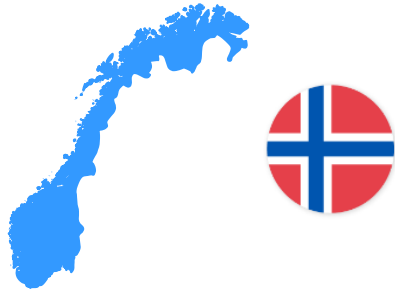
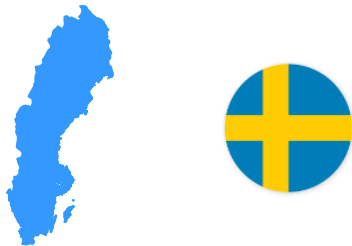


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1. Nordea covered bond issuance in brief

Nordea covered bond operations

Q3 2020

	Nordea Eiendomskreditt	Nordea Hypotek	Nordea Kredit	Nordea Mortgage Bank
<i>Four aligned covered bond issuers with complementary roles</i>				
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 16.6bn (eq.)	EUR 55.3bn (eq.)	Balance principle	EUR 22.6bn
Covered bonds outstanding	EUR 13.2bn (eq.)	EUR 34.2bn (eq.)	EUR 57.9 (eq.)*	EUR 19.8bn
OC	25%	62%	8%*	14%
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



4 *Nordea Kredit only include capital centre 2 (CC2). Nordea Kredit no longer reports for CC1 (RO), as this capital centre only accounts for a minor part (<1%) of the outstanding volumes of loans and bonds.

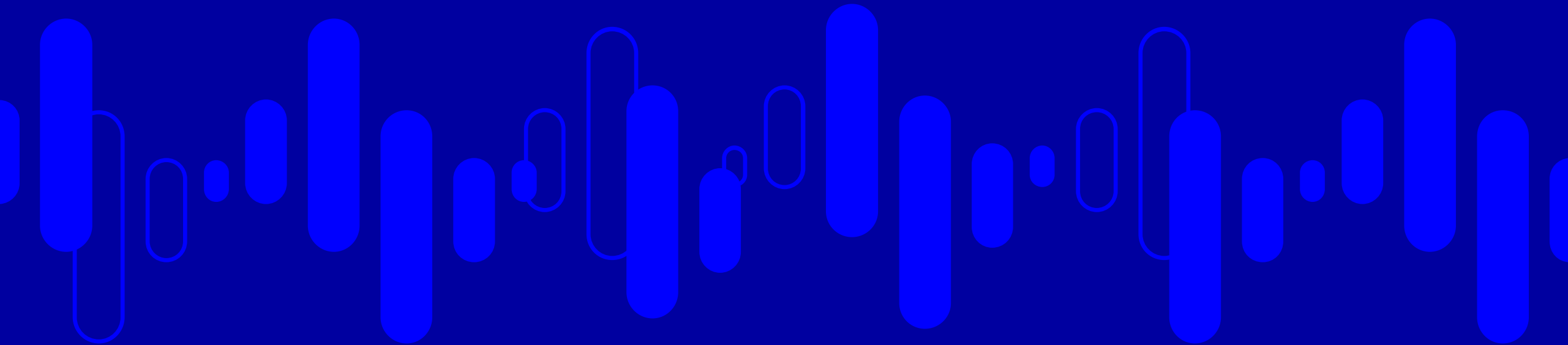
2. Nordea Kredit in brief

Nordea Kredit – in brief

Q3 2020

- 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 13.9% 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 H1 2020: DKK 750m
- Cost-income ratio H1 2020: 20.3%
- Capital ratio H1 2020 (of which Tier 1): 25%
- More information at nordeakredit.dk

3. Cover pool key characteristics



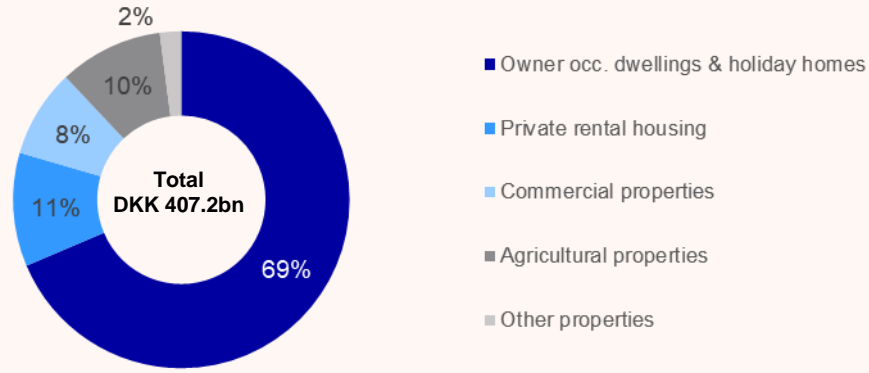
Cover pool key characteristics

Q3 2020

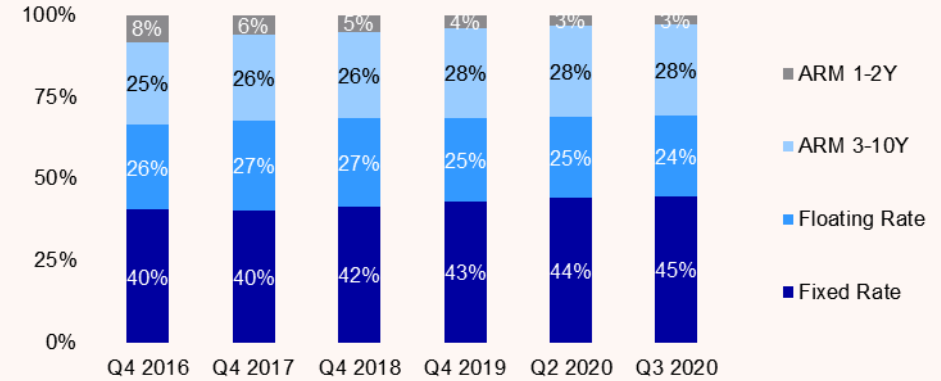
Outstanding covered bonds	EUR 57.9bn.
Cover pool content	Mortgage credit loans secured by mainly residential property (total: EUR 55.3bn.)
Geographic distribution	Throughout Denmark with concentration in urban areas
Weighted average LTV	57.7%
Average residential loan size	EUR 194,750
Over collateralisation, OC	8.1%
Rate type	Fixed rate 73.5%, Floating rate 26.5%
Amortization	Interest only 47.1%, Amortizing 52.9%
Substitute assets	EUR 7,837m.
Pool type	Static
Loans originated by	Nordea Kredit

Loan portfolio

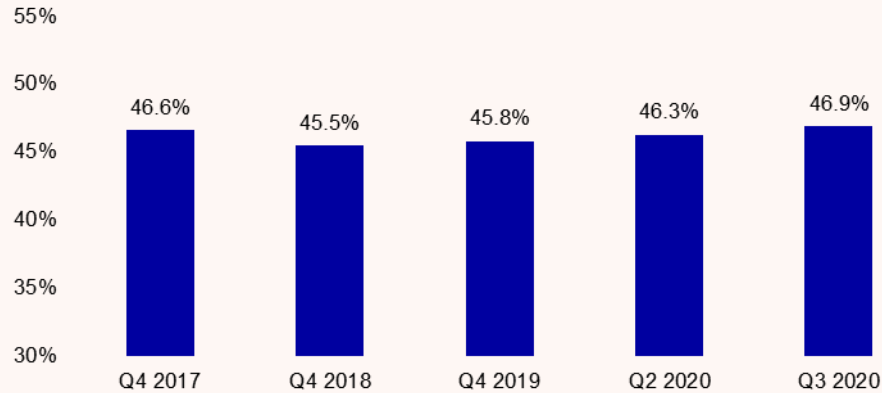
Loan portfolio by property category



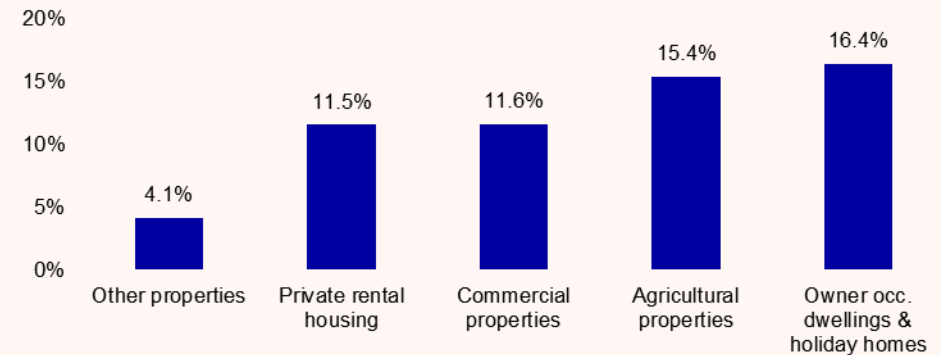
Portfolio by loan type



Share of interest-only mortgages



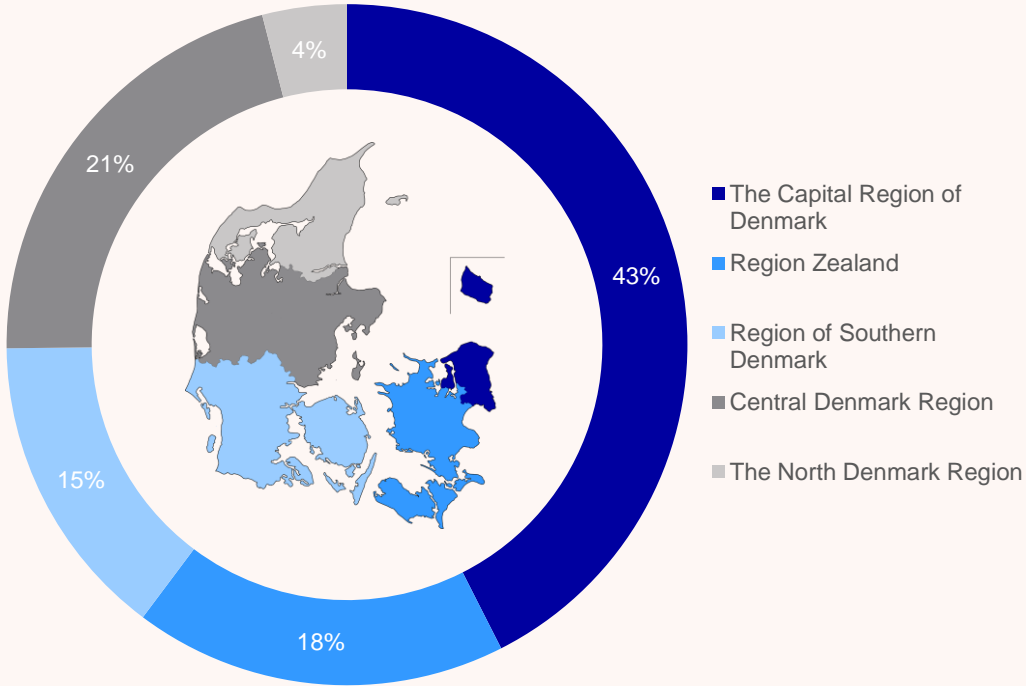
Market share¹ – 13.9% overall



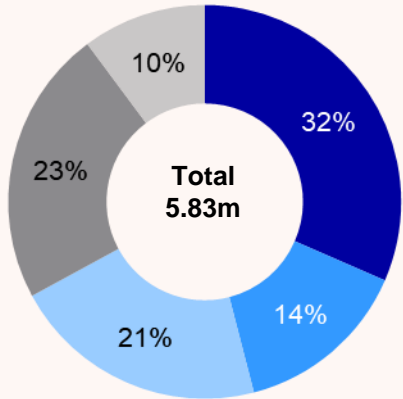
¹⁾ Market share of the Danish mortgage credit market

Loan portfolio by regions

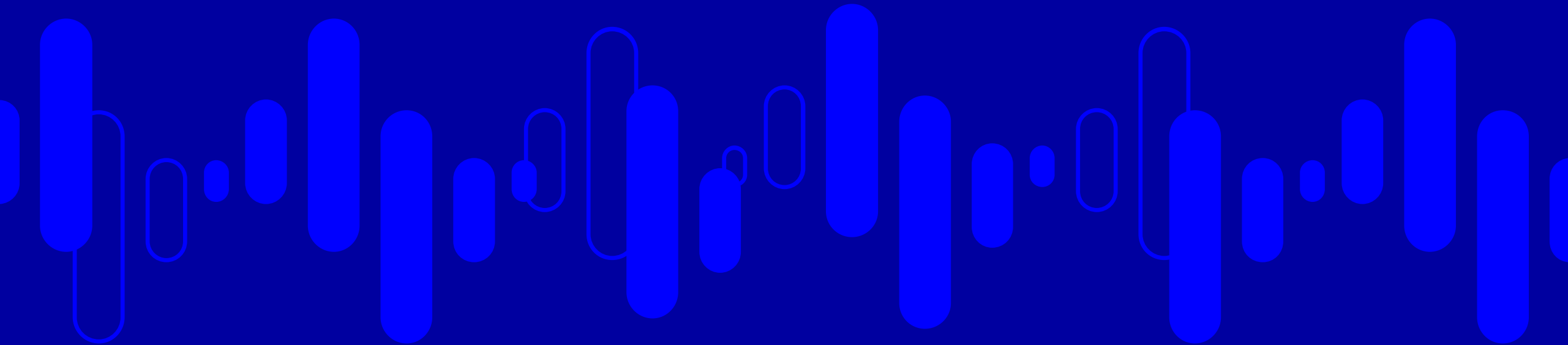
All property categories



Danish population by regions



4. Asset quality



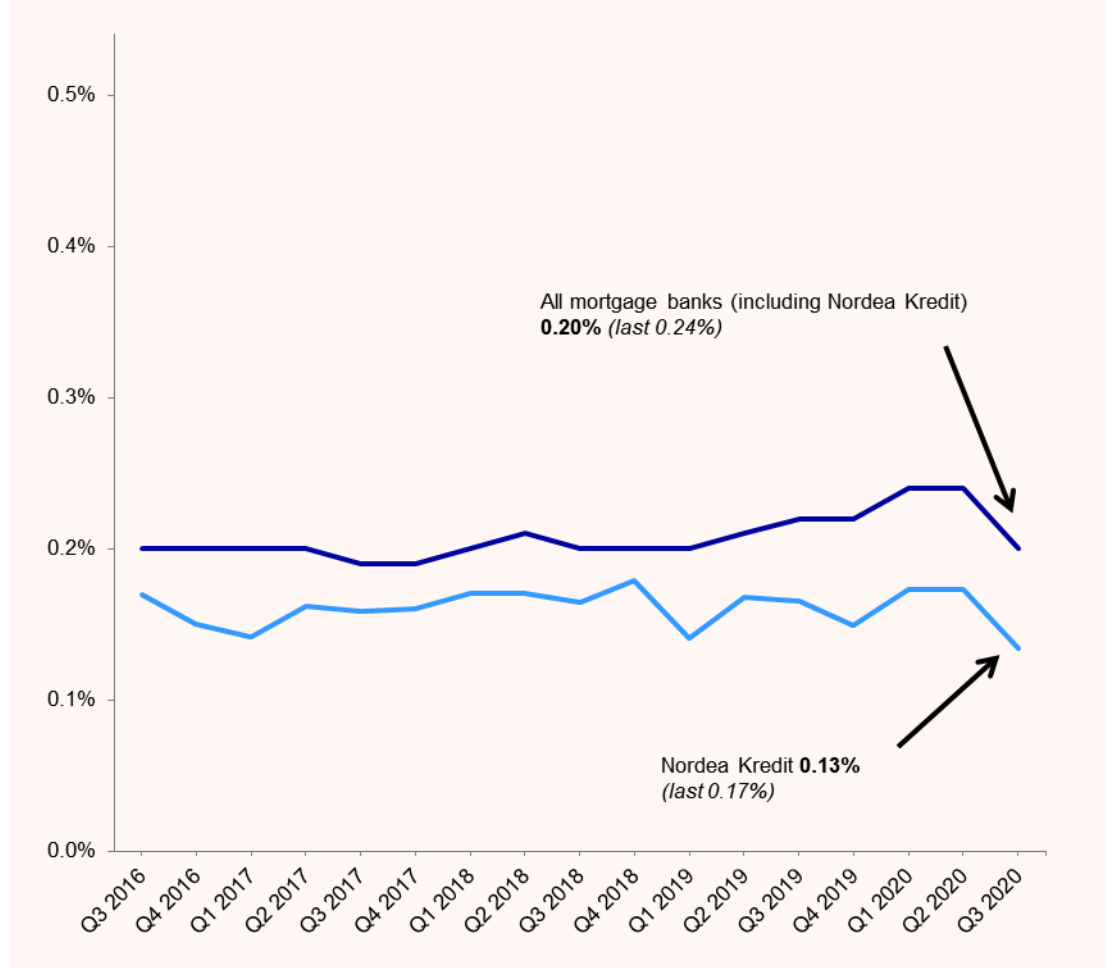
Loan to value (LTV) – loans for residential and commercial properties

Q3 2020

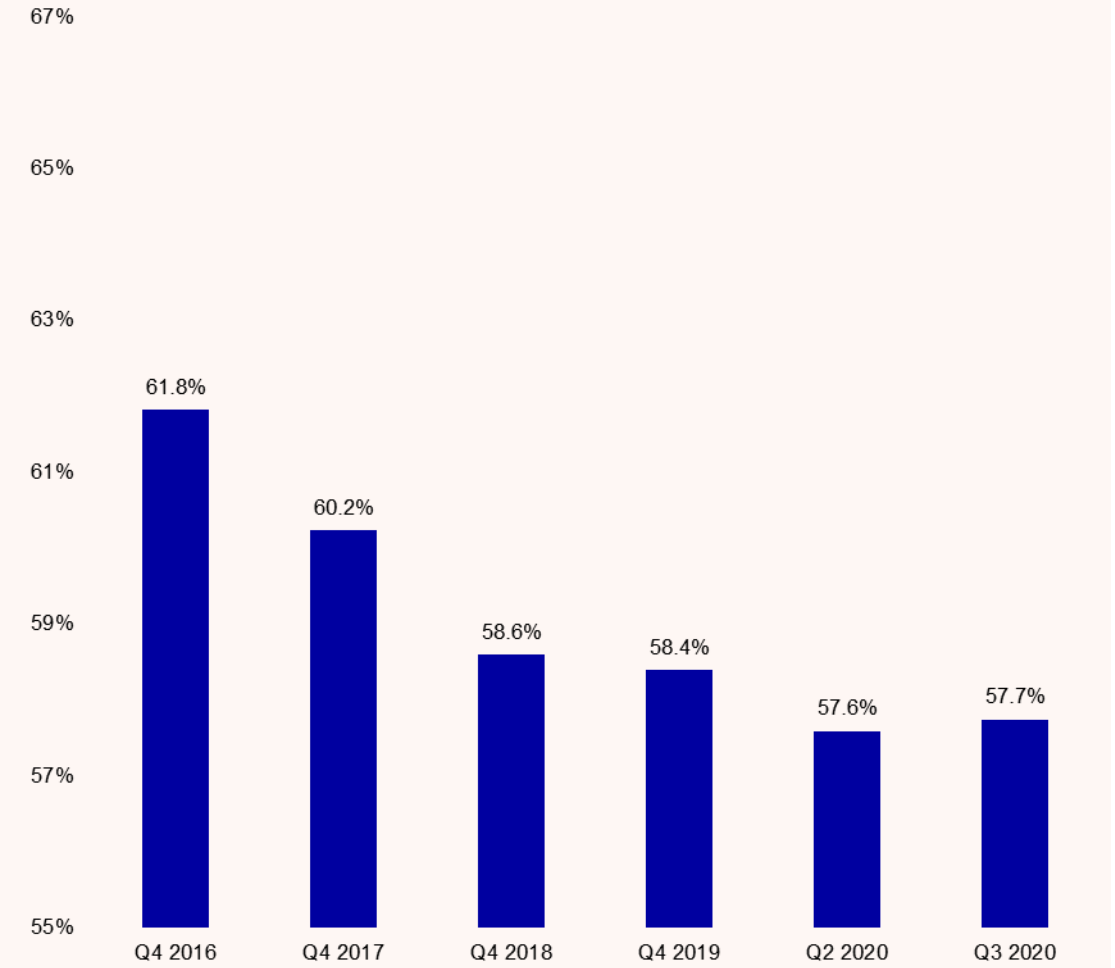
Loan type	Residential loans		Commercial loans	
Weighted average LTV - indexed	59.8%		45.2%	
LTV buckets	Nominal (DKKm)	% Loans	Nominal (DKKm)	% Loans
>0 - <=40 %	211,087	65.8%	61,539	74.3%
>40 - <=50 %	41,577	13.0%	10,775	13.0%
>50 - <=60 %	32,267	10.1%	6,726	8.1%
>60 - <=70 %	21,713	6.8%	2,450	3.0%
>70 - <=80 %	11,017	3.4%	786	0.9%
>80%	3,087	1.0%	528	0.7%
Total	320,748	100.0%	85,820	100.0%

Asset quality

Arrears (owner occupied dwellings and holiday homes)¹



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



¹) Arrears as a percentage of the Q2, 2020 scheduled payments – 3½ months after due date

5. Underwriting criteria

Underwriting criteria

Q3 2020

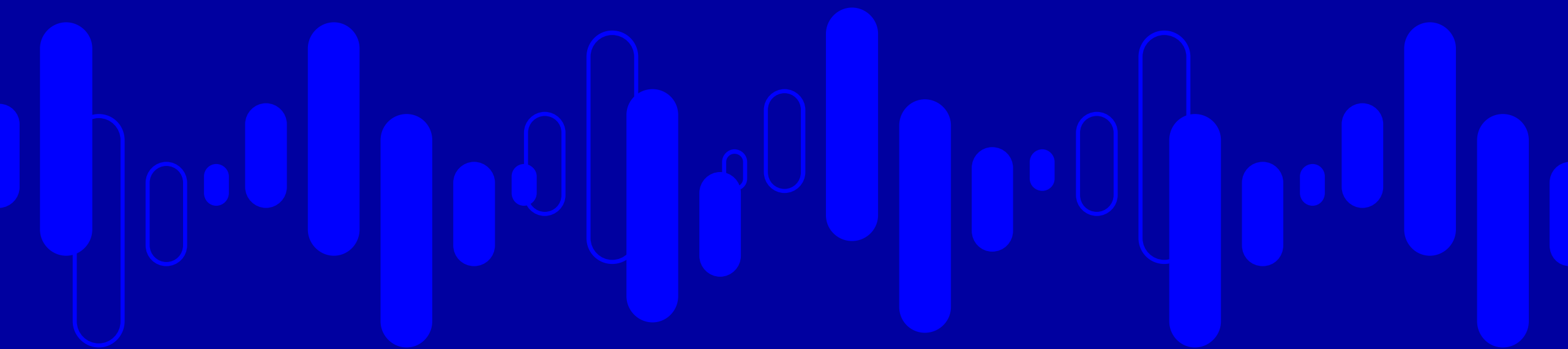
Private households

- 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.
 - LTV > 60 and LTI > 4 limit customer choice to
 - Fixed rate loans and
 - Amortising var. rate, fixed for min. 5 years
- Individual valuation of the pledged property

Corporates, agriculture etc.

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

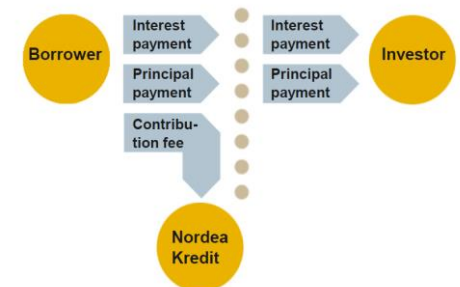
6. Covered bond framework



Danish covered bond framework

Q3 2020

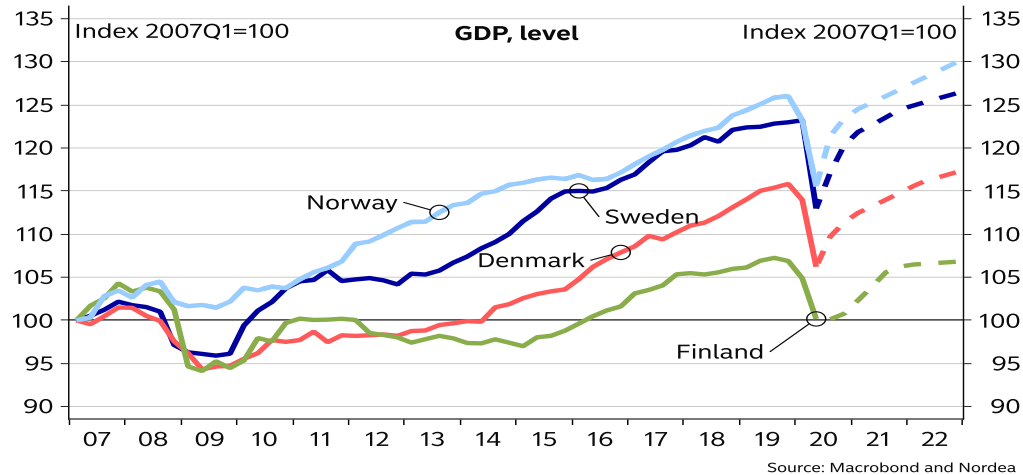
- Legal framework
 - The Financial Business Act
 - The Mortgage-Credit Loans and Mortgage-Credit Bonds, etc. Act with several detailed executive orders
- Registration
 - An issuing institution is required to maintain a static cover pool
 - Mortgage deeds are registered in the Public Land Registry
- Limits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

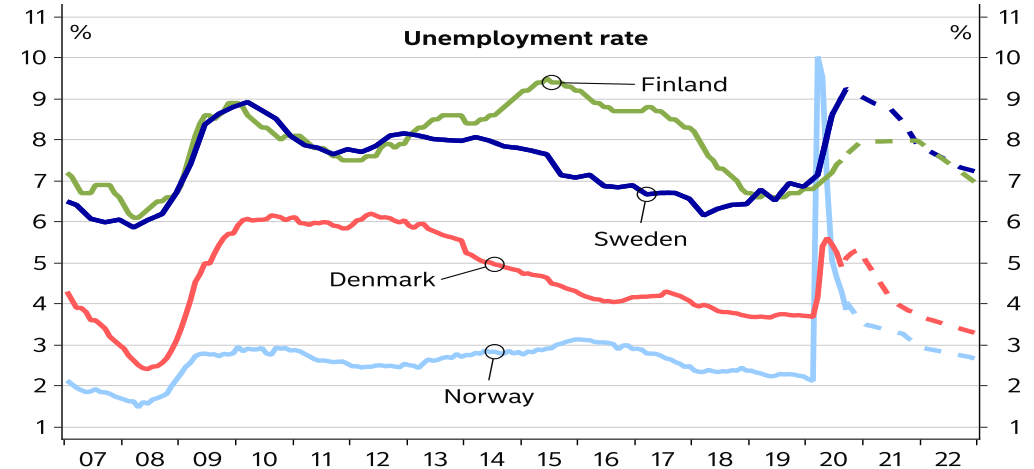
GDP development



Comments

- The Nordic economies are experiencing a solid rebound after the historically large setback in the first half of 2020 due to the COVID-19. However, the pandemic is not yet over, and risks remain elevated
- The Nordics have managed to control the virus relatively quickly and in combination with rising household confidence, the economic prospects in the region look rather positive from a global perspective
- The Swedish economy is seeing a broad recovery and Finland has fared better than expected. The Danish economy is in better shape now compared to past crises, and the interest rate has been a powerful tool in Norway

Unemployment rate

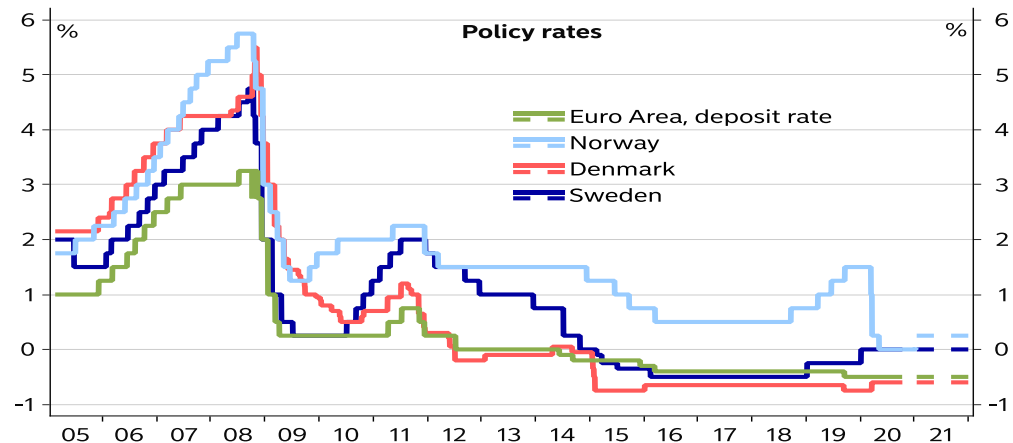


GDP, baseline scenarios

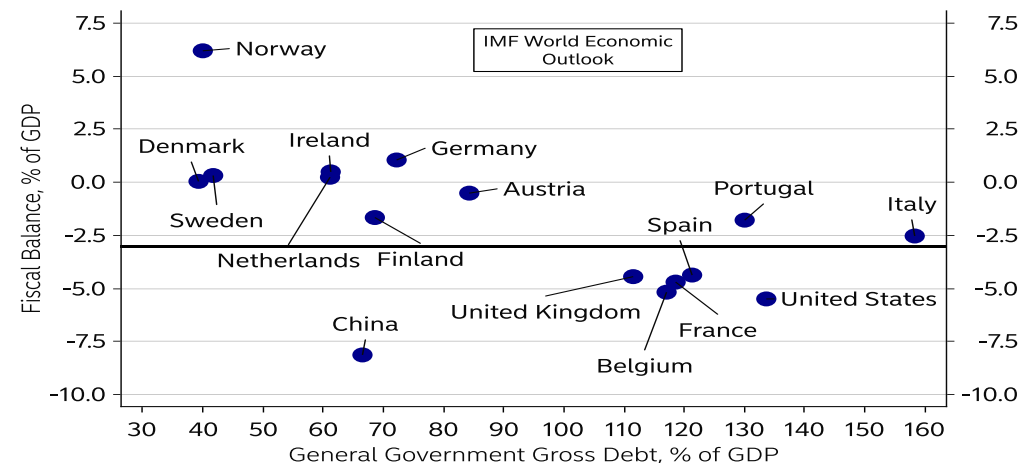
Country	2018	2019	2020E	2021E	2022E
Denmark	2.4	2.3	-4.5	3.0	2.5
Finland	1.5	1.1	-5.0	3.0	2.0
Norway	2.2	2.3	-3.5	4.0	2.5
Sweden	2.1	1.3	-3.5	4.0	2.0

Nordic rates – low for very long

Policy rates



Public balance/debt, % of GDP, 2021E

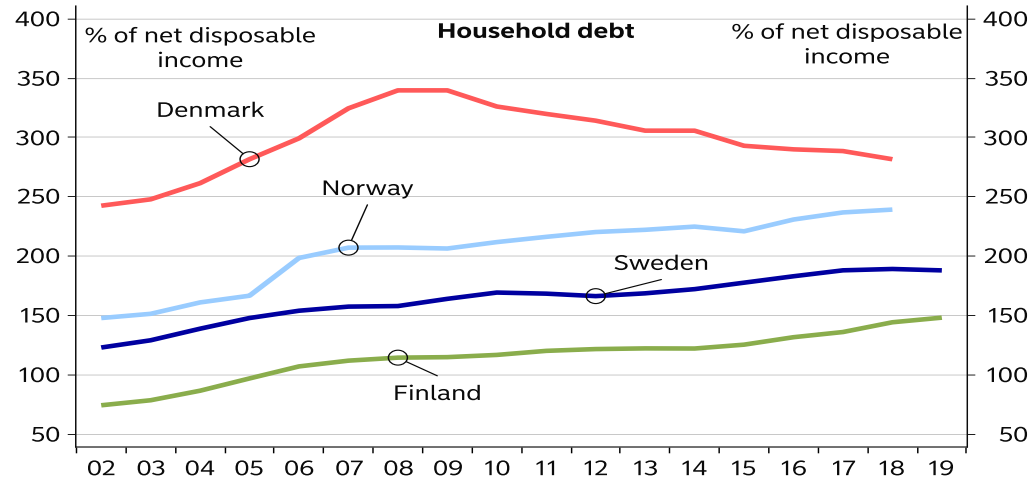


Comments

- Norway saw three rate cuts totalling 150 bp in the beginning of the crisis. Policy rates have been left unchanged in Sweden and the Euro Area while Denmark hiked the interest rate marginally due to technical reasons. Monetary and fiscal policy will remain accommodative for a long time and we expect policy rates to be left unchanged throughout the forecast period
- The Riksbank and ECB have launched new large-scale asset purchase programmes (QE) as a response to the COVID-19 crisis. The ECB is expected to purchase financial assets to a corresponding 12% of Euro Area GDP this year, while the Riksbank's purchases amount to 8% of GDP. All together, global ultra-expansionary monetary policy has contributed to calming and stabilising international markets amidst the crisis
- Nordic public finances were in good shape prior to the crisis and governments stood ready to act swiftly. Lower revenue and increased spending will lead to large fiscal deficits this year, hence prompting governments debt/GDP ratios to balloon. However, Nordic public finances will remain in a favorable position and are well-equipped to handle the long-term consequences of the pandemic

Households remain resilient

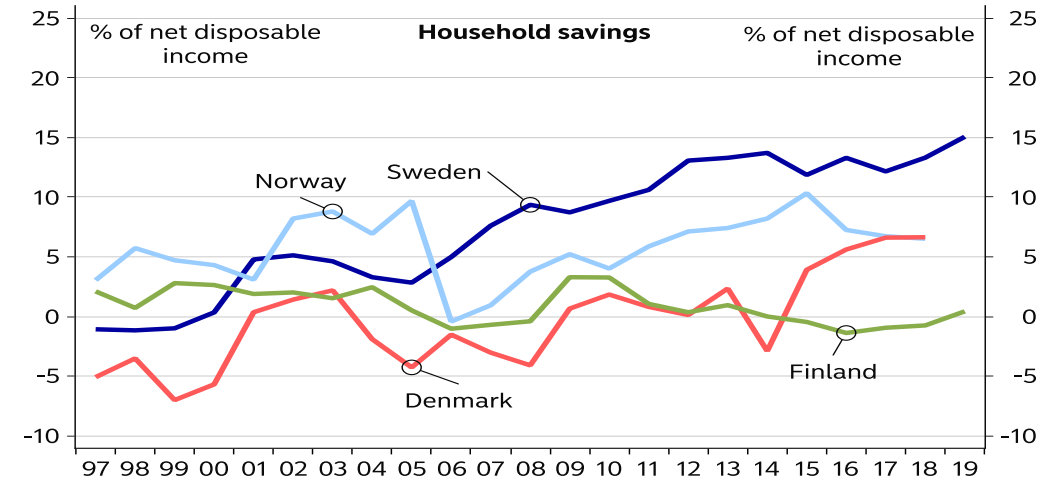
Household debt



Comments

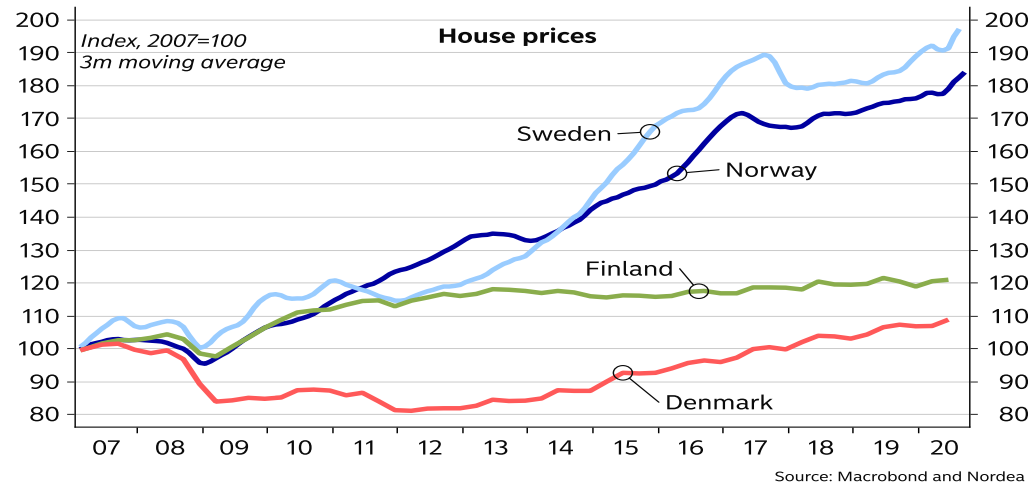
- Despite the high debt levels amongst households, low interest rates for longer continue to support credit growth, which in turn helps to stabilise the housing market. There is some uncertainty related to households' elevated indebtedness, but this is not deemed to create problems over our forecast period
- Early labor market measures, automatic stabilizers and other measures to stimulate demand help to soften the blow on households. Robust public finances prior to the crisis increases the credibility of the measures and harsh fiscal tightening is neither needed in the short term nor expected, which is important for households' income expectations

Household savings



House price development in the Nordics

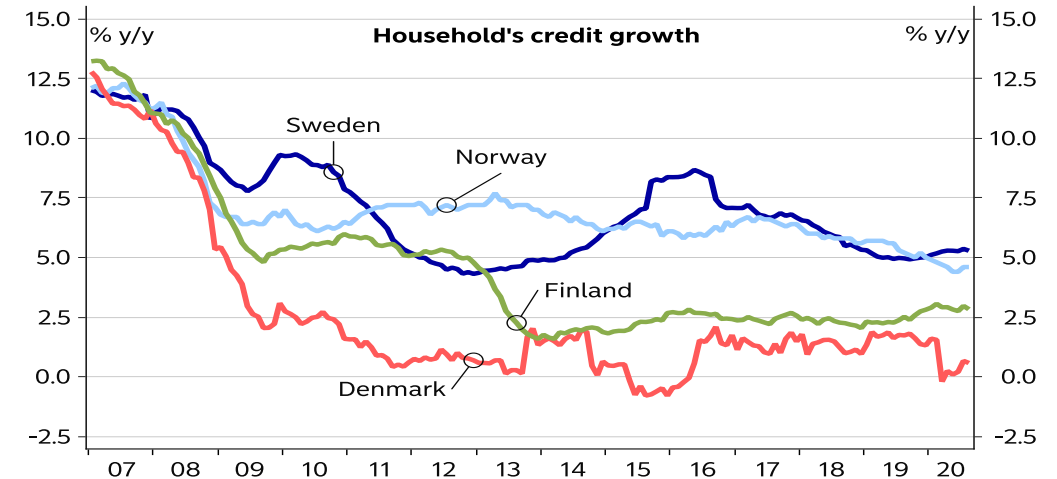
House prices



Comments

- In **Sweden**, the housing market has rebounded, and prices were back at pre-crisis levels already during the summer. With low-anchored interest rates and a slightly more positive outlook for the labour market, much points to a continued rise in prices during the autumn. **Denmark's** housing market has been surprisingly strong, underpinned by declining financing costs. However, an expected step-up in supply, seasonal effects and an increase in unemployment is expected to dampen the market towards year-end. Primarily due to recent rate cuts by Norges Bank but also thanks to a stronger household confidence, the housing market in **Norway** is experiencing a strong trend. In **Finland**, the housing market has picked up during the summer, but prices have remained flat
- If the economic outlook would worsen, key risks are found in the housing market as steep declines would cause severe stress in the financial system and result in long-term stagnation of the economy. Holiday homes are particularly price-sensitive, but the negative effect is expected to be partly offset by increased demand as a result of changes in travel patterns

Households' credit growth



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