



# Nordea Kredit, Investor Presentation, Q3 2011

Published 28 November 2011

*Making it possible*

- This Investor Presentation has been compiled by Nordea Kredit for information purposes only, and offers facts and figures on Nordea Kredit, and the mortgage collateral supporting outstanding mortgage bonds and covered mortgage bonds.
- If you have any questions, please feel free to contact either of us:
- [Finn Nicolaisen](#), Nordea Group Treasury, Head of Group Funding Copenhagen, phone +45 3333 1625  
[Kamilla H. Skytte](#), Nordea Group Treasury, Chief Dealer, Group Funding Copenhagen, phone +45 3333 1626

#### Contents:

- Nordea Kredit – in brief
- Asset quality, losses and arrears
- Loan-to-value (*For detailed information on LTV please refer to “LTV Report 2011 Q3”*)
- Legislation
- Macro-economic factors

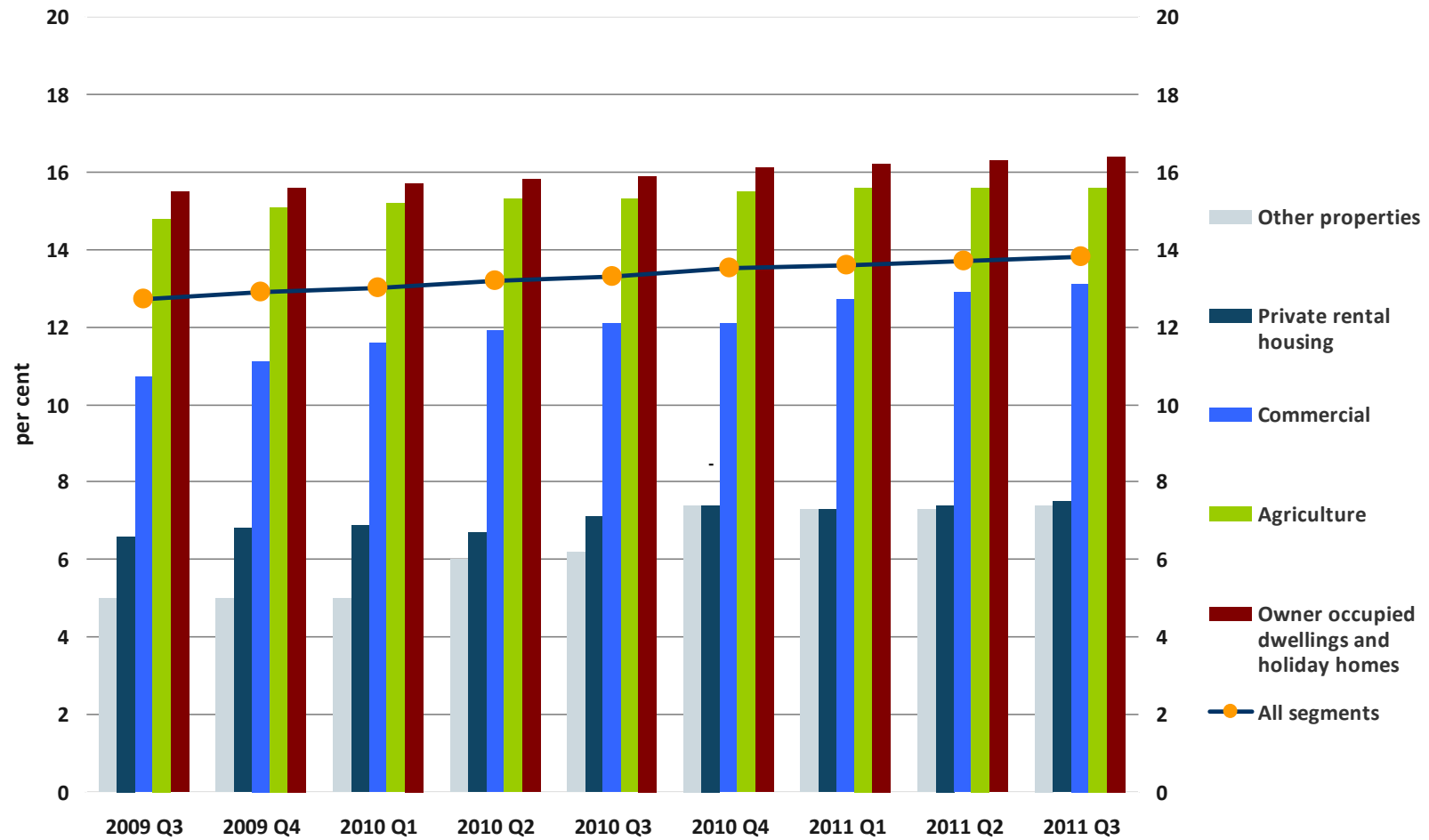
## Nordea Kredit – in brief I

- Founded in 1993, number of employees 150 (as per 2011, Q2)
- Nordea Kredit issues covered mortgage bonds, exclusively
- All bonds issued by Nordea Kredit are rated AAA (by S&P) and Aaa (by Moody's)
- Profit before tax 1st half 2011: 529 m DKK, RoE 3.5% and Cost/Income ratio 16.9%
- Mortgage loans at nominal value 2011, Q3: 329.3 bn DKK
- Mortgage loans at fair value 2011, Q3: 333.4 bn DKK
- Market share 2011, Q3: 13.8% (2011, Q2: 13.7%)  
(Mortgage loans at fair value as a share of all Danish mortgage loans)

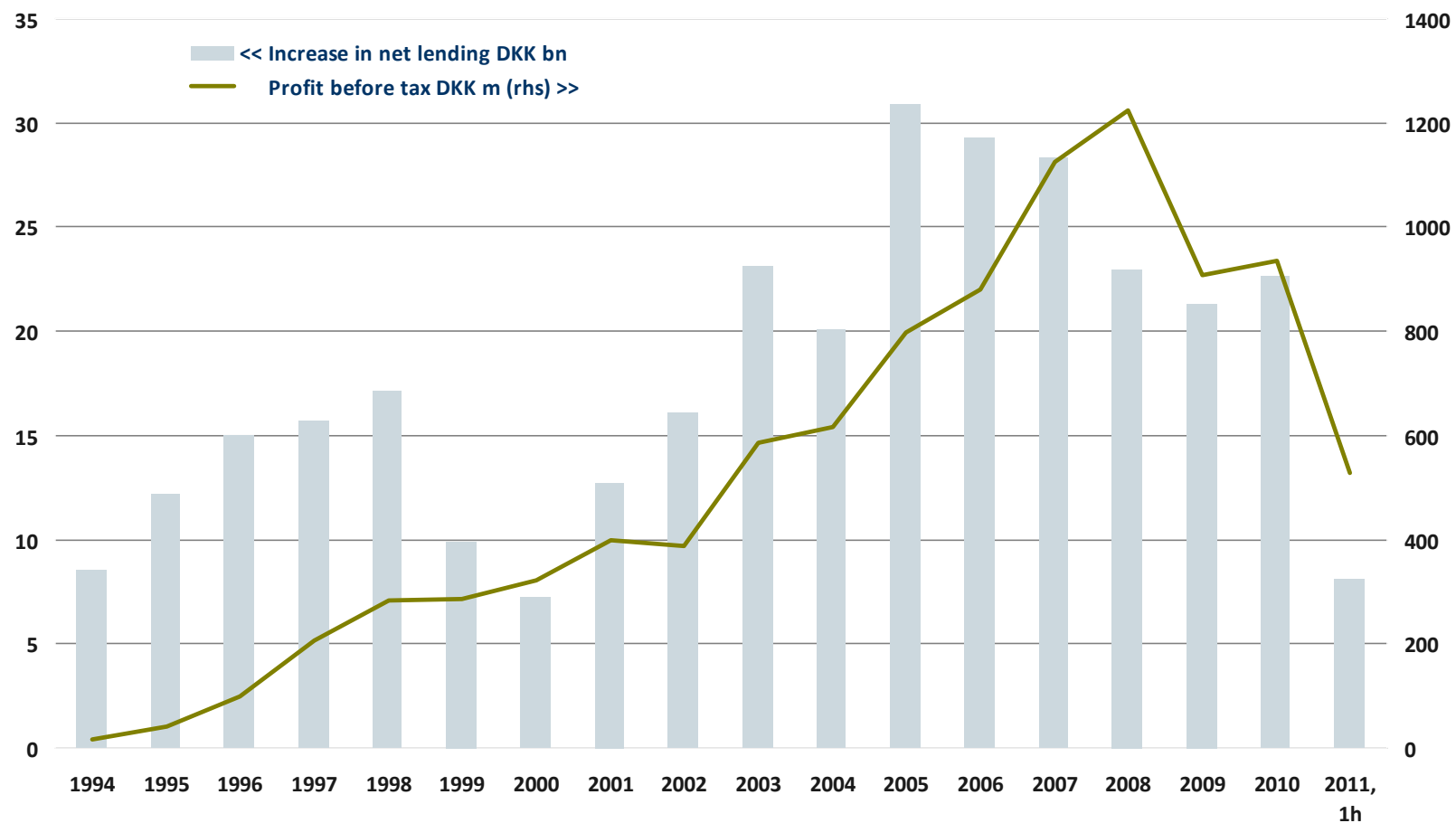
## Nordea Kredit – in brief II

- Late payments by borrowers 2011 Q3: 0.38% (2011 Q2: 0.42%)  
Residential properties and holiday homes, 3½ month after due date
- Average LTV 2011 Q3: 68% (2011 Q2: 66%)
- Total capital ratio 9.0% and Tier 1 capital ratio 9,0% (incl. transition rules)
- Total capital ratio 15.4% and Tier 1 capital ratio 15.4% (excl. transition rules)
- Completely match funded “Pass Through” setup - strict ALM  
(Asset Liability Management)
- Danish MCIs are closely regulated and supervised by Finanstilsynet  
(The Danish FSA)

# Nordea Kredit – market shares in per cent of total market



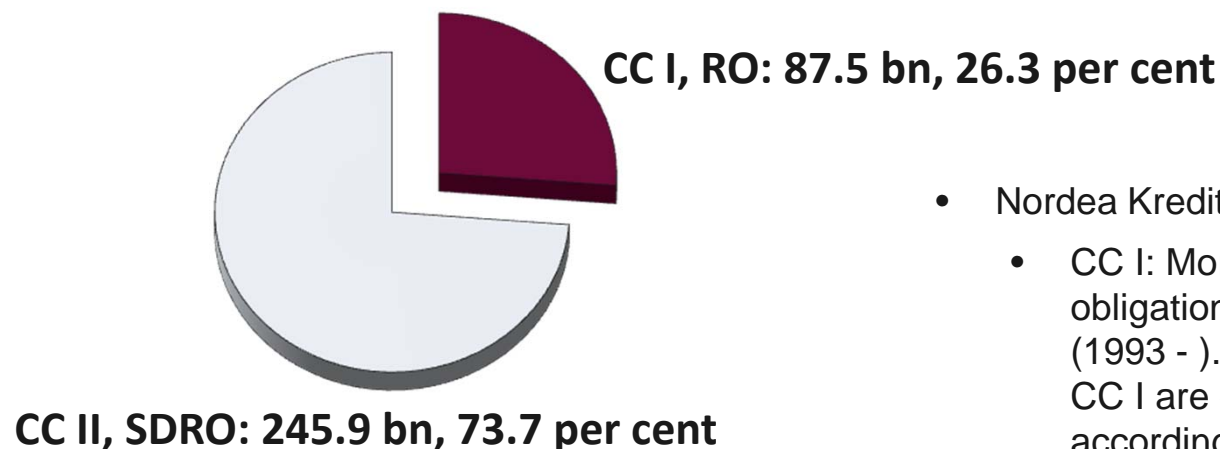
# Nordea Kredit – profit and increase in net lending



Profit before tax for the 1st half of 2011 was 529 m DKK

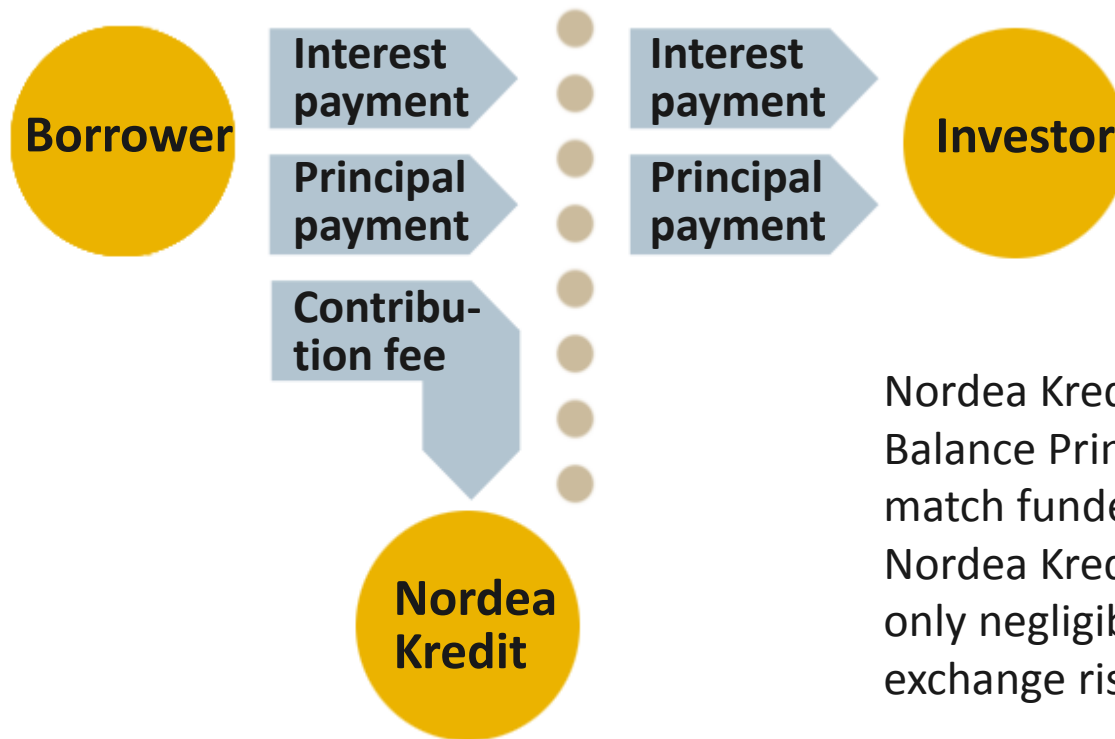
## Nordea Kredit – mortgage loans at fair value

CCs I&II, 2011 Q3: DKK 333.4 bn



- Nordea Kredit has two capital centres:
  - CC I: Mortgage Bonds (Realkreditobligationer, “RO”) are issued out of CC I (1993 - ). More than 97% of the bonds in CC I are grandfathered covered bonds according to UCITS/CRD.
  - CC II: Covered Mortgage Bonds (Særligt dækkede realkreditobligationer, “SDRO”) are issued out of CC II (2007 - ). All bonds in CC II are covered bonds according to UCITS/CRD.
- All new issuance in 2011 exclusively in covered mortgage bonds (SDROs)

## Match funded setup due to the strict Balance Principle

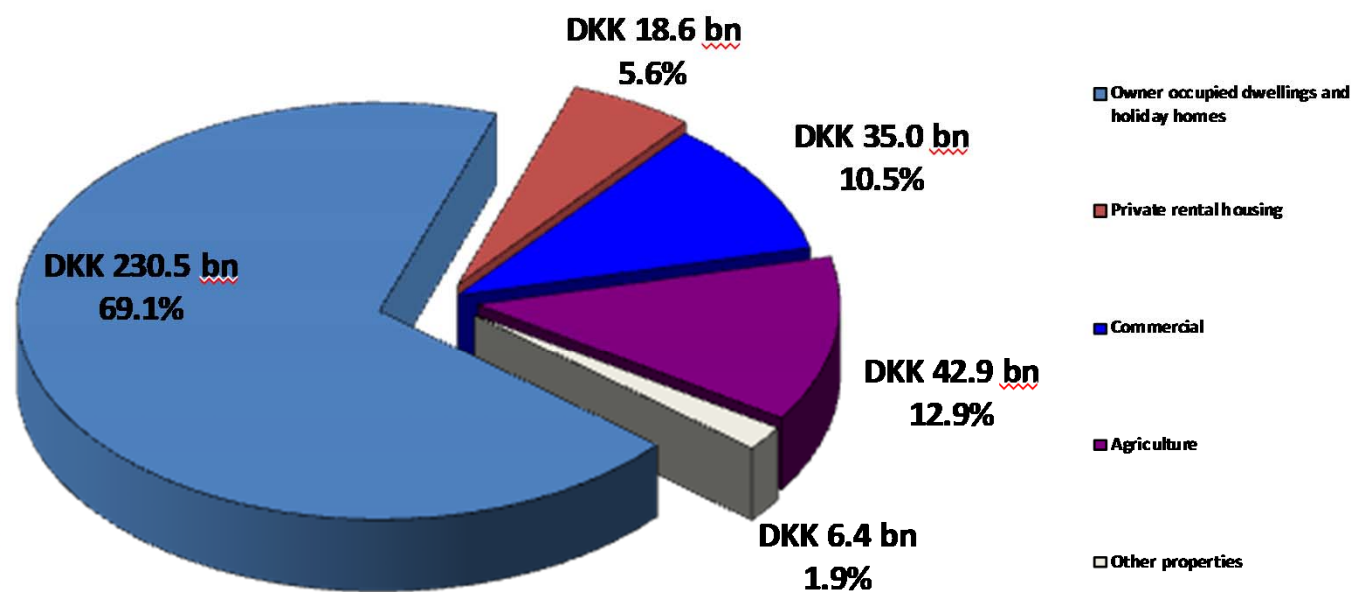


Nordea Kredit complies with the strict Balance Principle, and has a completely match funded “Pass Through” setup. Nordea Kredit has no prepayment risk and only negligible interest rate risk and foreign exchange risk.



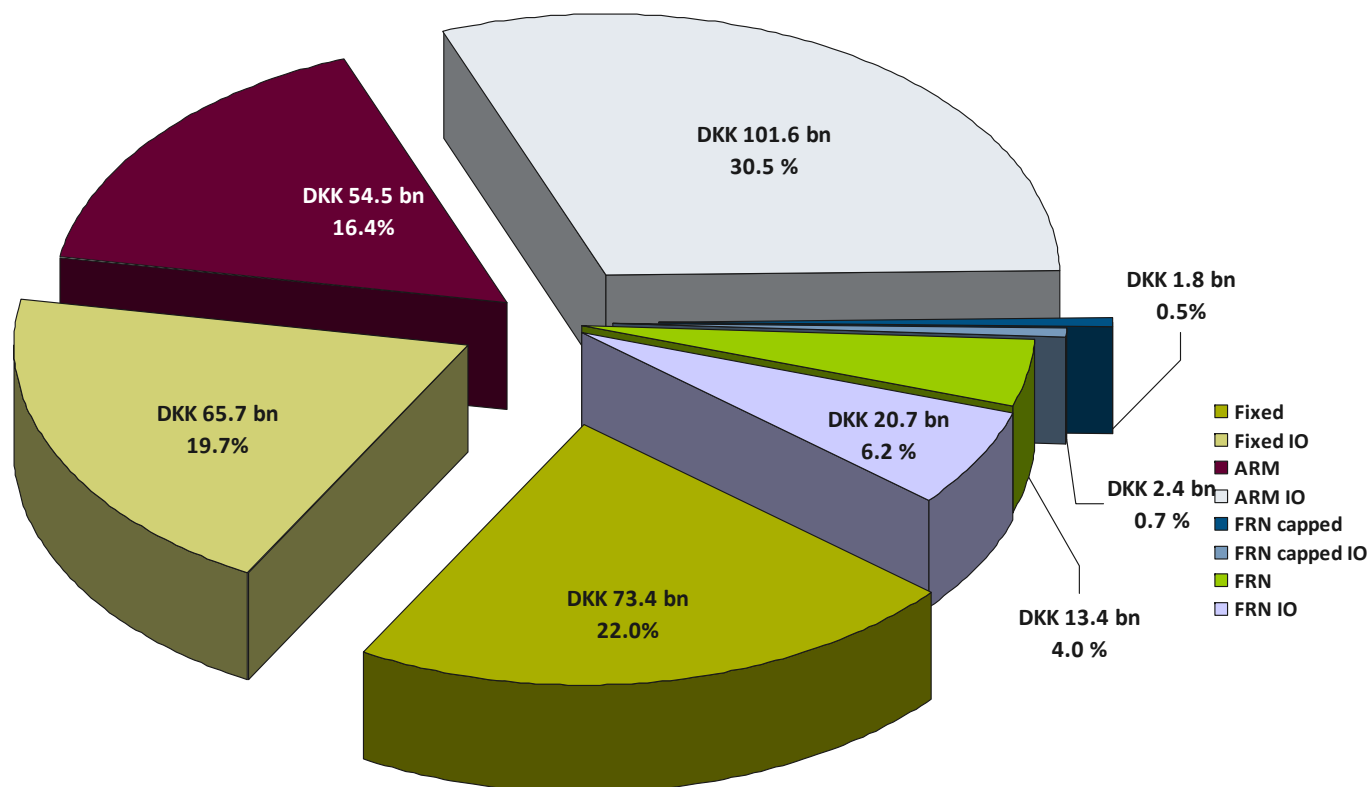
# Nordea Kredit – distribution of loans by property category

All property categories - CCs I & II, 2011 Q3 at fair value: 333.4 bn DKK



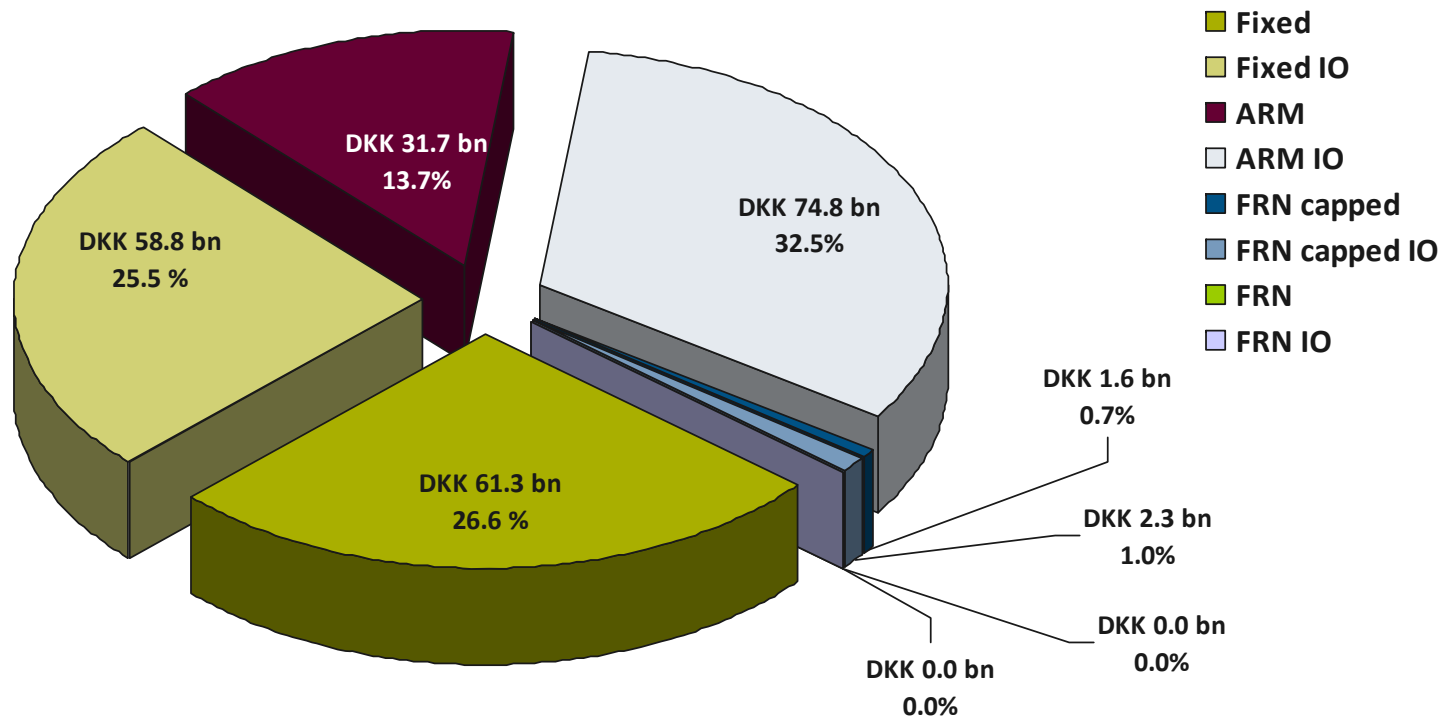
# Nordea Kredit – distribution of loans by type

All property categories - CCs I & II, 2011 Q3 at fair value: 333.4 bn DKK



# Nordea Kredit – distribution of loans by type

Residential properties and holiday homes - CCs I & II, 2011 Q3 at fair value: 230.5 bn DKK

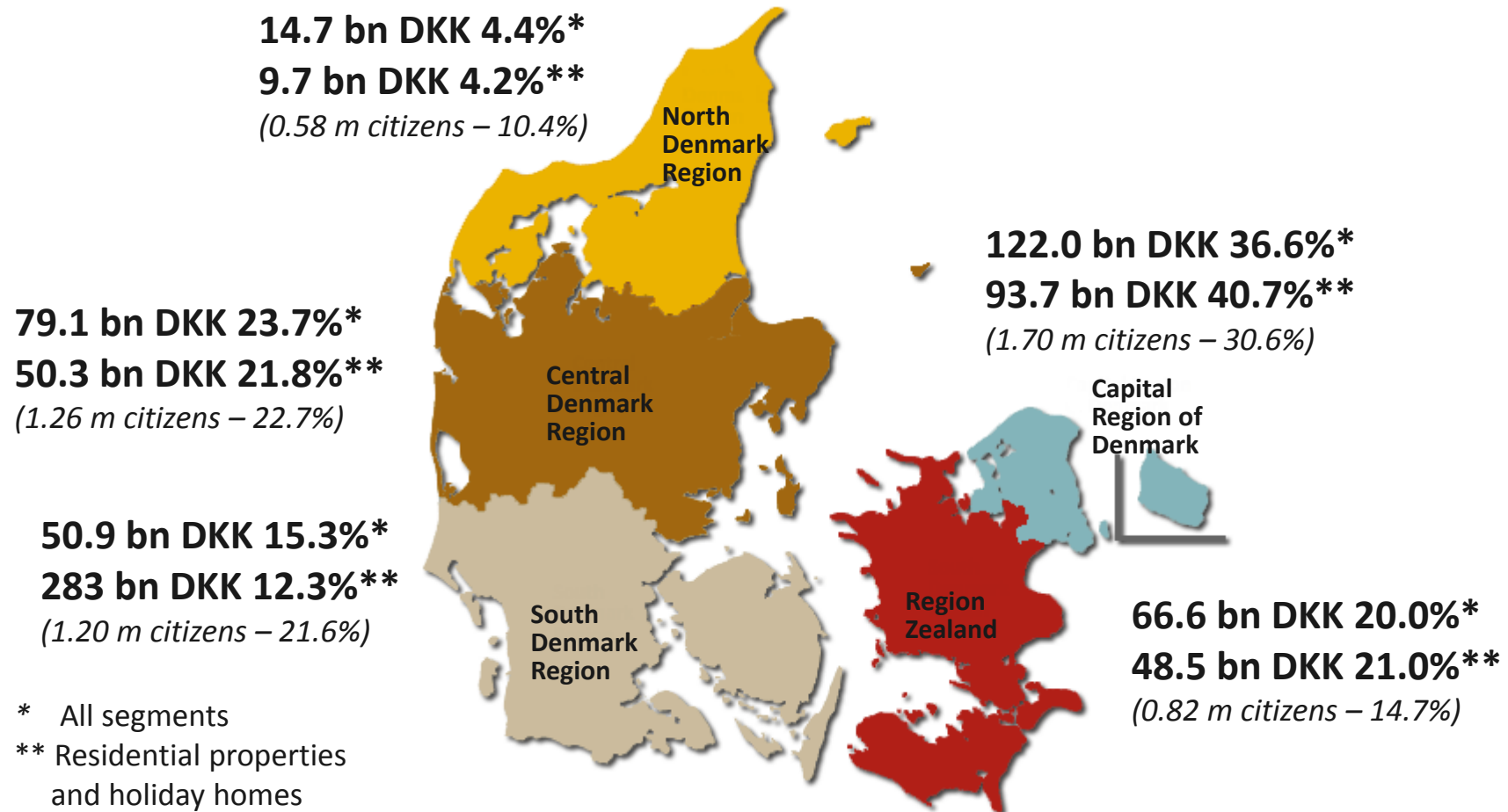


Fixed rate loans account for 52.1% of the total loan portfolio

# Nordea Kredit – geographical distribution of loans Q3, 2011

Fair value, all segments: 333.4 bn DKK, residential properties & holiday homes: 230.5 bn DKK

- Total number of citizens 5.56 m January 2011 – Source: Statistics Denmark



## Asset quality - loss guarantee by Nordea Bank Danmark

- Nordea Bank Danmark takes “first losses” on Nordea Kredit loans according to the table below:

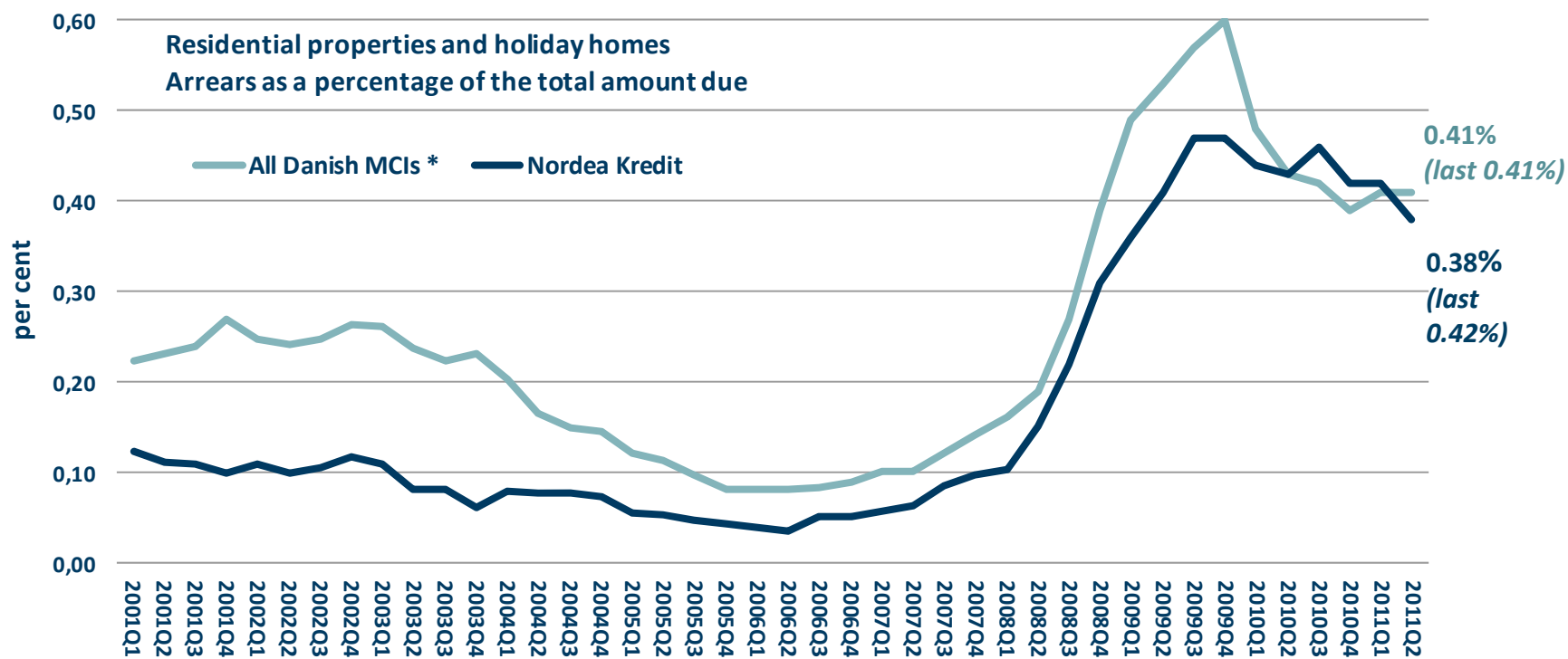
Property type	Guarantee period *	Guarantee level **
Owner occupied dwellings	5 years	25 per cent
Holiday homes	5 years	25 per cent
Subsidized property	10 years	10 per cent
Housing for youth/elderly	10 years	10 per cent
Agricultural property	10 years	25 per cent
Commercial property	10 years	25 per cent

*\*) Guarantee period starts when a loan is issued or remortgaged*

*\*\*\*) As a percentage of the original principal – disregarding all amortisation*

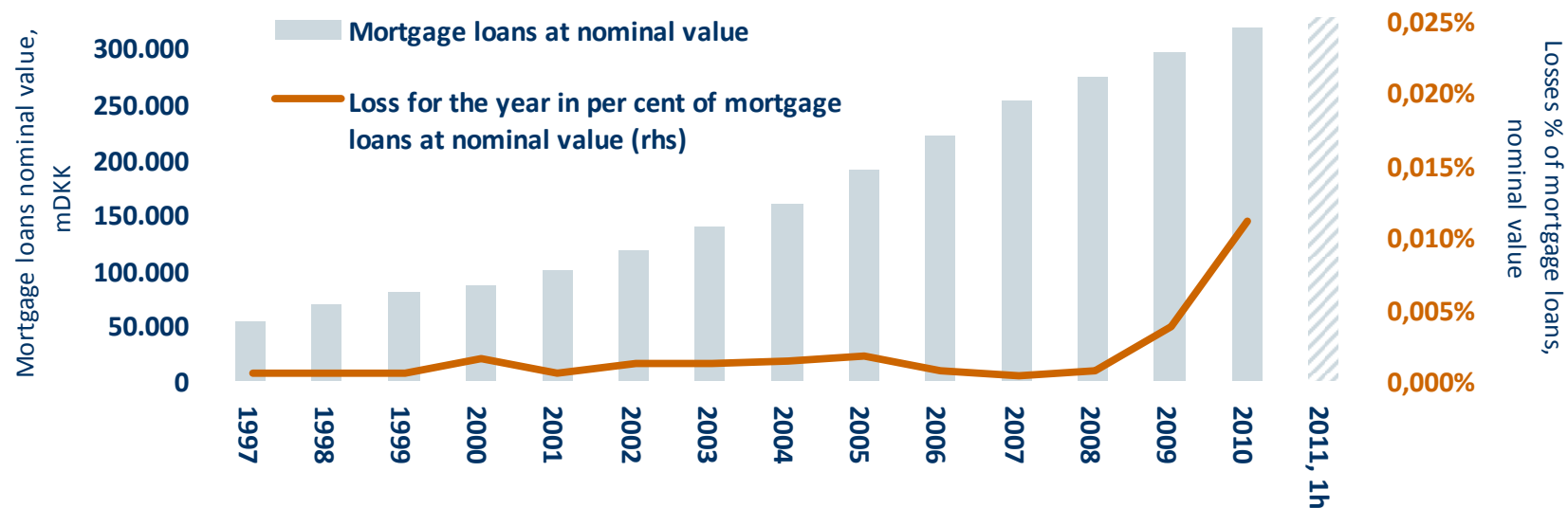
The guarantee amount is not reduced during the guarantee period, but cannot exceed the debt outstanding. A new guarantee period starts when the loan is changed e.g. due to remortgaging.

# Asset quality - late payments by borrowers - 3½ month after due date



\*) Including Nordea Kredit

# Losses in per cent of mortgage loans at nominal value



Nordea Kredit did not experience any losses prior to 1997. In the 1st half of 2011, losses amounted to 21.5 m DKK – total accumulated losses in Nordea Kredit since 1997: 83.5 m DKK

## Nordea Kredit – LTV, loan-to-value 2011 Q3 (2011 Q2)

	LTV CC I & II		LTV CC I		LTV CC II	
	2011Q3	2011Q2	2011Q3	2011Q2	2011Q3	2011Q2
Owner occupied dwellings	74	71	69	65	77	74
Private rental housing	64	62	57	61	67	63
Commercial	61	55	44	46	63	59
Agriculture	49	49	44	44	50	50
Other properties	40	41	41	41	40	41
<b>Total</b>	<b>68</b>	<b>66</b>	<b>65</b>	<b>61</b>	<b>70</b>	<b>68</b>

Refinancing of Cibor6 loans affects LTV figures in the segments “Private rental housing” and “Commercial”, as loans are being refinanced from the grandfathered RO capital center I, to the SDRO based capital center II. Machineries and other movables can under RO legislation be included in valuation of property, but isn’t possible under SDRO legislation. Hence, the changed LTV figures for the categories “Private rental housing” and “Commercial”.

For more detailed information on LTV – please refer to “LTV Report 2011 Q3”

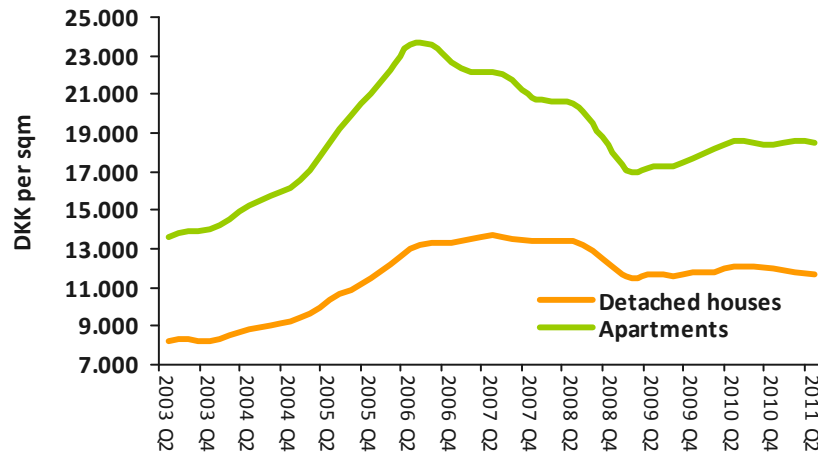


## Legislation

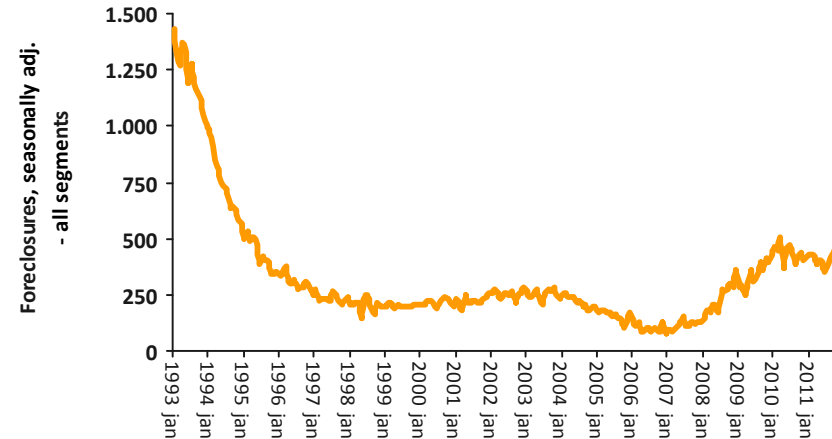
- Danish mortgage financing is closely regulated and supervised by the DFSA (Finanstilsynet): [www.ftnet.dk](http://www.ftnet.dk)
- Some legislation can be found in English at the DFSA's English website: <http://www.finanstilsynet.dk/en/Regler-og-praksis/Translated-regulations.aspx>
- All relevant legislation can be found in Danish at the DFSA's Danish website: <http://www.finanstilsynet.dk/da/Regler-og-praksis/Lovsamling.aspx>



# The Danish economy - house prices and foreclosures



Source: Federation of Danish Mortgage Banks (*Realkreditforeningen*), Association of Danish Mortgage Banks (*Realkreditrådet*), The Danish Bankers Association (*Finansrådet*) and The Danish Association of Chartered Estate Agents (*Dansk Ejendomsmæglerforening*).



Source: The Danish National Statistical Office. Latest data are as per October 2011

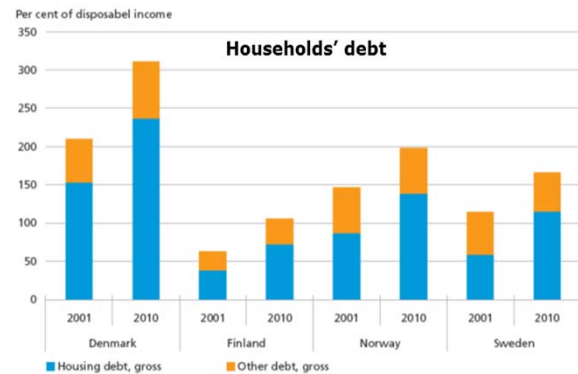
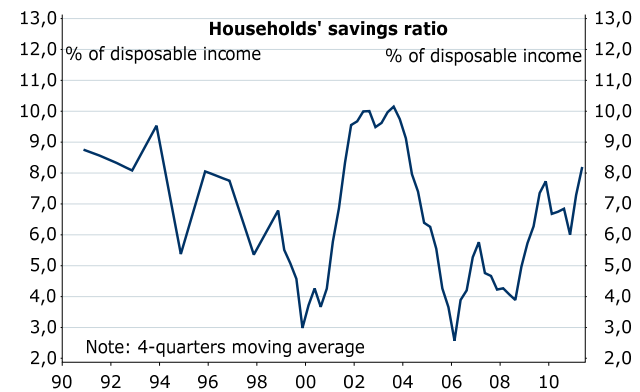
For a number of years house prices increased but by mid-2006 house prices peaked and subsequently declined. Recently, however, increases have been seen.

For more information on macroeconomics please refer to the current issue of “***Economic Outlook***” published by Nordea Markets, Economic Research.

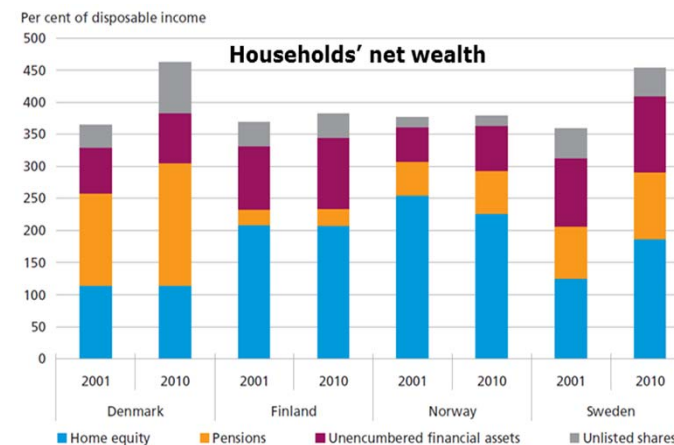
Please note that the top graph to the left is based on new, recalculated data for actual sales prices. The data in this new form were first published in December, 2010 and the latest available data are as of end June 2011.

# Danish housing market: Hesitant buyers – but with high net wealth

- After a rebound house prices have started to decrease moderately again.
- The housing market is affected by elevated uncertainties and a non-positive (currently flat) development in employment.
- Sales are suffering and both dwellings for sale and exposure time are at record-high levels.
- Affordability ratios are low and prices are near a long term fundamental equilibrium.
- Less than 0.5% of total repayments on homeowners' mortgage have not been paid 3½ months after the due date. Arrears and forced sales have flattened and are now at 3-6 times lower levels than during the 1980s and early 1990s.
- We expect house prices to decrease 3% this year and 1% next year.



Note: Debt of the aggregate household sector, i.e. including the self-employed e.g. farmers. In 2010, Danish households had unutilised mortgage loans totalling approximately kr. 60 billion. These loans increase the gross debt and assets.  
Source: Own calculations based on figures from Danmarks Nationalbank, Statistics Denmark, Eurostat, Statistics Finland, Statistics Norway and Statistics Sweden.



# DISCLAIMER – IMPORTANT NOTICE

- This presentation and any information contained in this presentation or supplied in connection therewith, whether in writing or not, are provided for information purposes only. Nordea is not acting as your financial adviser or in any other fiduciary capacity and this presentation should not be treated as giving investment advice.
  - This presentation and any information contained in this presentation or supplied in connection therewith, whether in writing or not, do not constitute or form a part of, and should not be construed as, an offer, recommendation, advertisement of an offer or invitation to subscribe for or purchase any securities of any Nordea Group company anywhere in the world or a solicitation of any such offer, and shall neither form the basis of, or be relied on in connection with, any offer or commitment whatsoever.
  - Information contained in this presentation is derived from publicly available sources which Nordea believes are reliable, and includes market information based on data provided by third party sources identified herein and estimates, assessments, adjustments and judgments that are based on Nordea's experience and familiarity with the sectors in which it operates. There is no assurance that such estimates, assessments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.
  - This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate and (iii) change in interest rate and foreign exchange rate levels. This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.
  - Neither Nordea nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation. Neither Nordea nor any its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this presentation.
  - [This presentation (i) does not and will not constitute or include an invitation to tender for purchase or sale, an advertisement or an offer of any securities in circumstances which could qualify as a public offer (oferta pública) or as a private offer (oferta particular) pursuant to the Portuguese Securities Code (Código dos Valores Mobiliários) enacted by Decree Law no. 486/99, of 13 November, and published by Decree Law no. 357-A/2007 of 31 October, as amended from time to time and (ii) complies with all applicable laws and regulations of the Republic of Portugal.][1]
  - You may not distribute this presentation, in whole or part, without our prior express written permission. This presentation is not for release, directly or indirectly, in or into the United States of America, Australia or Japan.
  -
- [1] For presentations in Portugal.