



# Nordea Kredit Investor Presentation 2012 Q2

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Nordea Kredit

*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:

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- Nordea Kredit – in brief
- Asset quality, losses and arrears
- Loan-to-value (*For detailed information on LTV please refer to “LTV Report 2012, Q2”*)
- Legislation
- Macro-economic factors

## Nordea Kredit – in brief I

- Founded in 1993, number of employees (in FTEs) 133 (as per 2012 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 2012, 1H: 539 m DKK and Cost/Income ratio 13.0%
- Mortgage loans at nominal value 2012 Q2: 341.0 bn DKK
- Mortgage loans at fair value 2012 Q2: 348.1 bn DKK
- Market share 2012 Q2: 14.0% (2012 Q1: 13.9%)  
(Mortgage loans at nominal value as a share of all Danish mortgage bank loans)

## Nordea Kredit – in brief II

- Late payments by borrowers 2012 Q2: 0.32% (2012 Q1: 0.32%)  
Residential properties and holiday homes, 3½ months after due date
- Average LTV 2012 Q2: 73% (2012 Q1: 72%)
- Total capital ratio (2012 Q2) 16.7% and Tier 1 capital ratio 16.7%  
(excl. transition rules)
- Completely match funded “Pass Through” setup with Balance Principle
- Danish mortgage banks are regulated and supervised by Finanstilsynet  
(The Danish FSA)

# Nordea Kredit – ratings and over-collateralisation

	Moody's		S&P	
	CC 1	CC2	CC1	CC 2
Ratings of issued bonds	Aaa	Aaa	AAA	AAA
Required OC / CE for Aaa and AAA rating, %	4.5	16.5	6.24	9.26
Collateral Score, %	10.2	17.6	n.a.	n.a.
TPI leeway /Unused uplift	4	3	4	4

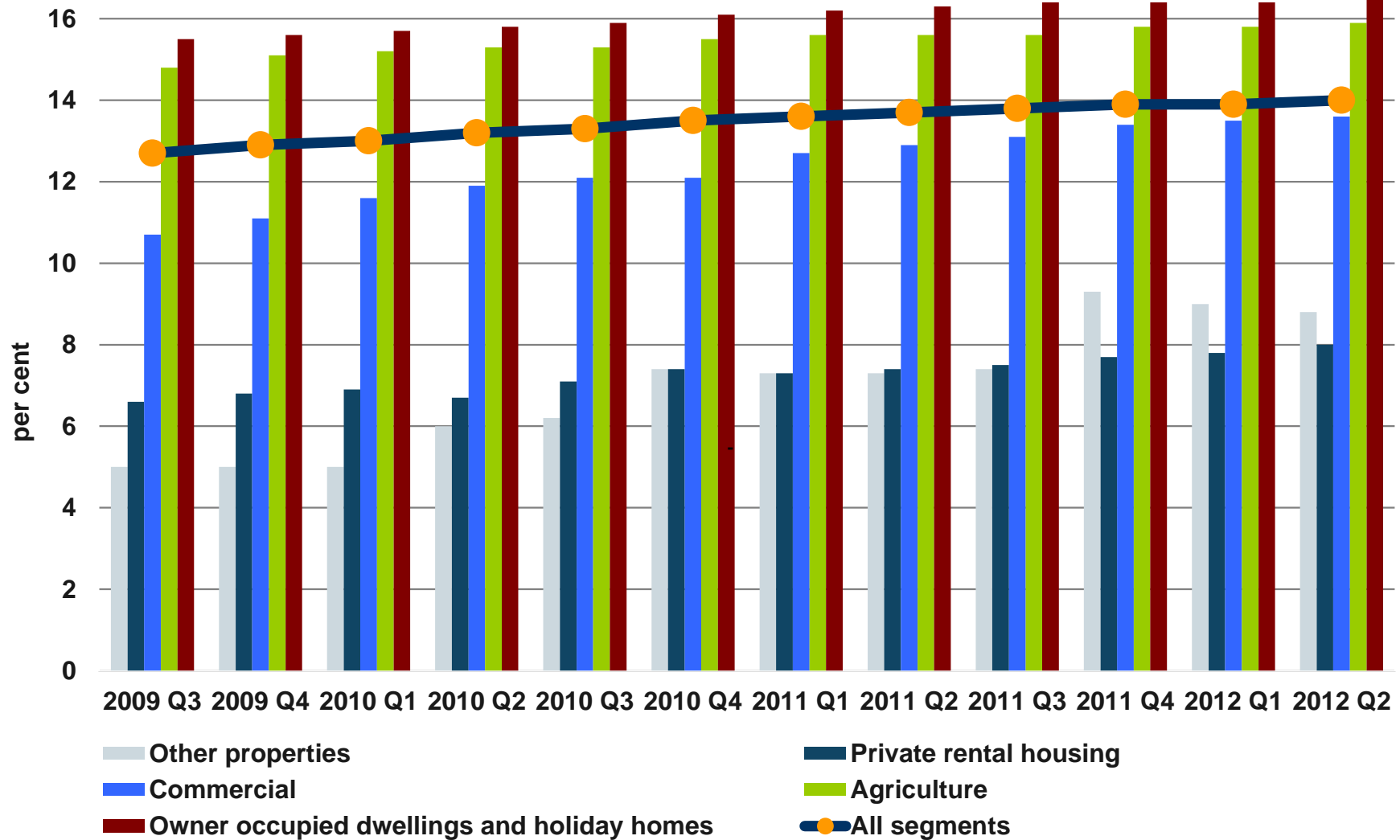
OC (over-collateralisation) and TPI leeway as measured by Moody's  
 CE (credit enhancement) and unused uplift as measured by S&P  
 All data are the latest available prior to the publication of the report

## Current OC, %

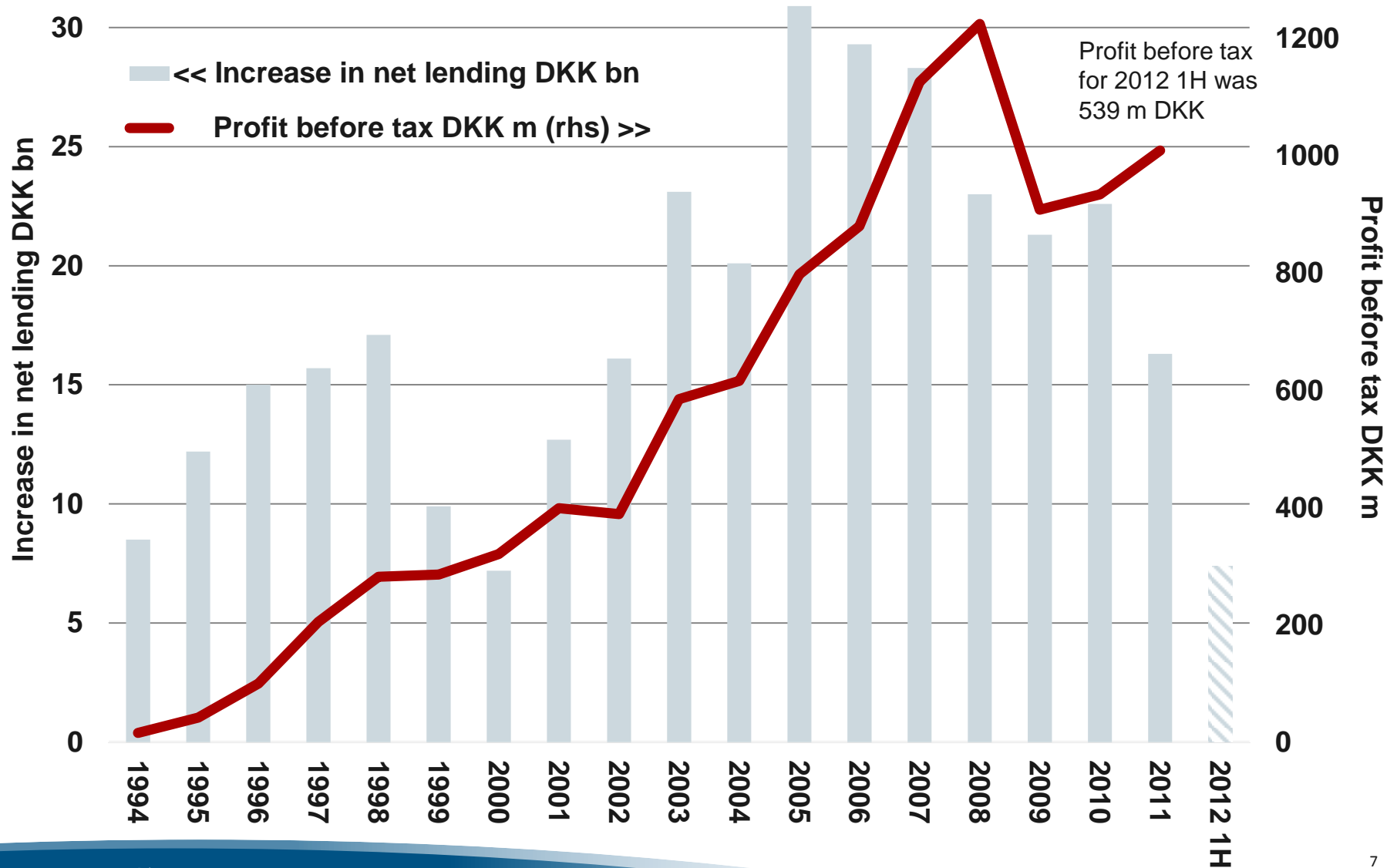
CC1: 9.0

CC2: 17.4

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

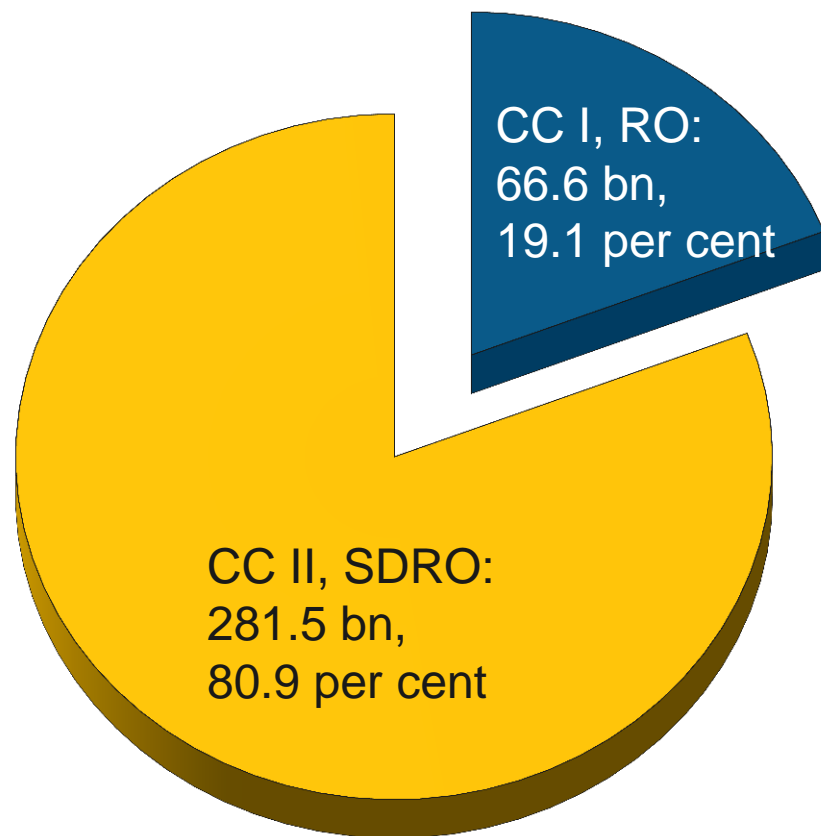


# Nordea Kredit – profit and increase in net lending



# Nordea Kredit – mortgage loans at fair value

CCs I&II, 2012 Q2: DKK 348.1 bn

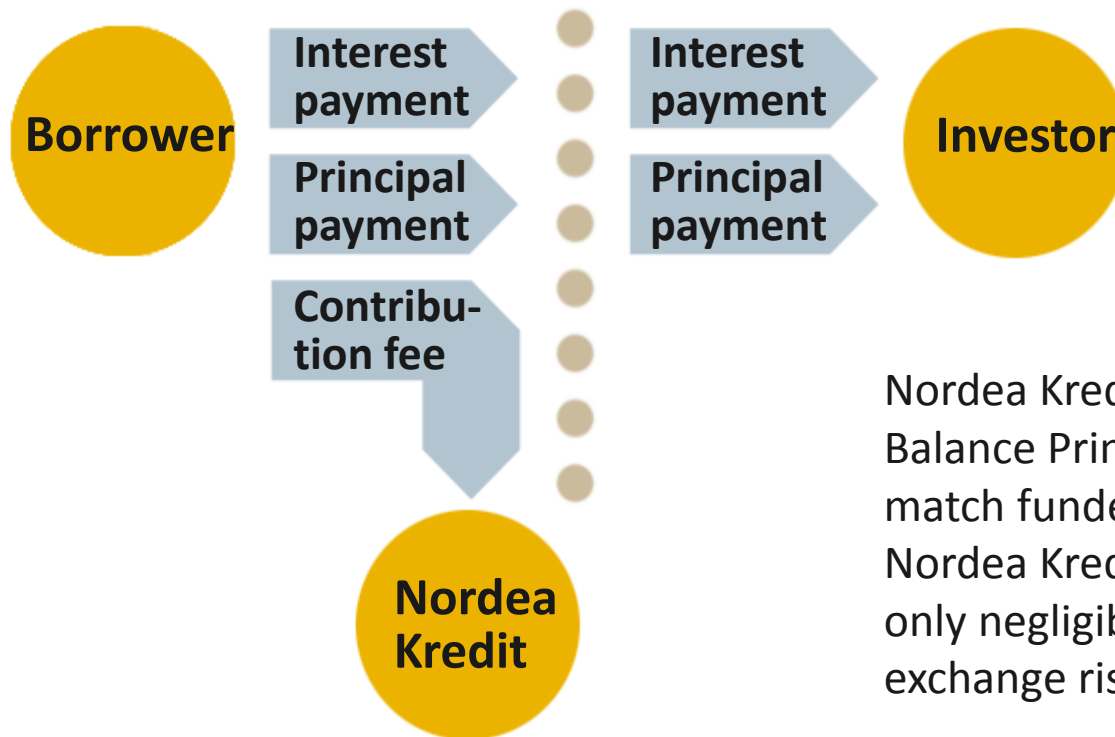


Nordea Kredit has two capital centres:

- 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 2012 exclusively in covered mortgage bonds (SDROs) out of CC II



# Match funded setup due to the specific Balance Principle

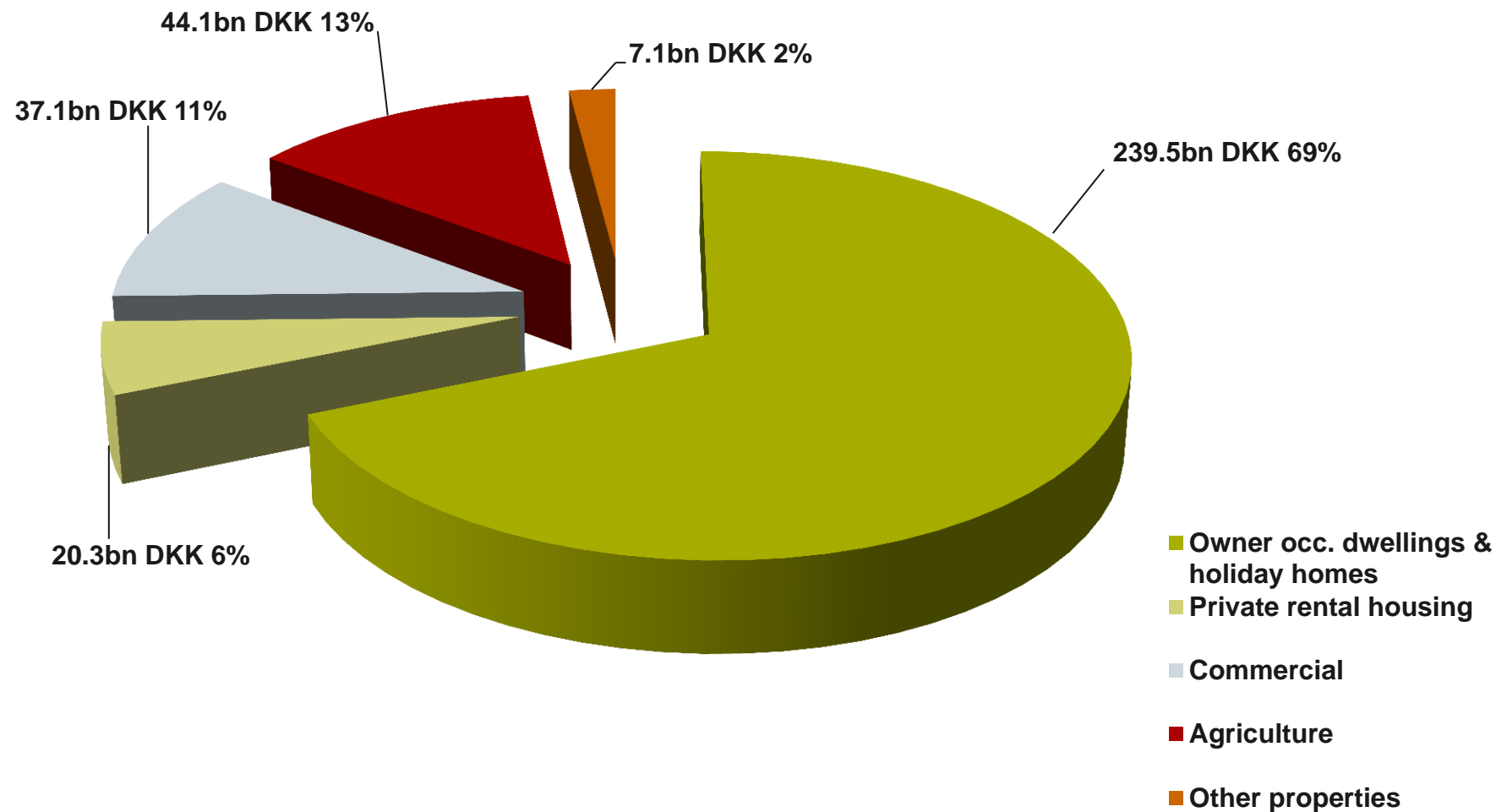


Nordea Kredit complies with the specific Balance Principle, and has a completely match funded “Pass Through” setup. Nordea Kredit has no prepayment risk and only negligible interest rate and foreign exchange risk.

# All property categories

CCs I & II 2012 Q2 at fair value: 348.1 bn DKK

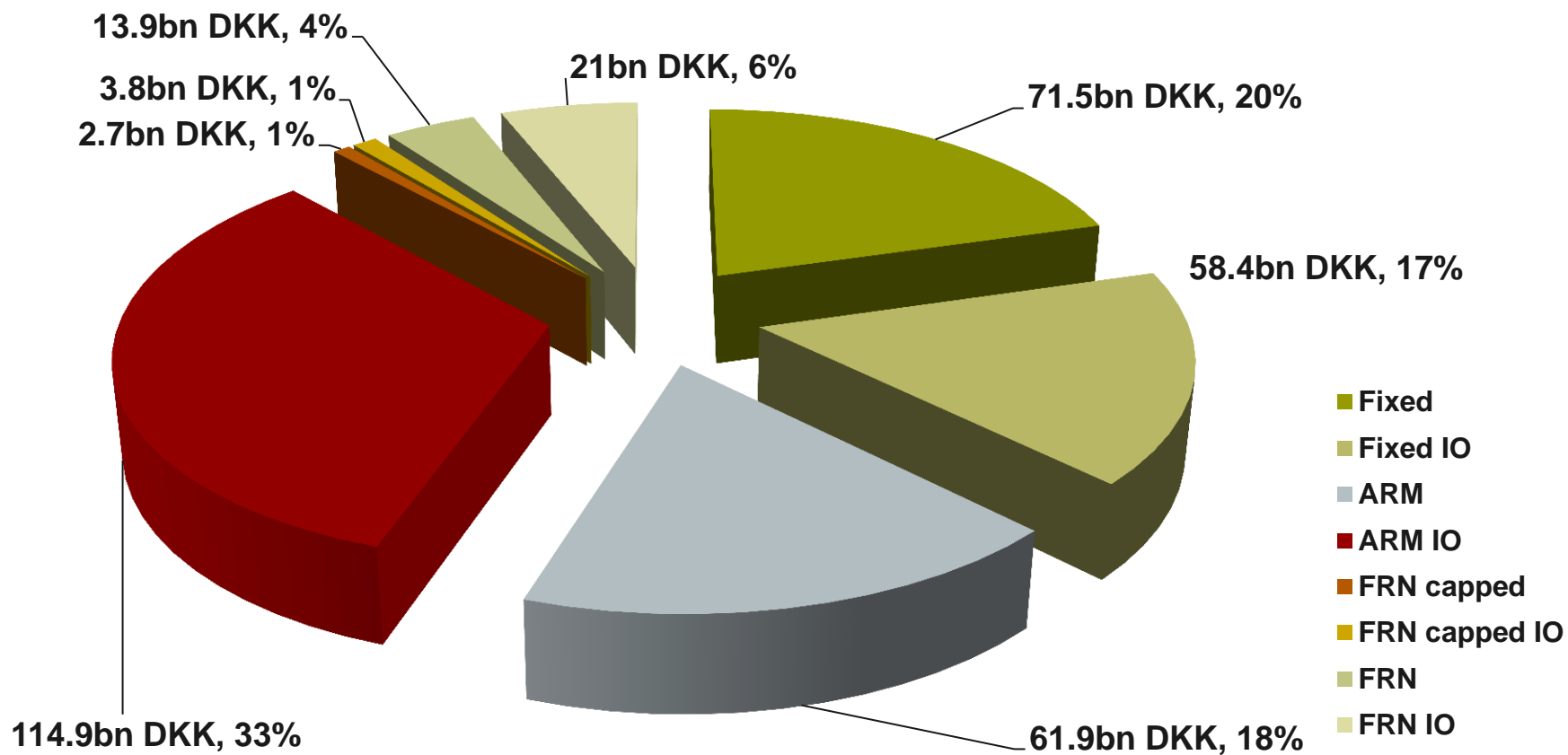
Distribution of loans by property category



# All property categories

CCs I & II, 2012 Q2 at fair value: DKK 348.1

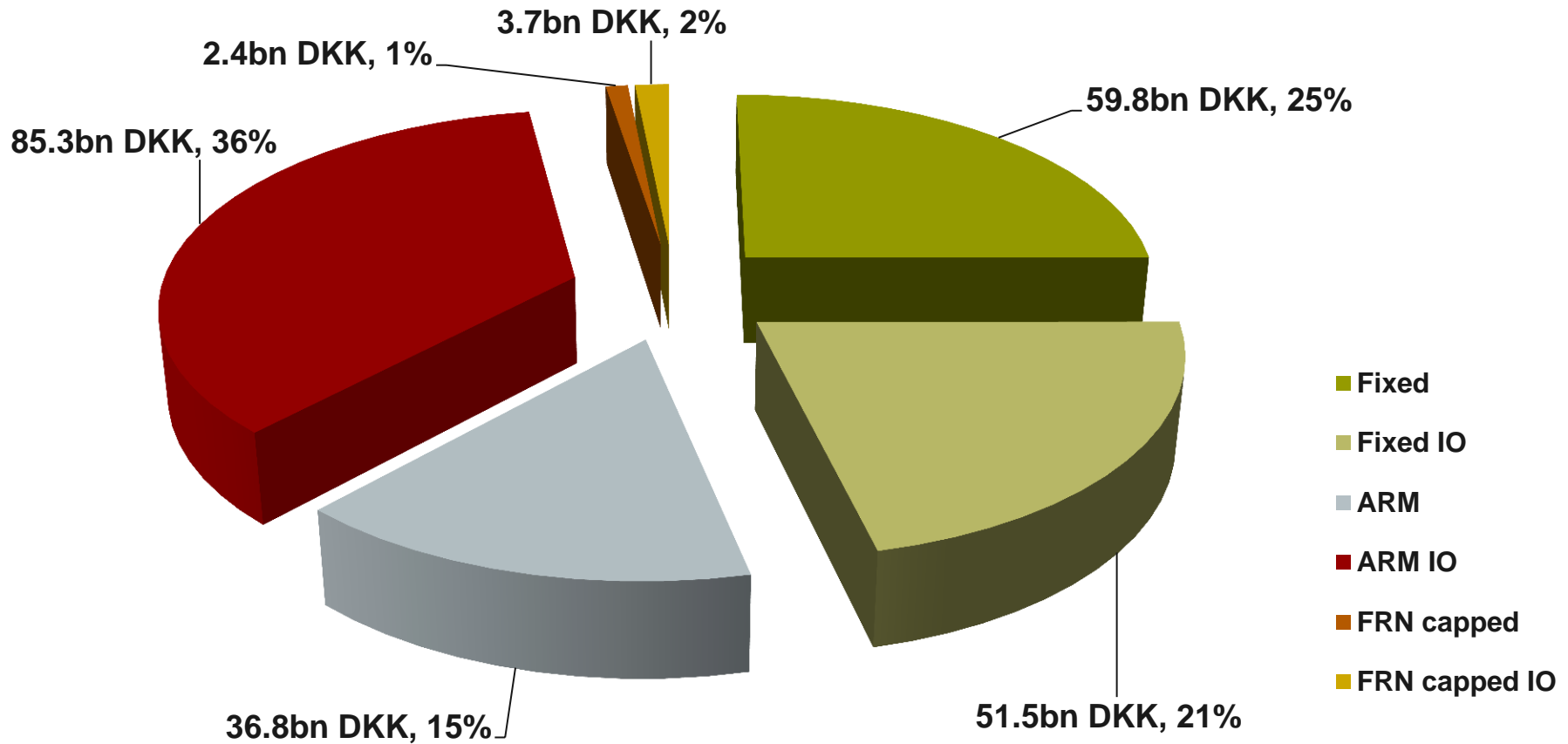
Distribution of loans by loan type



# Residential properties and holiday homes

CCs I & II, 2012 Q2 at fair value: DKK 239.5 bn

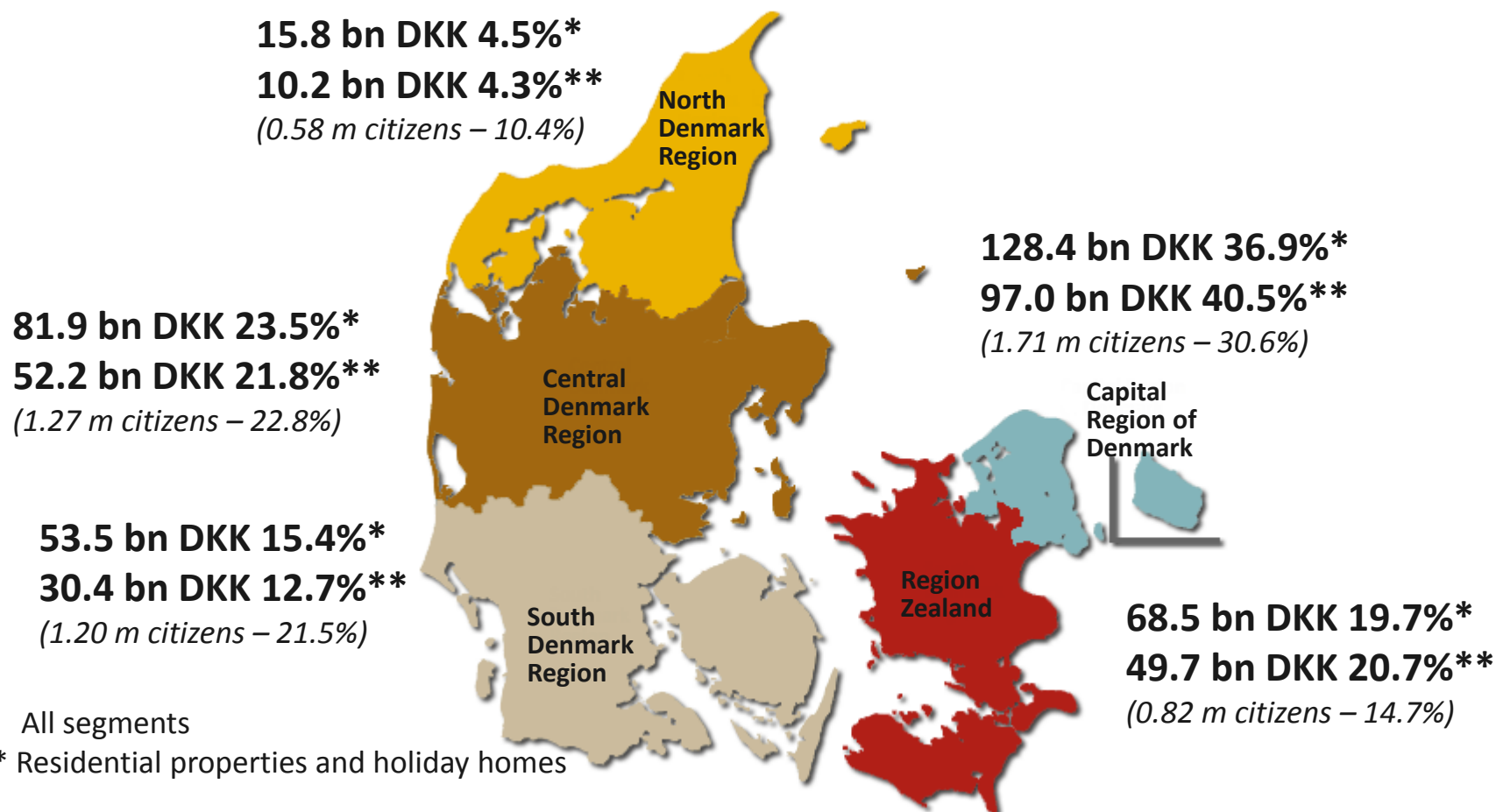
Distribution of loans by loan type



# Nordea Kredit – geographical distribution of loans, 2012 Q2

Fair value, all segments: 348.1 bn DKK

- residential properties & holiday homes: 239.5 bn DKK



\* All segments

\*\* Residential properties and holiday homes

Total number of citizens 5.58 m, January 2012 – 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:

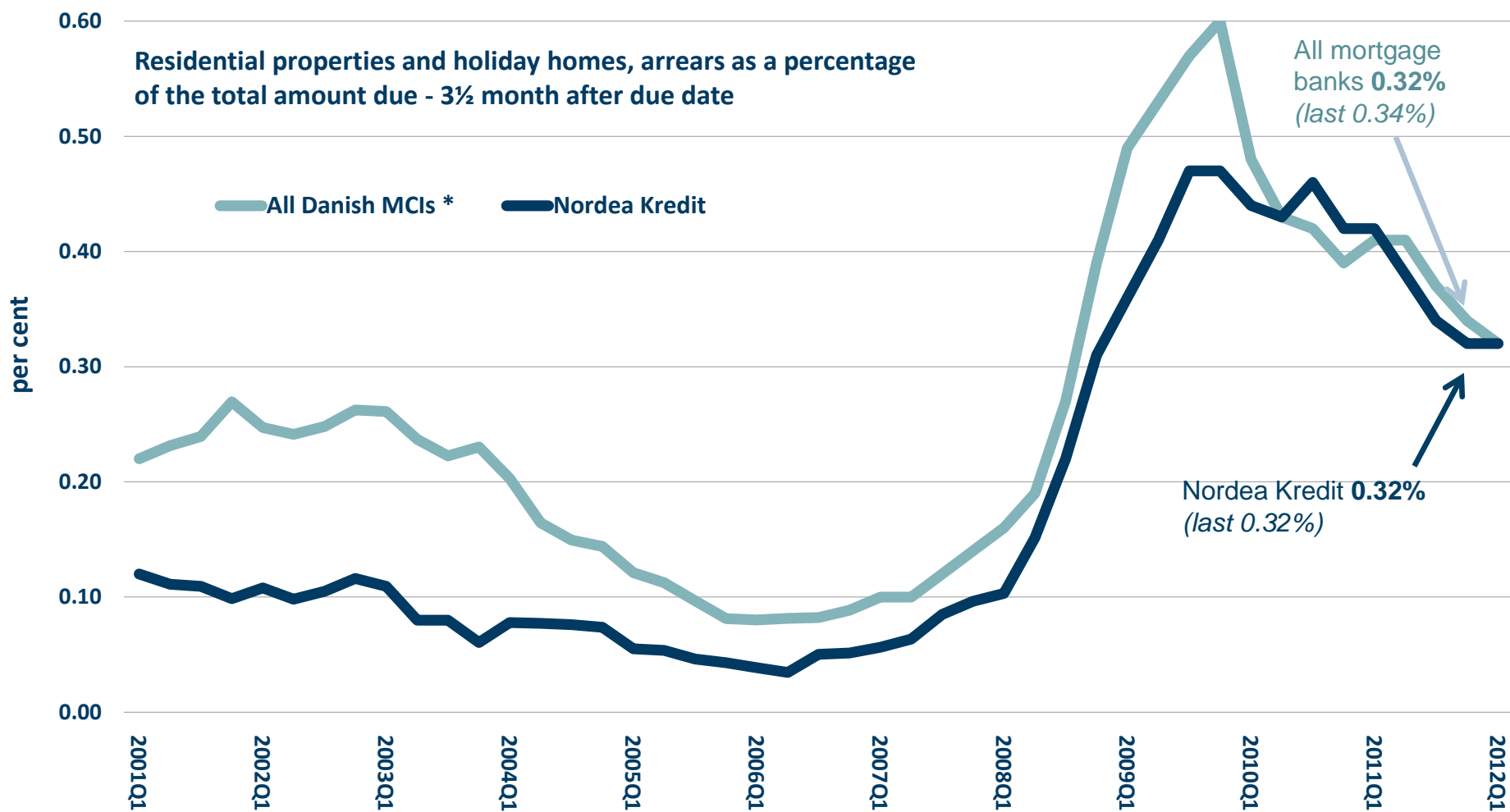
Property type	Guarantee period *	Guarantee level **
Owner occupied dwellings	5 years	25 per cent
Holiday homes	5 years	25 per cent
Subsidized property	10 years	10 per cent
Housing for youth/elderly	10 years	10 per cent
Agricultural property	10 years	25 per cent
Commercial property	10 years	25 per cent

*\*) The guarantee period starts when a loan is disbursed or remortgaged*

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

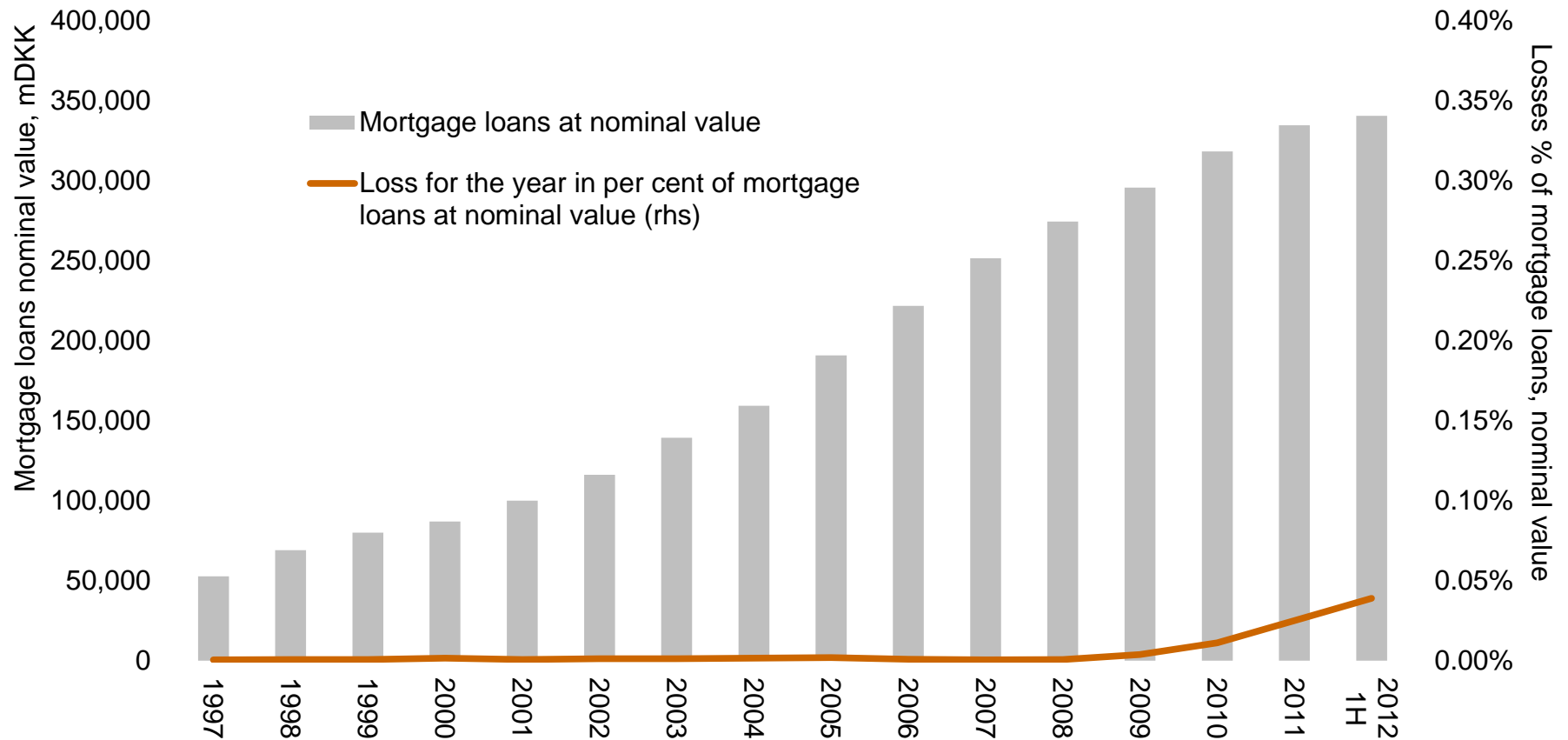
The guarantee amount is not reduced during the guarantee period, but cannot exceed the outstanding debt. A new guarantee period starts when the loan is changed e.g. due to remortgaging.

# Asset quality - late payments by borrowers, 2012 Q2



\*) Including Nordea Kredit

# Losses in per cent of mortgage loans at nominal value, 2012 Q2





## Nordea Kredit – LTV, loan-to-value 2012 Q2 (2012 Q1)

	LTV CC I & II		LTV CC I		LTV CC II	
	2012Q2	2012Q1	2012Q2	2012Q1	2012Q2	2012Q1
Owner occupied dwellings	<b>80</b>	79	75	74	82	81
Private rental housing	66	66	60	59	67	67
Commercial	61	61	44	44	62	63
Agriculture	50	50	45	45	51	51
Other properties	39	43	41	42	39	43
<b>Total</b>	<b>73</b>	<b>72</b>	<b>70</b>	<b>69</b>	<b>73</b>	<b>73</b>

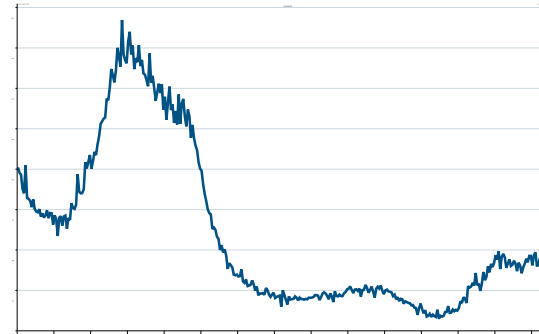
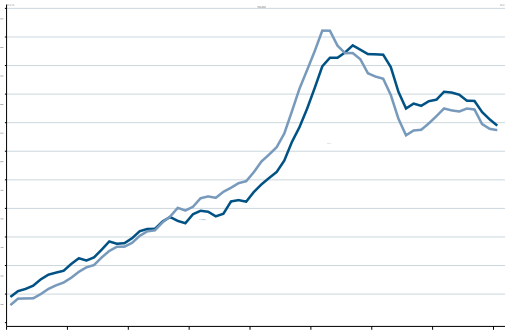
For more detailed information on LTV – please refer to “LTV Report 2012 Q2”

# Legislation

- Danish mortgage financing is 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

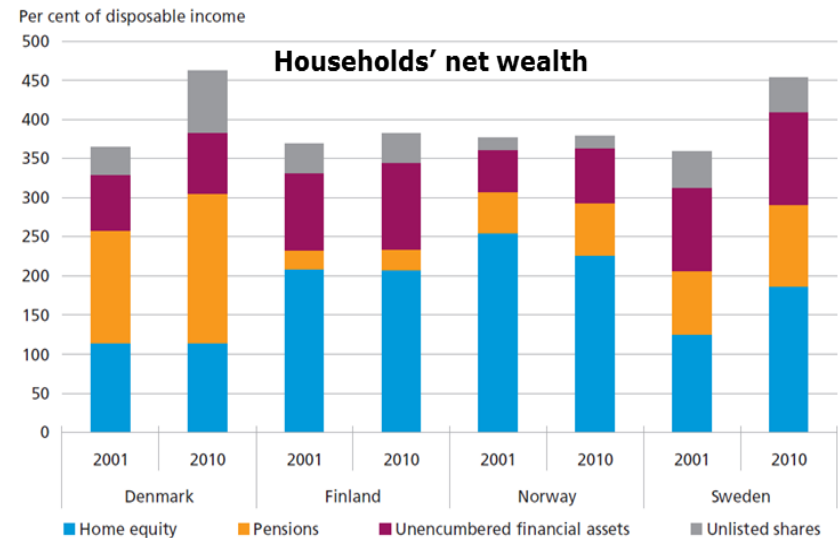
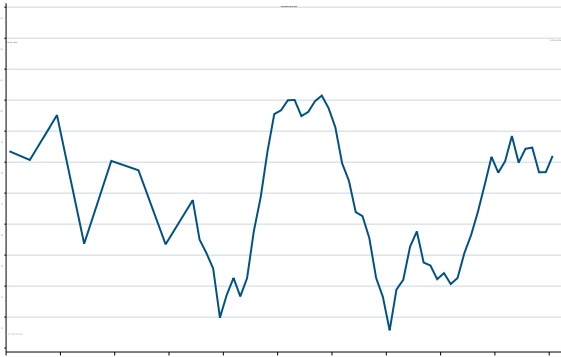


Measured relative to the absolute peak in 2007, house prices have now declined more than 20%. Prices of flats are down almost 24%.

The short-term indicators point to a continued fall in housing prices. However viewed in a historical perspective, house prices are back at the long-term equilibrium level. Coupled with the prospect of gradually rising employment and a historically low interest rate this suggests that house prices will begin to stabilise towards the end of the year.

For more information on macroeconomics please refer to the webpage “[\*\*Economic Newsroom\*\*](#)” published by Nordea Markets, Economic Research.

# Large household net wealth



Source: The Danish Central Bank

After reaching a historical low in 2006, households have taken advantage of recent years' gains in disposable incomes to boost their savings.

Despite a large gross debt the net household wealth of the Danish households is very sound. This is mainly due to very large pension savings.

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